

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
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 1-5805

CHEMICAL BANKING CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

13-2624428
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

270 PARK AVENUE, NEW YORK, N.Y.
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

10017
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 270-6000

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

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE ON
WHICH REGISTERED

COMMON STOCK	NEW YORK STOCK EXCHANGE, INC.
ADJUSTABLE RATE CUMULATIVE PREFERRED STOCK, SERIES C (STATED VALUE--\$12)	NEW YORK STOCK EXCHANGE, INC.
10.96% CUMULATIVE PREFERRED STOCK (STATED VALUE--\$25)	NEW YORK STOCK EXCHANGE, INC.
8.38% CUMULATIVE PREFERRED STOCK (STATED VALUE--\$25)	NEW YORK STOCK EXCHANGE, INC.
7.92% CUMULATIVE PREFERRED STOCK (STATED VALUE--\$100) EVIDENCED BY DEPOSITARY SHARES REPRESENTING ONE QUARTER SHARE OF PREFERRED STOCK	NEW YORK STOCK EXCHANGE, INC.
7.58% CUMULATIVE PREFERRED STOCK (STATED VALUE--\$100) EVIDENCED BY DEPOSITARY SHARES REPRESENTING ONE QUARTER SHARE OF PREFERRED STOCK	NEW YORK STOCK EXCHANGE, INC.
7 1/2% CUMULATIVE PREFERRED STOCK (STATED VALUE--\$100) EVIDENCED BY DEPOSITARY SHARES REPRESENTING ONE QUARTER SHARE OF PREFERRED STOCK	NEW YORK STOCK EXCHANGE, INC.
RIGHTS TO PURCHASE UNITS OF JUNIOR PARTICIPATING PREFERRED STOCK	NEW YORK STOCK EXCHANGE, INC.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING ON FEBRUARY 28, 1994: 253,255,253

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS
REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE
REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH
FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES ..X.. NO

INDICATE 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. [X]

THE AGGREGATE MARKET VALUE OF CHEMICAL BANKING CORPORATION COMMON STOCK
HELD BY NON-AFFILIATES OF CHEMICAL BANKING CORPORATION ON FEBRUARY 28, 1994 WAS
\$9,372,000,000.

DOCUMENT INCORPORATED BY REFERENCE
IN THIS FORM 10-K

PART OF FORM 10-K INTO
WHICH INCORPORATED

Part III

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 17, 1994
PART III (OTHER THAN INFORMATION INCLUDED IN THE PROXY STATEMENT PURSUANT TO
RULE 402 (I), (K) AND (L) OF REGULATION S-K)

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ITEM 1. BUSINESS

OVERVIEW

Chemical Banking Corporation (the "Corporation") is a bank holding company organized under the laws of Delaware in 1968 and registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). On December 31, 1991, Manufacturers Hanover Corporation ("MHC") merged with and into the Corporation (the "Merger"). The Merger was accounted for as a pooling of interests and, accordingly, the Corporation's financial statements include the consolidated results of MHC. In addition, on June 19, 1992, Manufacturers Hanover Trust Company ("MHT"), a New York banking corporation, was merged with and into Chemical Bank ("Chemical Bank"), a New York banking corporation. Certain amounts in the 1992 and 1991 financial statements have been reclassified to conform with the presentation of the 1993 financial statements.

The Corporation conducts domestic and international financial services businesses through various bank and non-bank subsidiaries. The principal bank subsidiaries of the Corporation are Chemical Bank and Texas Commerce Bank National Association, a subsidiary of Texas Commerce Bancshares, Inc. ("Texas Commerce"), a bank holding company subsidiary of the Corporation headquartered in Texas. The bank and non-bank subsidiaries of the Corporation operate nationally through offices located primarily in New York, Texas and New Jersey as well as through overseas branches and an international network of representative offices, subsidiaries and affiliated banks.

The financial services provided by the Corporation's domestic subsidiaries include personal and commercial checking accounts, savings and time deposit accounts, United States corporate tax depository facilities, personal and business loans, consumer financing, leasing, real estate financing, investment banking, mortgage banking, individual credit cards, money transfer, cash management, safe deposit facilities, payroll management, correspondent banking, personal trust and estate administration, full investment services, discount brokerage, United States Government and Federal agency securities dealership, and corporate debt and equity securities dealership and underwriting.

Internationally, services also include correspondent banking arrangements, merchant banking, underwriting and trading of eurosecurities, and foreign exchange activities.

The Corporation's bank subsidiaries also provide products to ensure that a customer will have a specific currency-exchange or interest rate at some future date. These products include interest-rate and currency swaps, interest rate options, future rate agreements, forward interest-rate contracts, foreign exchange contracts and financial futures.

The Corporation retains a 40% interest in the CIT Group Holdings, Inc. ("CIT"). CIT, directly or through its subsidiaries, engages in diversified financial services activities, primarily in the United States. These activities include asset-based finance and leasing, sales finance and factoring. For additional information pertaining to CIT, see the section entitled "Noninterest Revenue" in Section B, page 30.

ORGANIZATIONAL REVIEW

The Corporation's activities are internally organized, for management reporting purposes, into various business sectors. Developments that have occurred during 1993 with respect to these business sectors are disclosed below .

THE GLOBAL BANK

The Global Bank provides banking, financial advisory, trading and investment services to corporations and public sector clients worldwide through a network of offices in 35 countries, including major operations in all key international financial centers. For a discussion of the Global Bank's business activities, see the section entitled "Lines of Business Results" in Section B at page 32. Additionally, during 1993, the Corporation received approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") for authority for its securities subsidiary, Chemical Securities Inc. ("CSI"), to underwrite and deal in corporate debt and equity securities.

THE REGIONAL BANK

The Regional Bank is a leading provider of services to consumers in the tri-state metropolitan region of New York, New Jersey and Connecticut. For a discussion of the Regional Bank's business activities, see the section entitled "Lines of Business Results" in Section B at page 33. Additionally, during 1993, the Corporation continued to build The Hanover Funds, the Corporation's proprietary mutual funds family, by increasing the number of funds available for investment from six to ten, continued the merging of the branch systems of Chemical Bank and MHT, introduced unified products throughout the Regional Bank branch network and initiated steps to sell insurance products nationwide through a joint venture with MDS/Bankmark. In 1994, the Corporation sold certain of Chemical Bank's branches located in Albany, Buffalo, Rochester, Syracuse and certain other upstate locations to Fleet Bank of New York, and plans to close approximately 50 branches located in the N.Y. metropolitan area.

TEXAS COMMERCE

Texas Commerce is a major financial institution in Texas with over 115 locations statewide and serving as the primary Texas bank for more than half of all companies located in Texas with annual revenues of \$250 million or more. For a discussion of Texas Commerce's business activities, see the section entitled "Lines of Business Results" in Section B at page 33. In February 1993, Texas Commerce acquired certain assets of four former banks of the First City Bancorporation of Texas and in September 1993 Texas Commerce acquired Ameritrust Texas Corporation. As a result of these acquisitions, at December 31, 1993, Texas Commerce ranked, in terms of total deposits, first in the Houston and third in the Dallas/Fort Worth banking markets and had more than doubled its trust assets under management to \$14 billion, the largest trust operations in the southwest United States.

REAL ESTATE AND CORPORATE

For a discussion on the Corporation's real estate and corporate business sectors, see the section entitled "Lines of Business Results" in Section B at page 34.

ACQUISITIONS, DIVESTITURES AND STRATEGIC POSITIONING

The acquisitions and divestitures undertaken by the Corporation during 1993 are consistent with the Corporation's desire to focus on businesses and markets where it has or can acquire a leadership position. The Corporation intends to continue to examine opportunities for expansion or acquisition, particularly in businesses in which economies of scale are important (such as credit cards, mortgage servicing, mutual funds and certain areas of operating services) or in which significant expense savings can be obtained from consolidation of operations (such as in-market consolidations of banking operations). Likewise, businesses that fall outside the Corporation's strategic focus (either in terms of product offering or geographic market), may be candidates for divestiture or closure. The Corporation also intends to continue its productivity efforts to focus on containing costs throughout the organization and increasing efficiency over the long term. As part of this program, the Corporation may open new branches and close existing branches from time to time in order to keep its distribution system attuned to changing economics of branch banking and changing customer preferences for delivery of banking services.

COMPETITION

The Corporation and its subsidiaries and affiliates operate in a highly competitive environment. The Corporation's bank subsidiaries compete with other domestic and foreign banks, thrift institutions, credit unions, and money market and other mutual funds for deposits and other sources of funds. In addition, the Corporation and its bank and non-bank subsidiaries face increased competition with respect to the diverse financial services and products they offer. Competitors also include leasing companies, finance companies, brokerage firms, investment banking companies, merchant banks, and a variety of other financial services and advisory companies. Many of these competitors are not subject to the same regulatory restrictions as are domestic bank holding companies and banks, such as the Corporation and its bank subsidiaries.

The Corporation expects that competitive conditions will continue to intensify as a result of technological advances. Technological advances have, for example, made it possible for non-depository institutions to offer customers automatic transfer systems and other automated payment systems services that have been traditional banking products.

GOVERNMENT MONETARY POLICIES AND ECONOMIC CONTROLS

The earnings and business of the Corporation are affected by general economic conditions, both domestic and international. In addition, fiscal or other policies that are adopted by various regulatory authorities of the United States, by foreign governments, and by international agencies can have important consequences on the financial performance of the Corporation. The Corporation is particularly affected by the policies of the Federal Reserve Board, which regulates the national supply of bank credit. Among the instruments of monetary policy available to the Federal Reserve Board are engaging in open-market operations in United States Government securities; changing the discount rates of borrowings of depository institutions; imposing or changing reserve requirements against depository institutions deposits and certain assets of foreign branches; and imposing or changing reserve requirements against certain borrowings by banks and their affiliates (including parent corporations such as the Corporation). These methods are used in varying combinations to influence the overall growth of bank loans, investments, and deposits, and the interest rates charged on loans or paid for deposits.

The Corporation has economic, credit, legal, and other specialists who monitor economic conditions, and domestic and foreign government policies and actions. However, since it is difficult to predict changes in macroeconomic conditions and in governmental policies and actions relating thereto, it is difficult to foresee the effects of any such changes on the business and earnings of the Corporation and its subsidiaries.

SUPERVISION AND REGULATION

The Corporation is subject to regulation as a registered bank holding company under the BHCA. As such, the Corporation is required to file with the Federal Reserve Board an annual report and other information required quarterly pursuant to the BHCA. The Corporation is also subject to the examination powers of the Federal Reserve Board.

Under the BHCA, the Corporation may not engage in any business other than managing and controlling banks or furnishing certain specified services to subsidiaries, and may not acquire voting control of non-banking corporations, except those corporations engaged in businesses or furnishing services which the Federal Reserve Board deems to be so closely related to banking as "to be a proper incident thereto". Further, the Corporation is prohibited, with certain exceptions, from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any non-banking corporation, and may not acquire direct or indirect ownership or control of more than 5% of the voting shares of any domestic bank without the prior approval of the Federal Reserve Board. Under existing laws, the Federal Reserve Board generally is prohibited from approving any application by a bank holding company to acquire voting shares of any bank in another state unless such interstate acquisitions are authorized by the laws of such state or unless, under certain circumstances, such bank is a failing bank.

Federal law imposes limitations on the payment of dividends by the subsidiaries of the Corporation that are state member banks of the Federal Reserve System (a "state member bank") or national banks. Non-bank subsidiaries of the Corporation are not subject to such limitations. The amount of dividends that may be paid by a state member bank, such as Chemical Bank, or by a national bank, such as Texas Commerce Bank National Association, is limited to the lesser of the amounts calculated under a "recent earnings" test and an "undivided profits" test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's "net profits" combined with the "retained net profits" of the two preceding years unless the bank obtains the approval of its appropriate Federal banking regulator (which, in the case of a member bank, is the Federal Reserve Board and, in the case of a national bank, is the Office of the Comptroller of the Currency (the "Comptroller of the Currency")). Under the undivided profits test, a dividend may not be paid in excess of a bank's "undivided profits then on hand", after deducting losses and "bad debts" in excess of the allowance for loan and lease losses.

Under regulations adopted by the Federal Reserve Board and the Comptroller of the Currency, the terms "net profits" and "undivided profits then on hand" are defined as the amounts reported by a bank on its Reports of Condition and Income; the term "retained net profits" is defined as net income (as defined) less any common or preferred dividends declared for the reporting period; and the term "bad debts" is defined to include matured obligations due a bank on which the interest is past due and unpaid for six months, unless the debts are well secured and in the process of collection. Generally, a debt is considered "matured" when all or a part of the principal is due and payable as a result of demand, arrival of the stated maturity date, of acceleration by contract or by operation of law. The New York Banking Department also adopted regulations in December 1990 that require net profits of New York State-chartered banks, like Chemical Bank, to be calculated in a manner similar to the method set forth in the Federal Reserve Board's regulations.

At December 31, 1993, in accordance with the foregoing restrictions, the Corporation's bank subsidiaries could, without the approval of their relevant banking regulators, pay dividends of approximately \$1,715 million to their respective bank holding companies, plus an additional amount equal to their net profits from January 1, 1994 through the date of any such dividend payment.

In addition to the dividend restrictions described above, the Federal Reserve Board, the Comptroller of the Currency and the FDIC have authority under the Financial Institutions Supervisory Act to prohibit or to limit the payment of dividends by the banking organizations they supervise, including the Corporation and its subsidiaries that are banks or bank holding companies, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

For a further discussion of the dividend restrictions imposed on the Corporation's subsidiaries that are state member or national banks, see Note 17, "Restrictions on Cash and Intercompany Funds Transfers", in Section B on page 71.

The Corporation is also subject to the risk-based capital and leverage guidelines of the Federal Reserve Board, which require that the Corporation's capital-to-assets ratios meet certain minimum standards. For a discussion of the Federal Reserve Board's guidelines and the Corporation's ratios, see the sections entitled "Capital", "Risk-Based Capital Ratios", and "Leverage Ratios" in Section B, pages 42 through 44. The FDIC, the Federal Reserve Board and the Comptroller of the Currency also have issued proposed rules which are intended to revise the risk-based capital rules to take into account interest-rate risk. For a further discussion of the proposed rulemaking and the Corporation's assessment of the impact the proposal would have on the capital ratios of the Corporation, see the section entitled "Interest Rate Sensitivity" in Section B at pages 47 through 49.

FDICIA

On December 19, 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") was enacted. Among other things, FDICIA requires the FDIC to establish a risk-based assessment system for FDIC deposit insurance and revises certain provisions of the Federal Deposit Insurance Act as well as certain other Federal banking statutes. In general, FDICIA provides for expanded regulation of depository institutions and their affiliates, including parent holding companies, by such institutions' appropriate Federal banking regulators, and requires the appropriate Federal banking regulator to take "prompt corrective action" with respect to a depository institution if such institution does not meet certain capital adequacy standards.

Prompt Corrective Action. Pursuant to FDICIA, the Federal Reserve Board, the FDIC and the Office of the Comptroller of the Currency adopted regulations, effective December 19, 1992, setting forth a five-tier scheme for measuring the capital adequacy of the depository institutions they supervise. Under the regulations (commonly referred to as the "prompt corrective action" rules), an institution would be placed in one of the following capital categories: (i) well capitalized (an institution that has a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 6% and a Tier 1 leverage ratio of at least 5%); (ii) adequately capitalized (an institution that has a total risk-based capital ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 4% and a Tier 1 leverage ratio of at least 4%); (iii) undercapitalized (an institution that has a total risk-based capital ratio of under 8% or a Tier 1 risk-based capital ratio under 4% or a Tier 1 leverage ratio under 4%); (iv) significantly undercapitalized (an institution that has a total risk-based capital ratio of under 6% or a Tier 1 risk-based capital ratio under 3% or a Tier 1 leverage ratio under 3%); and (v) critically undercapitalized (an institution that has a ratio of tangible equity to total assets of 2% or less).

Supervisory actions by the appropriate Federal banking regulator will depend upon an institution's classification within the five categories. All institutions are generally prohibited from declaring any dividends, making any other capital distribution, or paying a management fee to any controlling person, if such payment would cause the institution to become undercapitalized. Additional supervisory actions are mandated for an institution falling into one of the three "undercapitalized" categories, with the severity of supervisory action increasing at greater levels of capital deficiency. For example, critically undercapitalized institutions are, among other things, restricted from making any principal or interest payments on subordinated debt without prior approval of their appropriate Federal banking regulator. The regulations apply only to banks and not to bank holding companies, such as the Corporation; however, the Federal Reserve Board is authorized to take appropriate action at the holding company level based on the undercapitalized status of such holding company's subsidiary banking institution. In certain instances relating to an undercapitalized banking institution, the bank holding company would be required to guarantee the performance of the undercapitalized subsidiary and may be liable for civil money damages for failure to fulfill its commitments on such guarantee.

At December 31, 1993, Chemical Bank and Texas Commerce National Association were each "well capitalized".

Brokered Deposits. The FDIC issued a rule, effective June 16, 1992, regarding the ability of depository institutions to accept brokered deposits. Under the rule, the term "brokered deposits" is defined to include deposits that are solicited by a bank's affiliates on its behalf. A significant portion of Chemical Bank's wholesale deposits are solicited on its behalf by a broker-dealer affiliate of Chemical Bank and are considered brokered deposits. Under the rule, (i) an "undercapitalized institution is prohibited from accepting, renewing or rolling over brokered deposits, (ii) an "adequately capitalized" institution must obtain a waiver from the FDIC before accepting, renewing or rolling over brokered deposits and is not permitted to pay interest on brokered deposits accepted in such institution's normal market area at rates that "significantly exceed" rates paid on deposits of similar maturity in such area, and (iii) a "well capitalized" institution may accept, renew or roll over brokered deposits without restriction. The definitions of "well capitalized", "adequately capitalized", and "undercapitalized" are the same as those utilized in the "prompt corrective action" rules described above. As noted above, at December 31, 1993, each of Chemical Bank and Texas Commerce Bank National Association was "well capitalized".

FDIC Insurance Assessments. The FDIC has adopted final rules implementing, for assessment periods commencing January 1, 1994, risk-based insurance premiums. Under the assessment system, each depository institution is assigned to one of nine risk classifications based upon certain capital and supervisory measures and, depending upon its classification, will be assessed premiums ranging from 23 basis points to 31 basis points. In adopting the "permanent" risk-based assessment system, the FDIC indicated that, if future conditions so warrant, it may reconsider certain aspects of the rate schedules and of the risk classification categories. The Corporation believes that the implementation of the "permanent" risk-based FDIC assessment system will not have a material effect on the Corporation's FDIC expenses during 1994.

Other FDICIA Rules. Other rules that have been adopted pursuant to FDICIA include: (i) real estate lending standards for banks, which would provide guidelines concerning loan-to-value ratios for various types of real estate loans; (ii) rules relating to consumer lending, including regulations governing advertising and disclosures required for consumer deposit accounts; (iii) rules requiring depository institutions to develop and implement internal procedures to evaluate and control credit and settlement exposure to their correspondent banks; (iv) rules implementing the FDICIA provision prohibiting, with certain exceptions, FDIC-insured state banks from making equity investments of the types and amount, or from engaging as principal in activities, not permissible for national banks; and (v) rules mandating enhanced financial reporting and audit requirements. Rules proposed, but not yet adopted, include those addressing (i) various "safety and soundness" issues, including operations and managerial standards, standards for asset quality, earnings and stock valuations, and compensation standards for the officers, directors, employees and principal stockholders of the depository institution, (ii) the degree to which the risk-based capital rules should be revised to take into account interest-rate risk, as previously mentioned and (iii) notice provisions in the case of branch closings.

The Corporation expects the rules and regulations adopted and proposed to be adopted pursuant to FDICIA will result in increased compliance costs for the Corporation and its bank subsidiaries but does not expect such rules and regulations to have a material impact on the operations of the Corporation or its bank subsidiaries.

POWERS OF THE FDIC UPON INSOLVENCY OF AN INSURED DEPOSITORY INSTITUTION
The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") imposes liability on an FDIC-insured depository institution (such as the Corporation's bank subsidiaries), for costs incurred by the FDIC in connection with the insolvency of other FDIC-insured institutions under common control with such institution (commonly referred to as "cross-guarantees" of insured depository institutions). An FDIC cross-guarantee claim against a depository institution is superior in right of payment to claims of the holding company and its affiliates against such depository institution.

In the event an insured depository institution becomes insolvent, or upon the occurrence of certain other events specified in the Federal Deposit Insurance Act, whenever the FDIC is appointed the conservator or receiver of such insured depository institution, the FDIC has the power: (i) to transfer any of such bank's assets and liabilities to a new obligor (including, but not limited to, another financial institution acquiring all or a portion of the bank's business, assets or liabilities), without the approval of such bank's creditors; (ii) to enforce the terms of such bank's contracts pursuant to their terms, or (iii) to repudiate or disaffirm any contract or lease to which such depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of such depository institution's assets. Such provisions of the Federal Deposit Insurance Act would be applicable to obligations and liabilities of those of the Corporation's subsidiaries that are insured depository institutions, such as Chemical Bank and Texas Commerce Bank National Association, including without limitation, obligations under senior or subordinated debt issued by such banks to investors (hereinafter referred to as "public noteholders") in the public markets.

In its resolution of the problems of an insured depository institution in default or in danger of default, the FDIC is not permitted to take any action that would have the effect of increasing the losses to a deposit insurance fund by protecting depositors for more than the insured portion of their deposits or by protecting creditors of the insured depository institution (including public noteholders), other than depositors. On October 25, 1993, the FDIC issued proposed rules to implement these provisions. In addition, the FDIC is authorized to settle all uninsured and unsecured claims in the insolvency of an insured institution by making a final settlement payment after the declaration of insolvency based upon a percentage determined by the FDIC reflecting an average of the FDIC's receivership recovery experience, regardless of the assets of the insolvent institution actually available for distribution to creditors. Such a payment would constitute full payment and disposition of the FDIC's obligations to claimants.

The Omnibus Budget Reconciliation Act of 1993 included a "depositor preference" provision, which provided that, in the event of a liquidation of an insured depository institution, claims of depositors and their subrogees, including the FDIC in respect of the payment of insured deposits, would be entitled to a preference over all other unsecured claimants against the depository institution, including some creditors (such as certain public noteholders), other than depositors.

As a result of the provisions described above, whether or not the FDIC ever sought to repudiate any obligations held by public noteholders of any subsidiary of the Corporation that is an insured depository institution, such as Chemical Bank or Texas Commerce Bank National Association, the public noteholders would be treated differently from, and could receive, if anything, substantially less than, holders of deposit obligations of such depository institution.

OTHER SUPERVISION AND REGULATION

Under Federal Reserve Board policy, the Corporation is expected to act as a source of financial strength to each bank subsidiary and to commit resources to support such bank subsidiary in circumstances where it might not do so absent such policy. Any loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a Federal bank regulatory agency to maintain the capital of a subsidiary bank at a certain level will be assumed by the bankruptcy trustee and entitled to a priority of payment.

The bank subsidiaries of the Corporation are subject to certain restrictions imposed by Federal law on extensions of credit to, and certain other transactions with, the Corporation and certain other affiliates and on investments in stock or securities thereof. Such restrictions prevent the Corporation and other affiliates from borrowing from a bank subsidiary unless the loans are secured in specified amounts. Without the prior approval of the Federal Reserve Board, secured loans, other transactions and investments by any bank subsidiary are generally limited in amount as to the Corporation and as to each of the other affiliates to 10% of the bank's capital and surplus and as to the Corporation and all such other affiliates to an aggregate of 20% of the bank's capital and surplus. Federal law also requires that transactions between a bank subsidiary and the Corporation or certain non-bank affiliates, including extensions of credit, sales of securities or assets and the provision of services, be conducted on terms at least as favorable to the bank subsidiary as those that apply or that would apply to comparable transactions with unaffiliated parties.

The Corporation's bank and non-bank subsidiaries are subject to direct supervision and regulation by various other Federal and state authorities. Chemical Bank, as a New York State-chartered bank and member bank of the Federal Reserve System, is subject to supervision and regulation of the New York State Banking Department as well as by the Federal Reserve Board and the FDIC. The Corporation's national bank subsidiaries, such as Texas Commerce Bank National Association, Chemical Bank New Jersey, N.A. and Chemical Bank, N.A., are subject to substantially similar supervision and regulations by the Comptroller of the Currency. Supervision and regulation by each of the foregoing regulatory agencies generally include comprehensive annual reviews of all major aspects of the relevant bank's business and condition, as well as the imposition of periodic reporting requirements and limitations on

investments and other powers. The activities of the Corporation's broker-dealers are subject to the regulations of the Securities and Exchange Commission and the National Association of Securities Dealers, and, in the case of CSI, are subject to the supervision and regulation of the Federal Reserve Board (which has imposed conditions governing CSI's activities, including limitations on the gross revenues that may be derived from certain of CSI's activities). Additionally, various securities activities conducted by the bank subsidiaries of the Corporation, such as dealing in municipal securities, acting as transfer agent, the making available of mutual funds and providing other types of investment management services, are subject to the regulations of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board and, with respect to certain activities of its mutual funds, the Federal Reserve Board. The types of activities in which the foreign branches of Chemical Bank and the international subsidiaries of the Corporation may engage are subject to various restrictions imposed by the Federal Reserve Board. Such foreign branches and international subsidiaries are also subject to the laws and banking authorities of the countries in which they operate.

Federal and state legislation affecting the banking industry has played, and will continue to play, a significant role in shaping the nature of the financial services industry. For example, there are bills currently pending in Congress that would permit, to varying degrees, the interstate expansion and branching of bank holding companies and banks, respectively. In addition, there are cases pending before Federal and state courts that seek to expand or restrict interpretations of existing laws and their accompanying regulations affecting bank holding companies and their subsidiaries. It is not possible to predict the extent to which the Corporation and its subsidiaries may be affected by any of these initiatives.

FOREIGN OPERATIONS

For geographic distributions of total assets, total revenue, total expense, income before income tax expense and net income, see Note 21, "International Operations", of the Notes to Consolidated Financial Statements in Section B, page 77. For a discussion of foreign loans, see the sections entitled "Cross-Border Outstandings" and "Outstandings to Countries Engaged in Debt Rescheduling" in Section B, pages 41 and 42.

STATISTICAL INFORMATION

In addition to the statistical information that is presented in the following pages in this Section A of the Form 10-K, the following statistical information is included in Section B of the Form 10-K:

DESCRIPTION OF STATISTICAL INFORMATION	SECTION B LOCATION
1. DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL	Pages 80 and 81 (Average Balances, Interest and Rates)
2. SECURITIES PORTFOLIO	Pages 60 and 61 (Note 4)
3. RISK ELEMENTS:	
Lending and Related Activities	Pages 34 through 42 (includes an analysis of the Corporation's Credit Portfolio, Credit Risk Management, Nonperforming Assets, Allowance for Losses, Net Charge-Offs, Commercial Real Estate, Commercial and Industrial, Financial Institutions, and Foreign Governments and Official Institutions, and Consumer Portfolios, Cross-Border Outstandings and Outstandings to Countries Engaged in Debt Rescheduling) and pages 62 through 64 (Notes 5, 6 and 7)
Nonaccrual Policy	Pages 57 and 58 (Note 1)
Impact of Nonperforming Loans on Interest Income	Page 64 (Note 7)
Cross-Border Outstandings Exceeding 1% of Total Assets and Outstandings to Liquidity Impaired Countries	Pages 41 through 42 (Cross-Border Outstandings and Outstandings to Countries Engaged in Debt Rescheduling)
4. SUMMARY OF LOAN LOSS EXPERIENCE	Pages 36 through 42 (Allowance for Losses, Net Charge-Offs and Commercial Real Estate, Commercial and Industrial, Financial Institutions, and Foreign Governments and Official Institutions, Consumer, Cross-Border Outstandings and Outstandings to Countries Engaged in Debt Rescheduling), pages 57 and 58 (Note 1) and page 63 (Note 6)
5. PERFORMANCE RATIOS, CAPITAL RATIOS AND ALLOWANCE COVERAGE RATIOS	Page 25 (Financial Review)
6. SHORT-TERM AND OTHER BORROWINGS	Page 64 (Note 8)

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL

For a five-year summary of the consolidated average balances, interest rates and interest differentials on a taxable-equivalent basis for the years 1993 through 1989, see Section B, pages 80 and 81. Income computed on a taxable-equivalent basis is income as reported in the Consolidated Statement of Income adjusted to make income and earning yields on assets exempt from income taxes (primarily Federal taxes) comparable to other taxable income. The incremental tax rate used for calculating the taxable equivalent adjustment was approximately 43% in each of the years 1993 through 1989.

Within the five-year summary, the principal amounts of nonaccrual and renegotiated loans have been included in the average loan balances used to determine the average interest rate earned on loans. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. Subsequent cash receipts are applied either to the outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collectibility of principal and interest. Interest income is accrued on renegotiated loans at the renegotiated rates. Certain renegotiated loan agreements call for additional interest to be paid on a deferred or a contingent basis. Such interest is taken into income only as collected.

A summary of interest rates and interest differentials segregated between domestic and foreign operations for the years 1993, 1992 and 1991 is presented on pages A11 and A12 herein. Regarding the basis of segregation between the domestic and foreign components, see Note 21 of the Notes to Consolidated Financial Statements in Section B, page 77.

The tables on pages A13 through A16 herein present an analysis of the effect on net interest income of volume and rate changes for the periods 1993 over 1992 and 1992 over 1991. In this analysis, the change due to the volume/rate variance has been allocated to volume.

CHEMICAL BANKING CORPORATION AND SUBSIDIARIES

INTEREST RATES AND INTEREST DIFFERENTIAL ANALYSIS OF NET INTEREST INCOME -
DOMESTIC AND FOREIGN

(DOLLARS IN MILLIONS; INTEREST AND AVERAGE RATES ON A TAXABLE-EQUIVALENT BASIS)	1993		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE
DOMESTIC			
INTEREST-EARNING ASSETS:			
Deposits With Banks	\$ 232	\$ 10	4.65%
Federal Funds Sold and Securities Purchased Under Resale Agreements	9,946	314	3.16
Securities and Trading Account Assets	25,977	1,741	6.70
Loans	57,701	4,197	7.28
TOTAL INTEREST-EARNING ASSETS	\$ 93,856	\$ 6,262	6.67
INTEREST-BEARING LIABILITIES:			
Deposits:			
Domestic Retail Time Deposits	\$ 46,598	\$ 1,237	2.65
Domestic Negotiable Certificates of Deposit and Other Time Deposits	6,242	191	3.05
Total Deposits	52,840	1,428	2.70
Short-Term Borrowings:			
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	14,413	397	2.76
Other Borrowed Funds	7,881	412	5.24
Total Short-Term Borrowings	22,294	809	3.63
Long-Term Debt	7,763	494	6.37
Intra-Company Funding-Net	(4,835)	(187)	--
TOTAL INTEREST-BEARING LIABILITIES	78,062	2,544	3.26
NONINTEREST-BEARING LIABILITIES	15,794	--	--
TOTAL INVESTABLE FUNDS	\$ 93,856	\$ 2,544	2.71
DOMESTIC NET INTEREST INCOME AND NET YIELD		\$ 3,718	3.96%
FOREIGN			
INTEREST-EARNING ASSETS:			
Deposits With Banks	\$ 3,970	\$ 258	6.49%
Federal Funds Sold and Securities Purchased Under Resale Agreements	354	25	6.93
Securities and Trading Account Assets	5,716	439	7.67
Loans	21,038	1,440	6.85
TOTAL INTEREST-EARNING ASSETS	\$ 31,078	\$ 2,162	6.95
INTEREST-BEARING LIABILITIES:			
Deposits	\$ 21,066	\$ 813	3.86
Short-Term Borrowings:			
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	1,048	75	7.15
Other Borrowed Funds	1,220	108	8.82
Total Short-Term Borrowings	2,268	183	8.05
Long-Term Debt	290	40	13.77
Intra-Company Funding-Net	4,835	187	3.86
TOTAL INTEREST-BEARING LIABILITIES	28,459	1,223	4.29
NONINTEREST-BEARING LIABILITIES	2,619	--	--
TOTAL INVESTABLE FUNDS	\$ 31,078	\$ 1,223	3.93
FOREIGN NET INTEREST INCOME AND NET YIELD		\$ 939	3.02%
PERCENTAGE OF TOTAL ASSETS AND LIABILITIES ATTRIBUTABLE TO FOREIGN OPERATIONS:			
Assets			24.5%
Liabilities			25.2%

1992

1991

1992			1991		
AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
\$ 22	\$ 1	6.11%	\$ 290	\$ 21	7.41%
8,368	308	3.69	10,340	586	5.67
24,308	1,806	7.43	24,147	2,073	8.59
58,963	4,580	7.77	60,460	5,604	9.27
-----	-----	-----	-----	-----	-----
\$ 91,661	\$ 6,695	7.30	\$ 95,237	\$ 8,284	8.71
-----	-----	-----	-----	-----	-----
\$ 44,538	\$ 1,438	3.23	\$ 43,193	\$ 2,373	5.49
7,506	296	3.94	8,458	494	5.84
-----	-----	-----	-----	-----	-----
52,044	1,734	3.33	51,651	2,867	5.55
-----	-----	-----	-----	-----	-----
15,011	552	3.70	18,890	1,129	6.01
7,387	390	5.31	9,278	624	6.73
-----	-----	-----	-----	-----	-----
22,398	942	4.21	28,168	1,753	6.22
-----	-----	-----	-----	-----	-----
5,829	393	6.75	5,564	424	7.64
(3,326)	(49)	--	(2,247)	(134)	--
-----	-----	-----	-----	-----	-----
76,945	3,020	3.93	83,136	4,910	5.91
14,716	--	--	12,101	--	--
-----	-----	-----	-----	-----	-----
\$ 91,661	\$ 3,020	3.29	\$ 95,237	\$ 4,910	5.17
-----	-----	-----	-----	-----	-----
	\$ 3,675	4.01%		\$ 3,374	3.54%
	=====			=====	
\$ 2,583	\$ 273	10.56%	\$ 2,498	\$ 342	13.68%
224	41	18.45	115	12	10.52
3,571	371	10.38	2,954	306	10.32
23,210	1,799	7.75	24,060	2,352	9.77
-----	-----	-----	-----	-----	-----
\$ 29,588	\$ 2,484	8.39	\$ 29,627	\$ 3,012	10.16
-----	-----	-----	-----	-----	-----
\$ 21,717	\$ 1,134	5.22	\$ 22,754	\$ 1,801	7.92
-----	-----	-----	-----	-----	-----
647	71	11.05	464	42	9.07
1,179	215	18.20	1,317	251	19.05
-----	-----	-----	-----	-----	-----
1,826	286	15.67	1,781	293	16.44
-----	-----	-----	-----	-----	-----
391	61	15.54	316	31	9.75
3,326	49	1.49	2,247	134	5.98
-----	-----	-----	-----	-----	-----
27,260	1,530	5.61	27,098	2,259	8.33
2,328	--	--	2,529	--	--
-----	-----	-----	-----	-----	-----
\$ 29,588	\$ 1,530	5.17	\$ 29,627	\$ 2,259	7.62
-----	-----	-----	-----	-----	-----
	\$ 954	3.22%		\$ 753	2.54%
	=====			-----	
		22.5%			21.6%
		22.8%			20.9%

CHANGE IN NET INTEREST INCOME
VOLUME AND RATE ANALYSIS

(DOLLARS IN MILLIONS; INTEREST AND AVERAGE RATES ON A TAXABLE-EQUIVALENT BASIS)	CONSOLIDATED		
	INCREASE (DECREASE) DUE TO CHANGE IN VOLUME	RATE	NET CHANGE
INTEREST-EARNING ASSETS			
Deposits With Banks	\$ 99	\$ (105)	\$ (6)
Federal Funds Sold and Securities Purchased Under Resale Agreements	60	(70)	(10)
Securities and Trading Account Assets	277	(274)	3
Loans	(244)	(498)	(742)
CHANGE IN INTEREST INCOME	192	(947)	(755)
INTEREST-BEARING LIABILITIES			
Deposits:			
Domestic Retail Time Deposits	57	(258)	(201)
Domestic Negotiable Certificates of Deposit and Other Time Deposits	(38)	(67)	(105)
Deposits in Foreign Offices	(26)	(295)	(321)
Total Deposits	(7)	(620)	(627)
Short-Term Borrowings:			
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	15	(166)	(151)
Other Borrowed Funds	31	(116)	(85)
Total Short-Term Borrowings	46	(282)	(236)
Long-Term Debt	109	(29)	80
Intra-Company Funding	--	--	--
CHANGE IN INTEREST EXPENSE	148	(931)	(783)
CHANGE IN NET INTEREST INCOME	\$ 44	\$ (16)	\$ 28

1993 OVER 1992

DOMESTIC			FOREIGN		
INCREASE (DECREASE) DUE TO CHANGE IN VOLUME	RATE	NET CHANGE	INCREASE (DECREASE) DUE TO CHANGE IN VOLUME	RATE	NET CHANGE
\$ 9	\$ --	\$ 9	\$ 90	\$ (105)	\$ (15)
50	(44)	6	10	(26)	(16)
112	(177)	(65)	165	(97)	68
(94)	(289)	(383)	(150)	(209)	(359)
77	(510)	(433)	115	(437)	(322)
57	(258)	(201)	--	--	--
(38)	(67)	(105)	--	--	--
--	--	--	(26)	(295)	(321)
19	(325)	(306)	(26)	(295)	(321)
(14)	(141)	(155)	29	(25)	4
27	(5)	22	4	(111)	(107)
13	(146)	(133)	33	(136)	(103)
123	(22)	101	(14)	(7)	(21)
(59)	(79)	(138)	59	79	138
96	(572)	(476)	52	(359)	(307)
\$ (19)	\$ 62	\$ 43	\$ 63	\$ (78)	\$ (15)

CHANGE IN NET INTEREST INCOME
VOLUME AND RATE ANALYSIS(DOLLARS IN MILLIONS; INTEREST AND AVERAGE
RATES ON A TAXABLE-EQUIVALENT BASIS)

	CONSOLIDATED		
	INCREASE (DECREASE) DUE TO CHANGE IN VOLUME	RATE	NET CHANGE
INTEREST-EARNING ASSETS			
Deposits With Banks	\$ (7)	\$ (82)	\$ (89)
Federal Funds Sold and Securities Purchased			
Under Resale Agreements	(53)	(196)	(249)
Securities and Trading Account Assets	76	(278)	(202)
Loans	(184)	(1,393)	(1,577)
	-----	-----	-----
CHANGE IN INTEREST INCOME	(168)	(1,949)	(2,117)
	-----	-----	-----
INTEREST-BEARING LIABILITIES			
Deposits:			
Domestic Retail Time Deposits	41	(976)	(935)
Domestic Negotiable Certificates of Deposit			
and Other Time Deposits	(37)	(161)	(198)
Deposits in Foreign Offices	(53)	(614)	(667)
	-----	-----	-----
Total Deposits	(49)	(1,751)	(1,800)
	-----	-----	-----
Short-Term Borrowings:			
Federal Funds Purchased and Securities			
Sold Under Repurchase Agreements	(121)	(427)	(548)
Other Borrowed Funds	(127)	(143)	(270)
	-----	-----	-----
Total Short-Term Borrowings	(248)	(570)	(818)
	-----	-----	-----
Long-Term Debt	31	(32)	(1)
Intra-Company Funding	--	--	--
	-----	-----	-----
CHANGE IN INTEREST EXPENSE	(266)	(2,353)	(2,619)
	-----	-----	-----
CHANGE IN NET INTEREST INCOME	\$ 98	\$ 404	\$ 502
	=====	=====	=====

DOMESTIC			FOREIGN		
INCREASE (DECREASE) DUE TO CHANGE IN VOLUME	RATE	NET CHANGE	INCREASE (DECREASE) DUE TO CHANGE IN VOLUME	RATE	NET CHANGE
\$ (16)	\$ (4)	\$ (20)	\$ 9	\$ (78)	\$ (69)
(73)	(205)	(278)	20	9	29
13	(280)	(267)	63	2	65
(117)	(907)	(1,024)	(67)	(486)	(553)
(193)	(1,396)	(1,589)	25	(553)	(528)
41	(976)	(935)	--	--	--
(37)	(161)	(198)	--	--	--
--	--	--	(53)	(614)	(667)
4	(1,137)	(1,133)	(53)	(614)	(667)
(141)	(436)	(577)	20	9	29
(102)	(132)	(234)	(25)	(11)	(36)
(243)	(568)	(811)	(5)	(2)	(7)
19	(50)	(31)	12	18	30
(16)	101	85	16	(101)	(85)
(236)	(1,654)	(1,890)	(30)	(699)	(729)
\$ 43	\$ 258	\$ 301	\$ 55	\$ 146	\$ 201

SECURITIES PORTFOLIO

On December 31, 1993, the Corporation adopted Statement of Financial Accounting Standard No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 addresses the accounting for investments in equity securities that have readily determinable fair values and all investments in debt securities. Prior to the adoption of SFAS 115, available-for-sale securities were carried at the lower of aggregate amortized cost or market value. For a further discussion of the Corporation's securities portfolio see Note 4 of the Notes to Consolidated Financial Statements in Section B, pages 60 through 61.

Of the securities held in the Corporation's securities portfolio, the U.S. Government is the only issuer whose securities exceeded 10% of the Corporation's total stockholders' equity at December 31, 1993. The year-end balances of the Corporation's held-to-maturity securities for 1993, 1992 and 1991 were as follows:

	DECEMBER 31,		
	1993	1992	1991
(IN MILLIONS)			
U.S. Treasury and Federal Agencies	\$ 9,142	\$ 12,108	\$ 14,081
Obligations of States and Political Subdivisions	13	4	24
Other (a)	953	2,924	5,658
Total	\$ 10,108	\$ 15,036	\$ 19,763

The year-end balances of the Corporation's available-for-sale securities for 1993 and 1992 were as follows:

	DECEMBER 31,	
	1993	1992
(IN MILLIONS)		
U.S. Treasury and Federal Agencies	\$ 11,897	\$ 6,568
Other (a)	3,943	1,822
Total	\$ 15,840	\$ 8,390

(a) Includes investments in debt securities issued by foreign governments, corporate debt securities, collateralized mortgage obligations of private issuers, and other debt and equity securities.

The following table presents, by maturity range and type of security, the amortized cost at December 31, 1993, and the average yield of the held-to-maturity securities portfolio.

MATURITIES AND AVERAGE YIELDS OF THE PORTFOLIO	AMORTIZED COST DECEMBER 31, 1993	AVERAGE YIELD (a)
(IN MILLIONS, EXCEPT YIELDS)		
U.S. Treasury and Federal Agencies:		
Due in One Year or Less	\$ 90	3.09%
Due After One Year through Five Years	423	6.11
Due After Five Years through Ten Years	785	6.63
Due After Ten Years (b)	7,844	7.13
Total	\$ 9,142	7.00%
Obligations of State and Political Subdivisions:		
Due in One Year or Less	\$ 7	4.14%
Due After One Year through Five Years	1	9.31
Due After Five Years through Ten Years	2	9.79
Due After Ten Years	3	10.66
Total	\$ 13	6.97%
Other:		
Due in One Year or Less	\$ --	--
Due After One Year through Five Years	623	4.91
Due After Five Years through Ten Years	88	4.13
Due After Ten Years (b)	242	7.82
Total	\$ 953	5.58%

The following table presents, by maturity range and type of security, the fair value and amortized cost at December 31, 1993 and the average yield of the available-for-sale securities portfolio.

MATURITIES AND AVERAGE YIELDS OF THE PORTFOLIO	FAIR VALUE DECEMBER 31, 1993	AMORTIZED COST DECEMBER 31, 1993	AVERAGE YIELD (a)
(IN MILLIONS, EXCEPT YIELDS)			
U.S. Treasury and Federal Agencies:			
Due in One Year or Less	\$ 136	\$ 134	5.02%
Due After One Year through Five Years	705	676	7.02
Due After Five Years through Ten Years	1,123	1,119	6.18
Due After Ten Years (b)	9,933	9,606	7.32
Total	\$ 11,897	\$ 11,535	7.17%
Other:			
Due in One Year or Less	\$ 639	\$ 633	4.60%
Due After One Year through Five Years	1,238	1,222	7.93
Due After Five Years through Ten Years	823	798	7.86
Due After Ten Years (b)	1,243	1,256	4.56
Total	\$ 3,943	\$ 3,909	6.29%

- (a) Yields are derived by dividing interest income, adjusted for amortization of premiums and accretion of discounts, by total amortized cost. Taxable-equivalent yields are used, where applicable.
- (b) Substantially all of the Corporation's mortgage-backed securities are due in ten years or more based on contractual maturity. The weighted-average maturity of mortgage-backed securities, which reflects anticipated future prepayments based on a consensus of dealers in the market, is approximately 5 years.

LOAN PORTFOLIO

The table below sets forth the amount of loans outstanding by type for the dates indicated:

	DECEMBER 31,				
	1993	1992	1991	1990	1989
(IN MILLIONS)					
Domestic Loans:					
Commercial and Financial	\$ 23,848	\$ 29,277	\$ 32,904	\$ 33,790	\$ 34,050
Consumer	25,798	23,599	20,436	18,700	16,069
Commercial Real Estate	7,338	8,103	8,737	9,407	9,460
Total Domestic Loans	56,984	60,979	62,077	61,897	59,579
Foreign Loans:					
Commercial, Industrial and Consumer . .	7,353	8,115	8,742	11,847	11,806
Foreign Governments and Official Institutions	7,558	8,266	8,740	9,651	9,892
Financial Institutions	3,963	5,145	5,278	3,057	3,368
Total Foreign Loans	18,874	21,526	22,760	24,555	25,066
Total Loans	75,858	82,505	84,837	86,452	84,645
Unearned Discount	(477)	(495)	(600)	(767)	(1,132)
Loans, Net of Unearned Income	\$ 75,381	\$ 82,010	\$ 84,237	\$ 85,685	\$ 83,513

MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

The following table shows the maturity distribution based upon the terms of the loan agreements, and sensitivity to changes in interest rates of the loan portfolio, excluding consumer loans, at December 31, 1993:

DECEMBER 31, 1993 (IN MILLIONS)	WITHIN 1 YEAR(b)	1-5 YEARS	AFTER 5 YEARS	TOTAL
Domestic:				
Commercial and Financial	\$ 12,748	\$ 8,174	\$ 2,926	\$ 23,848
Commercial Real Estate	2,895	3,626	817	7,338
Foreign, including LDC (a)	9,051	3,851	5,855	18,757
Total	\$ 24,694	\$ 15,651	\$ 9,598	\$ 49,943
Loans at Fixed Interest Rates		\$ 2,229	\$ 1,555	
Loans at Variable Interest Rates		13,422	8,043	
Total		\$ 15,651	\$ 9,598	

(a) LDC denotes loans to countries engaged in debt rescheduling.

(b) Includes demand loans, overdrafts and loans having no stated schedule of repayments and no stated maturity.

RISK ELEMENTS

The following table shows the principal amounts of nonaccrual and renegotiated loans at the dates indicated:

(IN MILLIONS)	DECEMBER 31,				
	1993	1992	1991	1990	1989
Nonaccruing Loans:					
Domestic	\$ 1,698	\$ 2,974	\$ 3,099	\$ 2,984	\$ 2,023
Foreign, excluding LDC	234	493	272	333	164
LDC	618	1,344	1,243	2,471	3,575
Total Nonaccrual Loans	2,550	4,811	4,614	5,788	5,762
Renegotiated Loans:					
Domestic	--	--	7	21	11
Foreign, excluding LDC	37	1	2	3	6
LDC	4	4	5	13	13
Total Renegotiated Loans	41	5	14	37	30
Total	\$ 2,591	\$ 4,816	\$ 4,628	\$ 5,825	\$ 5,792

See Note 7 on page 64 of Section B for interest income calculated on the carrying value of nonaccrual and renegotiated loans that would have been recorded if these loans had been current in accordance with their original terms (interest at original rates), and the amount of interest income on these loans that was included in income for the periods indicated.

The following table presents loans past due 90 days or more for which interest is being accrued at the dates indicated:

(IN MILLIONS)	DECEMBER 31,				
	1993	1992	1991	1990	1989
Domestic (a)	\$ 323	\$ 393	\$ 393	\$ 342	\$ 260
Foreign	--	--	30	25	8
Total	\$ 323	\$ 393	\$ 423	\$ 367	\$ 268

(a) Includes consumer loans, exclusive of residential mortgage loans, as to which interest or principal is past due 90 days or more which are generally not classified as nonperforming but, rather, are charged-off on a formula basis upon reaching certain specified stages of delinquency.

ALLOWANCE FOR LOSSES

The table below sets forth the Allowance for Losses for the dates indicated:

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991	1990	1989
Balance at Beginning of Year	\$ 3,025	\$ 3,275	\$ 4,229	\$ 5,313	\$ 4,386
Provision for Losses	1,259(a)	1,365	1,345	1,161	2,539 (f)
CHARGE-OFFS					
Domestic:					
Commercial and Financial	(496)	(511)	(528)	(325)	(338)
Consumer	(467)(a)	(449)	(456)	(248)	(225)
Commercial Real Estate	(259)	(302)	(265)	(287)	(242)
Foreign	(250)	(339)	(1,126)(d)	(884)	(822)
Total Charge-Offs	(1,472)	(1,601)	(2,375)	(1,744)	(1,627)
RECOVERIES					
Domestic:					
Commercial and Financial	74	61	70	67	104
Consumer	48	49	46	51	51
Commercial Real Estate	15	12	12	10	9
Foreign	206(b)	25	44	47	32
Total Recoveries	343	147	172	175	196
NET CHARGE-OFFS	(1,129)	(1,454)	(2,203)	(1,569)	(1,431)
Losses on LDC Sales and Swaps	(152)	(155)	(102)(d)	(688)(e)	(89)
Other	17(c)	(6)	6	12	(92)
Balance at End of Year	\$ 3,020	\$ 3,025	\$ 3,275	\$ 4,229	\$ 5,313

- (a) Includes \$55 million related to the decision to accelerate the disposition of certain nonperforming residential mortgage loans.
- (b) Includes \$175 million of recoveries on the disposition of LDC debt.
- (c) Includes \$19 million increase in allowance related to the acquisition by Texas Commerce of certain assets of four former banks of First City Bancorporation of Texas, Inc.
- (d) Includes a \$902 million charge to adjust Brazilian medium- and long-term outstandings to an estimated net recoverable value.
- (e) Includes a \$349 million charge related to the Mexican debt restructuring agreement. This amount represents the difference between the carrying value of the debt exchanged and the face value of the bonds received.
- (f) Includes special additions of \$1.7 billion for loans to countries engaged in debt rescheduling and \$210 million to Texas Commerce's allowance for losses.

ALLOWANCE FOR LOSSES-FOREIGN

The following table shows, for the years 1993-1989, the changes in the portion of the allowance for losses allocated to loans related to foreign operations, including activity related to countries engaged in debt rescheduling:

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991	1990	1989
	-----	-----	-----	-----	-----
Balance at Beginning of Year	\$ 887	\$ 1,337	\$ 2,464	\$ 4,028	\$ 3,092
Provision for Losses	174	225	52	20	1,778 (c)
Charge-offs	(250)	(339)	(1,126) (a)	(884)	(822)
Recoveries	206	25	44	47	32
Transfer from (to)					
Non-LDC Allowance	(200)	(200)	--	(65)	57
Losses on LDC Sales and Swaps	(152)	(155)	(102) (a)	(688) (b)	(89)
Other	--	(6)	5	6	(20)
	-----	-----	-----	-----	-----
Balance at End of Year	\$ 665	\$ 887	\$ 1,337	\$ 2,464	\$ 4,028
	=====	=====	=====	=====	=====

(a) Includes a \$902 million charge to adjust Brazilian medium- and long-term outstandings to an estimated net recoverable value.

(b) Includes a \$349 million charge related to the Mexican debt restructuring agreement. This amount represents the difference between the carrying value of the debt exchanged and the face value of the bonds received.

(c) Includes a special addition of \$1.7 billion for loans to countries engaged in debt rescheduling.

The consolidated year-end allowance for losses is available to absorb potential credit losses from the entire loan portfolio, as well as from other balance sheet and off-balance sheet credit related transactions.

LOAN LOSS ANALYSIS

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991	1990	1989
	-----	-----	-----	-----	-----
BALANCES					
Loans-Averages	\$ 78,739	\$ 82,173	\$ 84,520	\$ 84,727	\$ 91,712
Loans-Year End	75,381	82,010	84,237	85,685	83,513
Net Charge-Offs	1,129	1,454	2,203	1,569	1,431
Allowance for Losses	3,020	3,025	3,275	4,229	5,313
Nonperforming Loans	2,591	4,816	4,628	5,825	5,792
RATIOS					
Net Charge-Offs to:					
Loans-Average	1.43%	1.77%	2.61%	1.85%	1.56%
Allowance for Losses	37.38	48.07	67.27	37.10	26.93
Allowance for Losses to:					
Loans-Year End	4.01	3.69	3.89	4.94	6.36
Nonperforming Loans	116.56	62.81	70.76	72.60	91.73

DEPOSITS

The following data provide a summary of the Corporation's average deposits and average interest rates for the years 1993-1991:

	AVERAGE BALANCES			AVERAGE INTEREST RATES		
	1993	1992	1991	1993	1992	1991
(IN MILLIONS, EXCEPT INTEREST RATES)						
Domestic:						
Noninterest-Bearing Demand	\$ 21,750	\$ 18,989	\$ 16,698	--%	--%	--%
Interest-Bearing Demand	6,456	5,547	4,900	1.60	2.17	4.22
Savings	27,553	26,641	25,253	2.22	2.67	5.20
Time Deposits	18,831	19,856	21,498	3.79	4.54	6.27
	-----	-----	-----			
	74,590	71,033	68,349	1.91	2.44	4.19
	-----	-----	-----			
Foreign:						
Noninterest-Bearing Demand	157	345	251	--	--	--
Interest-Bearing Demand	7,969	6,111	5,800	4.87	5.72	7.55
Savings	43	82	53	2.48	1.72	3.55
Time Deposits	12,897	15,179	16,650	3.28	5.16	8.18
	-----	-----	-----			
	21,066	21,717	22,754	3.86	5.22	7.92
	-----	-----	-----			
Total	\$ 95,656	\$ 92,750	\$ 91,103	2.34%	3.09%	5.12%
	=====	=====	=====			

Substantially all of the foreign deposits are in denominations of \$100,000 or more.

The following table presents deposits in denominations of \$100,000 or more by maturity range and type for the dates indicated:

DEPOSITS (IN MILLIONS)	DOMESTIC TIME CERTIFICATES OF DEPOSITS (\$100,000 OR MORE)		OTHER DOMESTIC TIME DEPOSITS (\$100,000 OR MORE)		DEPOSITS IN FOREIGN OFFICES (\$100,000 OR MORE)	
	1993	1992	1993	1992	1993	1992
By remaining maturity at December 31,	-----	-----	-----	-----	-----	-----
Three Months or Less	\$ 3,370	\$ 3,394	\$ 3,752	\$ 1,846	\$ 21,145	\$ 18,702
Over Three Months but within Six Months	503	537	40	40	1,208	664
Over Six Months but within Twelve Months	311	304	20	71	368	440
Over Twelve Months	1,047	938	104	1,592	173	201
	-----	-----	-----	-----	-----	-----
	\$ 5,231	\$ 5,173	\$ 3,916	\$ 3,549	\$ 22,894	\$ 20,007
	=====	=====	=====	=====	=====	=====

At December 31, 1993, time and savings deposits in domestic offices totaled \$51,940 million, of which \$5,231 million were time certificates of deposit in denominations of \$100,000 or more, \$3,916 million were other time deposits in denominations of \$100,000 or more and \$34,290 million were money market deposit accounts and other savings accounts. Deposits of \$100,000 or more in foreign offices totaled \$22,894 million, substantially all of which were interest-bearing.

At December 31, 1992, time and savings deposits in domestic offices totaled \$51,353 million, of which \$5,173 million were time certificates of deposit in denominations of \$100,000 or more, \$3,549 million were other time deposits in denominations of \$100,000 or more and \$33,330 million were money market deposit accounts and other savings accounts. Deposits of \$100,000 or more in foreign offices totaled \$20,007 million, substantially all of which were interest-bearing.

ITEM 2. PROPERTIES

The headquarters of the Corporation is located in New York City at 270 Park Avenue, which is a 50-story bank and office building owned by the Corporation. This location contains approximately 1.3 million square feet of commercial office and retail space. The Corporation also owns and occupies a 22-story bank and office building at 4 New York Plaza with 900,000 square feet of commercial office and retail space. The Corporation also occupies, under leasehold agreements, office space at 55 Water Street, 277 Park Avenue, 95 Wall Street and various other locations in New York City.

The Corporation, as lessee, also occupies offices in the United Kingdom. The most significant office space leased in the United Kingdom is the 168,000 square feet at 125 London Wall, which lease expires in December 2017.

In addition, the Corporation and its subsidiaries own and occupy administrative and operational facilities in Hicksville, New York; Moorestown, New Jersey; Houston, Texas; McAllen, Texas; Austin, Texas; Arlington, Texas and El Paso, Texas.

The Corporation and its subsidiaries occupy branch offices and other locations throughout the United States and in foreign countries under various types of ownership and leasehold agreements which, when considered in the aggregate, are not material to its operations.

ITEM 3. LEGAL PROCEEDINGS

On January 4, 1991, Best Products Co., Inc., a catalog showroom retailer, and several of its wholly-owned subsidiaries (collectively "Best") filed under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On or about December 29, 1992, Best commenced adversary proceedings in the Bankruptcy Court against Chemical Bank arising out of a leveraged buyout of Best.

Chemical Bank acted as agent bank for a syndicate of financial institutions (the "Bank Group") that provided permanent financing of approximately \$622 million (of which Chemical Bank held, as of January 4, 1991, approximately \$185 million of outstanding principal and accrued and unpaid interest) to Best in connection with its leveraged buyout. Best's complaint alleges that the principal and interest payments made to the Bank Group and the fees and expenses paid to the Bank Group in return for the financing (of which Chemical Bank's share of all such payments is approximately \$232 million) constituted fraudulent conveyances in violation of New York and Virginia law.

In January 1994, Best filed and disseminated a plan of reorganization which, among other things, contemplates that all of the claims asserted by Best against Chemical Bank and the Bank Group would be dismissed pursuant to a compromise and settlement that is part of the plan. On February 4, 1994, the Resolution Trust Corporation (the "RTC"), acting as receiver for certain other creditors of Best, filed an adversary proceeding against the Bank Group seeking a declaration that the Bank Group cannot enforce the subordination provisions of the Intercreditor Agreement to which such other creditors, Best, and Chemical Bank, as agent for the Bank Group, are parties because the Bank Group's claims against Best constitute fraudulent conveyances. The RTC seeks a further declaration that if, by reasons of the subordination provisions of the Intercreditor Agreement, the Bank Group receives distributions from Best pursuant to a confirmed plan of reorganization, the RTC's rights to recover such distributions from the Bank Group shall survive the confirmation of such plan of reorganization.

The Bankruptcy Court has approved the disclosure statement for the plan of reorganization and a creditor vote on the plan has taken place. A hearing on the compromise and settlement of Best's claims against Chemical Bank and the Bank Group commenced on March 16, 1994 and has not been concluded. Although there can be no assurance that the Bankruptcy Court will approve the compromise and settlement or confirm the proposed plan of reorganization, management believes that the above-described proceedings will be resolved without having any material adverse impact on the financial condition of Chemical Bank or the Corporation.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME ----	AGE ---	POSITIONS AND OFFICES HELD WITH THE CORPORATION AND WITH CHEMICAL BANK -----
JOHN F. MCGILLICUDDY	63	Chairman of the Board and Chief Executive Officer of the Corporation and Chemical Bank through December 31, 1993, when he retired. Prior to the Merger, had served as Chairman of the Board and Chief Executive Officer of MHC since April 1979. A Director of the Corporation, and of Chemical Bank since the Merger.
WALTER V. SHIPLEY	58	Effective January 1, 1994, Chairman and Chief Executive Officer of the Corporation and the Bank. From the Merger until December 31, 1993, President of the Corporation and Chemical Bank. Prior to the Merger, was Chairman and Chief Executive Officer of Chemical Banking Corporation and Chemical Bank since 1983. Director of the Corporation and Chemical Bank since 1982.
EDWARD D. MILLER	53	Effective January 1, 1994, President of the Corporation and the Bank. From the Merger until December 31, 1993, Vice Chairman of the Corporation and of Chemical Bank. A Director of the Corporation and Chemical Bank since the Merger. Prior to the Merger, Mr. Miller had served as a Vice Chairman and a Director of MHC since December 1988.
WILLIAM B. HARRISON JR.	50	Vice Chairman of the Corporation and Chemical Bank. A Director of the Corporation since the Merger and of the Bank since August 1990. Prior to the Merger, Mr. Harrison had been an Executive Officer of the Corporation since 1988.
PETER J. TOBIN	50	Executive Vice President and Chief Financial Officer of the Corporation and Chemical Bank. Prior to the Merger, Mr. Tobin had served in the same capacity for MHC since December 1985.

Unless otherwise noted, all of the Corporation's above-named executive officers have continuously held senior level positions with the Corporation and Chemical Bank during the five fiscal years ended December 31, 1993. There are no family relationships among the foregoing executive officers.

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

The outstanding shares of the Corporation's Common Stock are listed on the New York Stock Exchange and the International Stock Exchange of the United Kingdom and the Republic of Ireland. For the quarterly high and low prices of the Common Stock on the New York Exchange and the quarterly dividends declared data for the Corporation's common stock in the last two years, see the section entitled "Quarterly Financial Information" in Section B, page 79.

At February 28, 1994, there were approximately 55,637 holders of record of the Corporation's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

For five-year selected financial data, see "Financial Review" in Section B, page 25.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations, entitled "Management's Discussion and Analysis", appears in Section B, pages 26 through 51.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements appear, together with the Notes thereto and the report of Price Waterhouse dated January 18, 1994 thereon, in Section B, pages 52 through 79.

Supplementary financial data for each full quarter within the two years ended December 31, 1993 are included in Section B, page 79 in the table entitled "Quarterly Financial Information". Also included in Section B, pages 80 through 82, are the "Average Consolidated Balance Sheet, Interest and Rates" and the "Consolidated Balance Sheet" for Chemical Bank and Subsidiaries.

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

None.

PART III

- ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE CORPORATION
- ITEM 11. EXECUTIVE COMPENSATION
- ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
- ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to Instruction G (3) to Form 10-K, the information to be provided by Items 10, 11, 12 and 13 of Form 10-K (other than information pursuant to Rule 402 (i), (k) and (l) of Regulation S-K) are incorporated by reference to the Corporation's definitive proxy statement for the annual meeting of stockholders, to be held May 17, 1994, which proxy statement will be filed with Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the close of the Corporation's 1993 fiscal year.

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

(a) EXHIBITS

1. Financial Statements

The consolidated financial statements, the Notes thereto and the report thereon listed in Item 8 are set forth in Section B, commencing on page 52 thereof.

2. Financial Statement Schedules
None.

3. EXHIBITS

3.1 Restated Certificate of Incorporation of Chemical Banking Corporation.

3.2 By-laws of Chemical Banking Corporation, as amended.

4.1 (a) Form of Rights Agreement, dated as of April 13, 1989 between Chemical Banking Corporation and Harris Trust Company of New York, as amended (incorporated by reference to Exhibit 4 to the Current Report on Form 8-K of Chemical Banking Corporation dated April 13, 1989).

4.1 (b) Letter of Appointment dated December 23, 1991 of Chemical Banking Corporation appointing Chemical Bank, as successor Rights Agent under the Rights Agreement (incorporated by reference to Exhibit 4.13(b) of the Annual Report on Form 10-K dated December 31, 1991 of Chemical Banking Corporation).

4.2 Form of Indenture dated as of December 1, 1989 between Chemical Banking Corporation and The Chase Manhattan Bank (National Association), which Indenture includes the form of Debt Securities (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-3 (File No. 33-32409) of Chemical Banking Corporation).

4.3 Form of Indenture dated as of April 1, 1987, between Chemical New York Corporation and Morgan Guaranty Trust Company of New York, as Trustee, as amended and restated as of December 15, 1992, which Indenture includes the form of Subordinated Debt Securities (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated December 22, 1992 of Chemical Banking Corporation).

4.4 (a) Form of Indenture dated as of June 1, 1982, between Manufacturers Hanover Corporation and Morgan Guaranty Trust Company of New York, as Trustee, which Indenture includes the form of Debt Securities (incorporated by reference to Exhibit 4(a) to Manufacturers Hanover Corporation's Registration Statement on Form S-3 (File No. 2-82433)).

- 4.4 (b) Form of First Supplemental Indenture dated as of January 15, 1986 to the Indenture dated as of June 1, 1982 between Manufacturers Hanover Corporation and Morgan Guaranty Trust Company of New York, as Trustee, relating to the Senior Debt Securities (incorporated by reference to Exhibit 1 to Manufacturers Hanover Corporation's Current Report on Form 8-K, dated as of January 29, 1986).
- 4.4 (c) Form of Second Supplemental Indenture dated as of March 13, 1991 to the Indenture dated as of June 1, 1982 between Manufacturers Hanover Corporation and Morgan Guaranty Trust Company of New York, as Trustee, relating to the Senior Debt Securities (incorporated by reference to Exhibit 4 to Manufacturers Hanover Corporation's Current Report on Form 8-K, dated March 19, 1991).
- 4.4 (d) Form of Third Supplemental Indenture dated as of December 31, 1991 among Chemical Banking Corporation, Manufacturers Hanover Corporation and Morgan Guaranty Trust Company of New York, to the Indenture dated as of June 1, 1982 (incorporated by reference to Exhibit 4.14(d) of the Annual Report on Form 10-K dated December 31, 1991 of Chemical Banking Corporation).
- 4.5 (a) Form of Indenture dated as of June 1, 1985 between Manufacturers Hanover Corporation and IBJ Schroder Bank and Trust Company, as Trustee, relating to 8 1/2% Subordinated Capital Notes Due February 15, 1999 (incorporated by reference to Exhibit 4 (b) to the Current Report on Form 8-K dated February 27, 1987 of Manufacturers Hanover Corporation).
- 4.5 (b) Form of First Supplemental Indenture dated as of December 31, 1991 among Chemical Banking Corporation, Manufacturers Hanover Corporation and IBJ Schroder Bank and Trust Company to the Indenture dated June 1, 1985 (incorporated by reference to Exhibit 4.18(b) to the Annual Report on Form 10-K dated December 31, 1991 of Chemical Banking Corporation).
- 10.1 Stock Purchase Agreement, dated as of September 18, 1989, between the Dai-Ichi Kangyo Bank, Limited as Purchaser and Manufacturers Hanover Corporation as Seller (incorporated by reference to Manufacturers Hanover Corporation's Current Report on Form 8-K dated September 25, 1989).
- 10.2 Stockholder's Agreement, dated as of December 29, 1989, among The CIT Group Holdings, Inc., The Dai-Ichi Kangyo Bank, Limited and Manufacturers Hanover Corporation (incorporated by reference to Manufacturers Hanover Corporation's Current Report on Form 8-K dated January 16, 1990).
- 10.3 CIT Stock Purchase Agreement, dated as of September 18, 1989 between The Dai-Ichi Kangyo Bank, Limited as Purchaser and Manufacturers Hanover Corporation as Seller (incorporated by reference to Manufacturers Hanover Corporation's Current Report on Form 8-K dated September 25, 1989).

- 10.4 Executive Performance Incentive Plan of Chemical Banking Corporation and Subsidiaries, as amended (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K of Chemical Banking Corporation for the year ended December 31, 1988).
- 10.5 Deferred Compensation Plan for Employees of Chemical Banking Corporation and Participating Companies, as amended (incorporated by reference to Exhibit 10.3 to the Annual Report of Chemical Banking Corporation on Form 10-K for the year ended December 31, 1985).
- 10.6 Deferred Compensation Plan for Non-Employee Directors of Chemical Banking Corporation and Chemical Bank, as amended and restated effective December 15, 1992 (incorporated by reference to Exhibit 10.6 to the Annual Report of Chemical Banking Corporation on Form 10-K for the year ended December 31, 1992).
- 10.7 Chemical Banking Corporation Long-Term Stock Incentive Plan, as amended and restated as of May 19, 1992 (incorporated by reference to Exhibit 10.7 to the Annual Report of Chemical Banking Corporation on Form 10-K for the year ended December 31, 1992).
- 10.8 Forms of employment agreements as entered into by Chemical Banking Corporation and certain of its executive officers (incorporated by reference to Exhibit 10.9 to the Annual Report of Chemical Banking Corporation on Form 10-K for the year ended December 31, 1992).
- 10.9 Post-Retirement Compensation Plan for Non-Employee Directors, as amended and restated as of December 15, 1992 (incorporated by reference to Exhibit 10.10 to the Annual Report of Chemical Banking Corporation on Form 10-K for the year ended December 31, 1992).
- 10.10 Executive Cash Plan for Retirement of Chemical Banking Corporation and Certain Affiliates, as amended and restated effective January 1, 1991 (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K of Chemical Banking Corporation for the year ended December 31, 1992).
- 10.11 Permanent Life Insurance Options Plan (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K of Chemical Banking Corporation for the year ended December 31, 1992).
- 11.1 Computation of Net Income per common share.
- 12.0 Computation of ratio of earnings to fixed charges.
- 12.1 Computation of ratio of earnings to fixed charges and preferred stock dividend requirements.
- 21.1 List of Subsidiaries of Chemical Banking Corporation.
- 22.1 Annual Report on Form 11-K of Chemical Savings Plan of Chemical Bank and Certain Affiliates (to be filed by amendment pursuant to Rule 15d-21 under the Securities Exchange Act of 1934).

- 22.2 Annual Report on Form 11-K of Chemical Savings Plan of Texas Commerce Bancshares, Inc. (to be filed by amendment pursuant to Rule 15d-21 under the Securities Exchange Act of 1934).
- 23.1 Consent of Independent Accountants.

The Corporation hereby agrees to furnish to the Commission, upon request, copies of instruments defining the rights of holders for the following outstanding nonregistered long-term debt of the Corporation and its subsidiaries: Floating Rate Subordinated Capital Note Due 1999 of the Corporation; Floating Rate Subordinated Note Due 1998 of the Corporation; Subordinated Floating Rate Notes Due 2003 of the Corporation; Floating Rate Note Due 2002 of the Corporation; Zero-Coupon Note Due 2002 of the Corporation; Serial Zero Coupon Guaranteed Notes Due 1984-2003 of the Corporation; 7 1/4% Subordinated Notes Due 2002 of Chemical Bank; 7% Subordinated Notes Due 2005 of Chemical Bank; Floating Rate Subordinated Notes Due May 5, 2003 of Chemical Bank; Floating Rate Subordinated Notes Due June 15, 2000 of Chemical Bank; Floating Rate Subordinated Notes Due July 29, 2003 of Chemical Bank; 6.58% Subordinated Notes Due 2005 of Chemical Bank; 6.70% Subordinated Notes Due 2008 of Chemical Bank; 6.125% Subordinated Notes Due 2008 of Chemical Bank; Adjustable Rate Notes Due April 1, 2011 of Texas Commerce Bancshares, Inc.; Floating Rate Subordinated Capital Notes Due 1994 of Manufacturers Hanover Trust Company; Floating Rate Subordinated Notes Due 1997 of Manufacturers Hanover Corporation; Floating Rate Subordinated Capital Notes Due April 1997 of Manufacturers Hanover Trust Company; LIBOR Note, Series C, Due March 1998 of Manufacturers Hanover Corporation; and Subordinated Note Due April 1996 of Manufacturers Hanover Corporation. These instruments have not been filed as exhibits hereto by reason that the total amount of each issue of such securities does not exceed 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis.

(b) REPORTS ON FORM 8-K

- o A Form 8-K dated October 21, 1993 was filed setting forth the Corporation's financial results for the 1993 third quarter and the announcement that Walter V. Shipley was to succeed John F. McGillicuddy as Chairman of the Board and Chief Executive Officer of the Corporation on January 1, 1994.
- o A Form 8-K dated November 19, 1993 was filed relating to the redemption of Chemical Banking Corporation's 10 3/4% Cumulative Preferred Stock on December 31, 1993.

SECTION B

Pages 1 - 23 not used

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CHEMICAL BANKING
CORPORATION
AND SUBSIDIARIES

FINANCIAL REPORT

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CHEMICAL BANKING
CORPORATION
AND SUBSIDIARIES

FINANCIAL REVIEW(a)

(IN MILLIONS, EXCEPT PER SHARE, RATIO AND UNIT DATA)
AS OF OR FOR THE YEAR ENDED DECEMBER 31,

	1993	1992	1991	1990	1989
FOR THE YEAR					
Net Interest Income	\$ 4,636	\$ 4,598	\$ 4,080	\$ 3,539	\$ 3,651
Provision for Losses	1,259	1,365	1,345	1,161	2,539(d)
Noninterest Revenue	4,024	3,026	2,862	2,792	2,926
Noninterest Expense	5,293	4,930	5,307(c)	4,641	4,864
Income (Loss) Before Income Tax Expense and Effect of Accounting Changes	2,108	1,329	290	529	(826)
Income Tax Expense	539	243	136	89	163
Net Effect of Changes in Accounting Principles	35	--	--	--	--
Net Income (Loss)	\$ 1,604	\$ 1,086	\$ 154	\$ 440	\$ (989)
PER COMMON SHARE					
Income (Loss) Before Effect of Accounting Changes	\$ 5.63	\$ 3.90	\$.11(c)	\$ 1.84	\$ (8.38)
Net Effect of Changes in Accounting Principles	.14	--	--	--	--
Net Income (Loss)	5.77	3.90	.11(c)	1.84	(8.38)
Book Value at December 31,	37.60	32.43	31.02	32.80	34.35
Market Value at December 31,	40.13	38.63	21.25	10.75	29.88
Cash Dividends Declared	1.37	1.20	1.05	2.29	2.72
Cash Dividends Declared Per Class B	--	--(b)	.29	.64	.76
TOTAL AT YEAR-END					
Loans	\$ 75,381	\$ 82,010	\$ 84,237	\$ 85,685	\$ 83,513
Allowance for Losses	(3,020)	(3,025)	(3,275)	(4,229)	(5,313)
Securities	25,948	23,426	19,763	19,242	16,254
Total Assets	149,888	139,655	138,930	136,249	133,492
Deposits	98,277	94,173	92,950	89,147	92,145
Long-Term Debt	8,192	6,798	5,738	5,764	6,370
Common Stockholders' Equity	9,510	8,003	5,691	5,848	5,689
Total Stockholders' Equity	11,164	9,851	7,281	7,238	6,979
SELECTED RATIOS					
Return on Average:					
Total Assets	1.11%	.78%	.11%	.30%	n/m
Common Stockholders' Equity	16.66	12.36	.33	5.38	n/m
Total Stockholders' Equity	15.16	11.65	2.02	5.94	n/m
At December 31:					
Common Stockholders' Equity to Assets	6.34	5.73	4.10	4.29	4.26%
Total Stockholders' Equity to Assets	7.45	7.05	5.24	5.31	5.23
Tier 1 Leverage	6.77	6.60	4.74	4.48	n/a
Risk-Based Capital Ratios:					
Tier 1 (4.00% Required)	8.12	7.33	5.13	5.16	5.11
Total (8.00% Required)	12.22	11.55	9.13	9.40	9.71
Allowance for Losses to Nonperforming Loans	117	63	71	73	92
Common Dividend Payout	24	32	1,280(c)	146	n/m
Overhead Ratio (Excluding one-time charges)	59	64	67	71	73
OTHER DATA					
Average Common Shares and Common Stock					
Equivalents Outstanding	251.2	240.4	181.4	174.7	131.6
Number of Employees	41,567	39,687	43,169	45,636	49,173

(a) On December 31, 1991, Manufacturers Hanover Corporation ("MHC") merged with and into Chemical Banking Corporation (the "merger"). The merger was accounted for as a pooling of interests and, accordingly, all amounts include the consolidated results of MHC. (b) In March 1992, the Class B Common Stock was converted into the Corporation's Common Stock. (c) Includes the impact of a \$625 million restructuring charge incurred in connection with the merger with MHC. (d) Reflects special provisions of \$1.9 billion for the allowance for losses, including \$1.7 billion for the allowance for losses related to countries engaged in debt rescheduling ("LDC"). n/m--As a result of the loss, these ratios are not meaningful. n/a--Not applicable.

OVERVIEW

Chemical Banking Corporation (the "Corporation") earned record net income of \$1,604 million for 1993, an increase of 48% from \$1,086 million reported for 1992. Net income per common share for 1993 was \$5.77, compared with \$3.90 in 1992.

The higher net income in 1993 reflected strong revenue growth in the Corporation's core businesses. Total noninterest revenue in 1993 increased 33% from 1992 reflecting strong performances from capital markets, corporate finance, personal trust and national consumer activities, as well as higher profits from venture capital activities. Also contributing to the strong earnings was a lower provision for losses reflecting improvement in the Corporation's credit quality.

The Corporation's 1993 results included the impact of two significant accounting changes. On January 1, 1993, the Corporation adopted Financial Accounting Standards Board Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"), which resulted in a charge of \$415 million and Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" ("SFAS 109"), which resulted in an income tax benefit of \$450 million. The net favorable impact of the adoption of these two new accounting standards was \$35 million. Income before the effect of these accounting changes was \$1,569 million (\$5.63 per common share), an increase of 44% from 1992.

Due to the strength of its earnings, the Corporation recognized in 1993 its remaining available Federal tax benefits. Tax benefits in 1993 amounted to \$331 million (excluding the aforementioned adoption of SFAS 109), compared with \$278 million in 1992. The Corporation's earnings, beginning with the fourth quarter of 1993, were reported on a fully-taxed basis.

For all of 1993, the Corporation realized merger-related expense savings of \$525 million related to the December 31, 1991 merger of the Corporation and MHC, compared with \$280 million in 1992.

The Corporation's nonperforming assets at December 31, 1993 were \$3.53 billion, down 42% from \$6.09 billion at the 1992 year-end. Nonperforming assets were 2.4% of total assets at the end of 1993, compared with 4.4% at December 31, 1992. At December 31, 1993, the non-LDC allowance for losses was 123% of non-LDC nonperforming loans, compared with 64% at the same date a year ago.

In 1993, the Corporation increased the quarterly cash dividend on its outstanding common stock to \$0.38 per share, a 27% increase from the quarterly dividend of \$0.30 per share paid in 1992. This overall increase was achieved through an increase in March 1993 to \$0.33 per share and in December 1993 to \$0.38 per share.

At December 31, 1993, the Corporation's ratios of Tier 1 Capital to risk-weighted assets and Total Capital to risk-weighted assets were 8.12% and 12.22%, respectively, well in excess of the minimum ratios specified by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"), compared with 7.33% and 11.55%, respectively, at December 31, 1992.

[NET INCOME BAR GRAPH -- SEE EDGAR APPENDIX]

[RETURN ON AVERAGE COMMON STOCKHOLDERS' EQUITY BAR GRAPH -- SEE EDGAR APPENDIX]

RESULTS OF OPERATIONS

NET INTEREST INCOME

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Total Interest Income	\$8,403	\$9,148
Total Interest Expense	3,767	4,550
Net Interest Income	4,636	4,598
Taxable-Equivalent Adjustment(a)	21	31
Net Interest Income-Taxable Equivalent Basis	\$4,657	\$4,629

(a) Reflects a pro forma adjustment to the net interest income amount included in the Statement of Income to permit comparisons of yields on tax-exempt and taxable assets.

The Corporation's net interest income was \$4,636 million in 1993, up from \$4,598 million in 1992. The improvement in net interest income for 1993 was due to the favorable impact from the reduction in nonperforming loans, higher average interest earning assets and lower funding costs (primarily as a result of the upgrades to the Corporation's credit ratings). These improvements were partially offset by a decrease in the Corporation's loan portfolio as a result of continued sluggish loan demand, loan paydowns from businesses refinancing their borrowings in the debt and equity markets, as well as management's strategic decision to reduce the credit risk profile of the Corporation. As a consequence, there was a remixing of the composition of the Corporation's average interest-earning assets to liquid assets, which support the Corporation's trading businesses. Also contributing to the reduction in net interest income was the expiration of positions taken prior to and in the early part of 1992 to take advantage of declining U.S. interest rates.

The negative impact on net interest income from nonperforming loans in 1993 was \$111 million, down from \$293 million in 1992. The improvement is principally due to the significant reduction in the level of the Corporation's nonperforming loans as well as the lower interest rate environment in 1993.

Average interest-earning assets rose 3.0% in 1993 to \$124.9 billion, compared with \$121.2 billion in 1992. The growth occurred in Federal funds and resale agreements, trading account assets, consumer loans and securities, partially offset by a decline in commercial lending. Although the asset remix resulted in a lower contribution to net interest income, the increase in liquid trading account assets resulting from the remix contributed to the significant increase in trading revenue, which is recorded in noninterest revenue.

The Corporation's average total loans in 1993 were \$78.7 billion, a decrease of \$3.5 billion from a year ago. As a percentage of total interest-earning assets, the loan portfolio decreased to 63.0% in 1993 from 67.8% a year ago. The decline was due to the aforementioned reduction in commercial lending, partially offset by the continued growth in consumer loans, principally credit card and installment loans.

[NET INTEREST INCOME BAR GRAPH -- SEE EDGAR APPENDIX]

The securities portfolio averaged \$23.7 billion in 1993, compared with \$21.7 billion in 1992. The Corporation's liquid interest-earning assets averaged \$22.5 billion in 1993, an increase of \$5.1 billion from a year ago. As a result of the aforementioned remix of interest-earning assets, the percentage of the combined portfolio of securities and liquid assets to total interest-earning assets increased to 37.0% in 1993 from 32.2% in 1992.

The \$3.7 billion growth in interest-earning assets was funded by a \$2.3 billion increase in interest-bearing liabilities and a \$1.4 billion increase in interest-free funds. For 1993, average interest-bearing liabilities were \$106.5 billion, compared with \$104.2 billion for the same period in 1992. The Corporation's average core deposit base increased 7% in 1993 to \$60.8 billion and funded 48.7% of average interest-earning assets, compared with 47.1% during 1992. As a result of this increase in core deposits, coupled with the issuance of long-term debt and internally generated capital during 1993, the Corporation was able to utilize lower-cost funds to support interest-earning assets in 1993.

The interest rate spread, which is the difference between the average rate on interest-earning assets and the average rate on interest-bearing liabilities, was 3.20% for both 1993 and 1992. During 1993, the spread was favorably affected by the smaller negative impact from nonperforming loans and lower funding costs, offset by the aforementioned shift in the Corporation's balance sheet asset mix.

The net yield on interest-earning assets, which is the average rate for interest-earning assets less the average rate paid for all sources of funds, including the impact of interest-free funds, was 3.73% in 1993, compared with 3.82% in 1992. The decline in the net yield was impacted by the same factors that affected the interest rate spread, as well as by a lower contribution from interest-free sources of funds. The contribution from interest-free funds to the net yield in 1993 was 53 basis

points, compared with 62 basis points in 1992. The decline resulted from the lower interest rate environment in 1993, despite an increase of \$1.4 billion in interest-free funds that financed interest-earning assets.

Management anticipates that the net yield on interest-earning assets will be slightly lower in 1994 than 1993. Net interest income in 1994 is expected to approximate the 1993 level as an anticipated higher level of interest-earning assets is expected to offset the anticipated decline in net yield.

INTEREST RATE SPREAD AND NET YIELD ON AVERAGE INTEREST-EARNING ASSETS YEAR ENDED DECEMBER 31, (TAXABLE EQUIVALENT RATES; IN MILLIONS)	1993		1992	
	AVERAGE BALANCE	RATE	AVERAGE BALANCE	RATE
Loans(a)	\$ 78,739	7.16%	\$82,173	7.76%
Securities	23,654	7.32	21,674	8.11
Liquid Interest-Earning Assets	22,541	4.68	17,402	6.00
Total Interest-Earning Assets	\$ 124,934	6.74%	121,249	7.57%
Interest-Bearing Liabilities	\$ 106,521	3.54%	104,205	4.37%
Interest Rate Spread		3.20		3.20
Interest-Free Funds	18,413	--	17,044	--
Total Sources of Funds	\$ 124,934	3.01%	121,249	3.75%
Net Yield on Interest-Earning Assets		3.73%		3.82%

(a) Nonperforming loans are included in the average loan balances.

DOMESTIC NET INTEREST INCOME

Domestic net interest income was \$3,697 million in 1993, an increase of \$53 million from the prior year. The increase in 1993 was attributable to a higher level of interest-earning assets and the significant reduction in nonperforming loans, partially offset by the aforementioned remixing of the Corporation's interest-earning assets.

FOREIGN NET INTEREST INCOME

Net interest income from foreign operations was \$939 million for 1993, compared with \$954 million in 1992. In 1993, the Corporation recorded interest collections on Argentine loans of \$48 million (including a one-time cash payment of \$29 million related to interest arrearages), compared with \$19 million in 1992. Interest income on Brazilian loans was \$75 million in 1993, relatively unchanged from \$76 million in 1992.

[COMPOSITION OF INTEREST - EARNING ASSETS PIE CHART -- SEE EDGAR APPENDIX]

PROVISION FOR LOSSES

The provision for losses in 1993 was \$1,259 million, a decrease of 8% from \$1,365 million in 1992. In both years, the provision equaled the amount of the respective year's non-LDC net charge-offs (which was lower in 1993 than in 1992, despite a \$55 million provision related to the decision to accelerate the disposition of certain nonperforming residential mortgage loans).

As a result of the significant improvement in the Corporation's nonperforming assets during 1993 and the favorable credit environment anticipated for 1994, the Corporation expects a significant reduction in the provision for losses in 1994.

NONINTEREST REVENUE

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Trust and Investment Management Fees	\$ 406	\$ 361
Corporate Finance and Syndication Fees	338	265
Service Charges on Deposit Accounts	288	264
Fees for Other Banking Services	1,067	1,040
Trading Account and Foreign Exchange Revenue	1,073	853
Securities Gains	142	53
Other Revenue	710	190
Total Noninterest Revenue	\$4,024	\$3,026

Noninterest revenue totaled \$4,024 million in 1993, an increase of 33% from last year. The growth in noninterest revenue was primarily the result of record combined trading revenue, increases in various fee-based revenue, higher venture capital gains and other revenue, principally gains from the sale of refinancing country securities.

Trust and investment management fees are primarily derived from corporate and personal trust activities. Services provided include custody, securities processing, and private banking to customers on a global basis. The increase of \$45 million for 1993 was principally due to growth in the Corporation's personal trust and asset management businesses. Personal trust fees increased \$31 million in 1993 to \$196 million, principally due to a rise in the market value of investments under management and to new customer relationships developed as a result of two acquisitions by Texas Commerce Bancshares Inc. ("Texas Commerce") in 1993: the acquisition of certain assets of the former First City Bancorporation of Texas, Inc. ("First City Banks") in February 1993 and the acquisition of Ameritrust Texas Corporation ("Ameritrust") in September 1993.

Corporate finance and syndication fees include revenue from managing and syndicating loan arrangements; providing financial advisory services in connection with leveraged buyouts, recapitalizations and mergers and acquisitions; and arranging private placements. Corporate finance and syndication fees in 1993 reached \$338 million, a 28% increase from the prior year, principally resulting from the continued strong growth in global loan originations and distribution activities. During 1993, the Corporation acted as agent or co-agent for approximately \$185 billion of syndicated credit facilities, a reflection of the Corporation's large client base and strong emphasis on distribution. During 1993, the Federal Reserve Board approved the Corporation's applications to underwrite and deal in all debt and equity securities. Fees from underwriting debt offerings also contributed to the increase.

Service charges on deposit accounts totaled \$288 million in 1993, an increase of 9% over last year. The increase from 1992 was primarily due to the higher level of fees related to retail accounts as well as a larger deposit base (principally resulting from the acquisition of the First City Banks).

[NONINTEREST REVENUE BAR GRAPH -- SEE EDGAR APPENDIX]

Fees for other banking services for 1993 were \$1,067 million, an increase of \$27 million from a year ago, which is indicative of the continued growth in the Corporation's core revenue businesses. The fee level for 1993 was primarily affected by changes in the following areas:

- * Retail credit card fees increased \$28 million from last year due to increased transaction volume, reflecting a growing consumer cardholder base and the return to the balance sheet of previously securitized loans. In the fourth quarter of 1993, the Corporation initiated a program for a co-branded MasterCard with Shell Oil Company. Revenue from the Shell program was insignificant in 1993; however, it is expected to contribute to growth in retail card fees for 1994.
- * Mortgage servicing fees increased \$6 million in 1993, reflecting the purchase of mortgage servicing rights as well as a higher level of mortgage originations resulting from the low interest-rate environment in 1993. The Corporation originated \$14.7 billion of mortgage loans in 1993 versus \$12.5 billion in 1992.
- * Loan commitment fees were \$90 million in 1993, an increase of \$9 million from 1992.
- * Loan servicing fees were \$23 million in 1993, a decrease of \$20 million from a year ago, primarily reflecting the reduction in the level of securitized credit card loans serviced in 1993 versus 1992.

Combined revenues from trading account and foreign exchange activities in 1993 were \$1,073 million, an increase of 26% from \$853 million a year ago. The increase was in part due to continued efforts by the Corporation to diversify and expand its trading activities through an emphasis on market-making and sales businesses. The Corporation's sources of trading revenue are through sales, arbitrage, market-making and positioning. In 1993, the Corporation, taking advantage of its higher credit ratings and its increasing global presence, broadened its global trading activities and increased the range of products it offers and the currency markets in which it operates. The resulting growth in transaction volume, coupled with a broader range of instruments, market volatility and wider spreads (especially in the European markets) contributed to the increased revenues.

The following table sets forth the components of trading account and foreign exchange revenues for 1993 and 1992.

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992

Trading Account and Foreign Exchange Revenue:		
Interest Rate Contracts(a)	\$ 453	\$333
Foreign Exchange Revenue(b)	302	363
Debt Instruments and Other(c)	318	157

Total Trading Account and Foreign Exchange Revenue	\$1,073	\$853

(a) Includes interest rate swaps, currency swaps, foreign exchange forward contracts, interest rate futures, and forward rate agreements.

(b) Includes foreign exchange spot and option contracts.

(c) Includes U.S. and foreign government agency and corporate debt securities; emerging markets debt instruments, debt-related derivatives, equity securities, equity derivatives, and commodity derivatives.

Trading revenues are affected by many factors including volatility of currencies and interest rates, the volume of transactions executed by the Corporation's customers, its success in proprietary positioning, its credit standings and steps taken by central banks and governments to affect financial markets. Although the Corporation believes that its improved credit standing has recently been contributing to the improvement in its trading revenue, other factors, such as market volatility, governmental actions, or success in proprietary positioning, might not be as favorable in future periods as they were in 1993. For a further discussion of the Corporation's risk-management products and related revenues, see the Off-Balance Sheet section of the Management's Discussion and Analysis and Note Eighteen of the Notes to Consolidated Financial Statements.

Securities gains were \$142 million in 1993, compared with \$53 million in 1992. For further discussion of the Corporation's securities, see the Securities section.

The Corporation's other noninterest revenue is primarily comprised of income from venture capital activities, equity income from affiliates (including the Corporation's 40% interest in The CIT Group Holdings, Inc. ("CIT")), and gains on the sale of corporate assets. The most significant items within other revenue for 1993 and 1992 are listed in the following table.

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Net Gains on Refinancing Country Securities(a)	\$ 306	\$ --
Income from Venture Capital Activities	301	100
Equity Income from CIT(b)	65	57
Other	38	33
Total Other Revenue	\$ 710	\$ 190

(a) Principally reflects a \$179 million gain from the sale of Argentine floating rate bonds and \$152 million gain from the sale of interest due and unpaid bonds received from Brazil.

(b) The Corporation's 40% net investment in CIT at December 31, 1993 and 1992, totaled \$849 million and \$816 million, respectively.

Income from venture capital activities, net of valuation losses, was \$301 million in 1993, an increase of \$201 million from 1992. At December 31, 1993, the Corporation had equity and equity-related investments with a carrying value of \$1.3 billion. On average, these investments are held for four to seven years. Income is recognized when an investment is sold or the investment is marked to market at a discount to the public value upon completion of an initial public offering. The Corporation believes that venture capital will continue to make substantial contributions to the Corporation's earnings, although the timing of the recognition of gains from such activities is unpredictable and it is expected that revenues from such activities will vary significantly from period to period.

NONINTEREST EXPENSE

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Salaries	\$2,070	\$1,977
Employee Benefits	396	372
Occupancy Expense	587	566
Equipment Expense	337	316
Foreclosed Property Expense	287	283
Restructuring Charge	158	--
Other Expense	1,458	1,416
Total Noninterest Expense	\$5,293	\$4,930

Noninterest expense in 1993 was \$5,293 million, compared with \$4,930 million in 1992. Included in noninterest expense were expenses related to two acquisitions by Texas Commerce during 1993 and higher expenses associated with investments in certain key businesses, such as expansion of the Corporation's securities business and the introduction of the co-branded MasterCard program with Shell Oil Company. In the fourth quarter of 1993, the Corporation incurred \$53 million in operating expenses in connection with its introduction of the Shell MasterCard from Chemical Bank.

Noninterest expense for 1993 reflected \$525 million in expense savings related to the December 31, 1991 merger of the Corporation and MHC, up from \$280 million of expense savings for 1992. The Corporation expects to continue to realize expense savings (estimated at approximately \$710 million in 1994 and approximately \$750 million in 1995 and each year thereafter) and one-time merger related benefits in connection with its implementation of the merger. During 1993, the Corporation incurred a charge of \$115 million, principally related to changes since the date of the merger in the Corporation's facilities plans and revised estimates of occupancy-related costs associated with headquarters and branch consolidations. The Corporation does not anticipate any further merger-related restructuring charges.

During 1993, the ratio of noninterest operating expense (excluding one-time charges) to total operating revenue improved to 59.1% from 63.7% in 1992.

Salaries and employee benefits expenses in 1993 were \$2,466 million, compared with \$2,349 million recorded in 1992. The increase from last year was primarily the result of significantly higher incentive compensation costs due to increased revenues (primarily from the Corporation's capital markets and corporate finance activities), higher expenses related to services provided by

temporary employment agencies to assist with merger integration efforts, and the additional staff costs from the 1993 acquisitions by Texas Commerce. Additionally, as a result of the adoption of SFAS 106, expenses for 1993 related to other postretirement benefits ("OPEB") were approximately \$20 million higher than in 1992.

Total staff at December 31, 1993 amounted to 41,567 compared with 39,687 at December 31, 1992. The increase in staff count from December 31, 1992 is attributable to the acquisition of the First City Banks and Ameritrust. At December 31, 1993, merger-related staff reductions totaled 6,221 from July 15, 1991 (the date the merger with MHC was first announced) exceeding the goal of 6,200 established at that time. In 1994, the Corporation expects pension and OPEB expense to be approximately \$30 million higher than the 1993 level primarily due to a decrease in the discount rate utilized in determining the benefit obligation to 7.5%. For a further discussion, see Note Thirteen of the Notes to Consolidated Financial Statements.

Occupancy expense in 1993 was \$587 million, an increase of \$21 million from 1992. The increase in 1993 principally resulted from \$13 million in occupancy-related expenses associated with the facilities acquired in connection with the First City Banks and Ameritrust transactions. The remaining increase in occupancy expense largely reflected the consolidation and relocation of certain facilities in London.

Equipment expense in 1993 was \$337 million compared with \$316 million in 1992. The increase in 1993 was primarily the result of technology enhancements to support the Corporation's investment in certain businesses, such as Geoserve, retail banking and capital markets.

Foreclosed property expense was \$287 million in 1993, compared with \$283 million in 1992. Included in the 1993 results was \$20 million related to the accelerated disposition of nonperforming assets originally extended several years ago under a reduced-documentation residential mortgage program that was discontinued in 1990. Management expects that foreclosed property expense in 1994 will be significantly lower than the 1993 level.

In 1993, the Corporation incurred the aforementioned \$115 million charge related to the final assessment of costs associated with the merger with MHC and \$43 million in connection with the acquisition of assets and assumption of liabilities of the First City Banks from the Federal Deposit Insurance Corporation (the "FDIC"). For a further discussion, see Note Two of the Notes to Consolidated Financial Statements.

Other expense comprises items such as professional services, insurance, marketing, communications expense and FDIC assessments. Other expense in 1993 was \$1,458 million compared with \$1,416 million in 1992. The 1992 amount included a \$41 million charge incurred in combining the Corporation's employee benefit plans and a \$30 million charge for the Corporation's Canary Wharf lease arrangement. The increase in other expense from last year principally reflected higher marketing costs, operating expenses associated with the First City Banks and Ameritrust acquisitions, and higher FDIC costs due to a higher deposit base as a result of such acquisitions.

Marketing expense for 1993 was \$187 million, an increase of \$76 million from 1992. The higher level of marketing expense reflected the Corporation's marketing program for the co-branded MasterCard with Shell Oil Company, an increase in credit card solicitation costs (exclusive of Shell), and increased promotional advertising related to the Corporation's retail banking business.

Included in other expense for 1993 was approximately \$76 million related to the amortization of goodwill and other intangible assets and other ongoing expenses associated with the First City Banks and Ameritrust acquisitions. As a result of these acquisitions, total amortization of goodwill and intangibles increased to \$106 million in 1993 from \$80 million in 1992.

The Corporation expects that noninterest operating expense in 1994 will be somewhat higher than that in 1993 (after taking into consideration the effects of merger-related cost savings anticipated to be realized during the year), reflecting costs associated with the continued investment by the Corporation to grow key business activities. Nevertheless, one of management's objectives for 1994 and thereafter will be to continue to improve the ratio of noninterest operating expenses to total operating revenue.

[OVERHEAD RATIO BAR GRAPH -- SEE EDGAR APPENDIX]

INCOME TAXES

The Corporation recorded income tax expense of \$539 million in 1993, compared with \$243 million in 1992. Included in the 1993 and 1992 income tax expense were approximately \$331 million and \$278 million, respectively, of Federal income tax benefits.

The Corporation adopted SFAS 109 as of January 1, 1993, and, after taking into account the additional tax benefits associated with the adoption of SFAS 106, the Corporation recognized a favorable cumulative effect on income tax expense of \$450 million (or \$1.81 per common share). This favorable impact was recorded within the caption "Net Effect of Changes in Account-

ing Principles" on the Consolidated Statement of Income. Prior years' financial statements have not been restated to apply the provisions of SFAS 109.

Due to the strength of its earnings, the Corporation recognized in the third quarter of 1993 its remaining available Federal income tax benefits in accordance with SFAS 109. As a result, the Corporation's earnings beginning in the fourth quarter of 1993 were reported on a fully-taxed basis.

On August 10, 1993, President Clinton signed the Omnibus Budget Reconciliation Act ("OBRA") of 1993, which increased the corporate Federal tax rate from 34% to 35% retroactive to January 1, 1993. The impact of the higher Federal tax rate increased the Corporation's tax provision; however, this was more than offset by an increase in the value of the Corporation's deferred tax assets. As a result, the Corporation's tax expense in 1993 decreased by approximately \$8 million due to the enactment of OBRA.

The Corporation's effective tax rate was 25.6% in 1993, compared with 18.3% in 1992. Excluding the \$331 million of benefits recognized under SFAS 109 for 1993, the Corporation's effective tax rate for 1993 would have been 41.3%. Excluding the \$278 million of benefits recognized in 1992, the Corporation's effective tax rate for 1992 would have been 39.2%.

LINES OF BUSINESS RESULTS

Profitability of the Corporation is tracked with an internal information system that produces line-of-business performance within the Global Bank, Regional Bank, Real Estate and Corporate sectors. A set of management accounting policies has been developed and implemented to ensure that the reported results of the groups reflect the economics of their businesses. Line-of-business results are subject to restatement as appropriate whenever there are refinements in management reporting policies or changes to the management organization. Thus, certain amounts reported in 1992 have been restated to conform with the presentation of the current-year's results. Line-of-business results are subject to further restatements as may be necessary to reflect future changes in internal management reporting.

Guidelines exist for assigning expenses that are not directly incurred by businesses, such as overhead and taxes, as well as for allocating stockholders' equity and the provision for losses, utilizing a risk-based methodology. Noninterest expenses of the Corporation are fully allocated to the business units except for special corporate one-time charges. Management has developed a risk-adjusted capital methodology that quantifies different types of risk -- credit, operating and market -- within various businesses and assigns capital accordingly. Credit risk is computed using a risk-grading system that is consistently applied throughout the Corporation. The Corporation's businesses are evaluated on a fully-taxed basis. The tax benefits currently reflected in the Corporation's income tax expense (which results in a lower effective tax rate) are generally included in the Corporate sector.

Texas Commerce's results are tracked and reported on a legal entity basis, including the return-on-common equity calculation.

GLOBAL BANK

The Global Bank is organized into three principal management entities: Banking & Corporate Finance (domestic wholesale banking, corporate finance and venture capital activities); Asia, Europe & Capital Markets (international wholesale banking and corporate finance, and the Corporation's trading and treasury functions); and Developing Markets (businesses include cross-border investment banking, local merchant banking and trade finance). The Global Bank seeks to optimize its risk profile by emphasizing underwriting, distribution, and risk-management skills.

YEAR ENDED DECEMBER 31, (IN MILLIONS, EXCEPT RATIOS)	1993	1992
Total Revenue	\$3,531	\$ 2,899
Credit Provision	300	362
Noninterest Expense	1,270	1,220
Net Income	1,181	806
Average Assets	81,860	78,061
Return on Common Equity	31.9%	20.2%
Return on Assets	1.44%	1.03%

The Global Bank produced excellent results in 1993, as evidenced by net income of \$1.181 billion and a 31.9% return on equity, a substantial increase from the 1992 results of \$806 million and 20.2%, respectively. The 1993 performance was characterized by strong noninterest revenue growth. Overall trading revenues exceeded \$1.050 billion in 1993, up approximately 26% from \$834 million in 1992. Earnings from derivatives, foreign exchange and securities trading were particularly strong throughout the entire global network. Trading results in the emerging markets area were almost double the amounts recorded in 1992.

Corporate finance and syndication fees were also strong in 1993, a reflection of the Corporation's leadership position in global loan origination and distribution, as the Global Bank continued to be the industry leader in loan syndications during 1993. In 1993, revenues from venture capital activities were \$301 million, a substantial increase from \$100 million in 1992. The Developing Markets Group also benefited from \$301 million of noninterest revenue related to restructured country debt, principally the sale of Argentine and Brazilian debt securities.

REGIONAL BANK

The Regional Bank includes Retail Banking (comprised of New York Markets, Retail Card Services and National Consumer Business), Regional Relationship Banking (comprised of Middle Market, Private Banking and Chemical Bank New Jersey, N.A.) and Geoserve. The Corporation's Technology and Operations group is also managed within this organizational structure. The Retail Bank provides a broad array of products and services including consumer lending, residential financing, deposit services and credit card financing. The Corporation maintains a leading market share position in serving the financial needs of Middle Market commercial enterprises in the New York metropolitan area. Private Banking serves its high-net worth clientele with banking and investment services. The Geoserve unit offers cash management, funds transfer, trade, corporate trust and securities processing to the global market and is a market leader in many of its businesses.

YEAR ENDED DECEMBER 31, (IN MILLIONS, EXCEPT RATIOS)	1993	1992
Total Revenue	\$ 4,141	\$ 3,895
Credit Provision	472	569
Noninterest Expense	2,832	2,753
Net Income	504	351
Average Assets	40,427	38,461
Return on Common Equity	23.9%	15.2%
Return on Assets	1.25%	0.91%

The Regional Bank's net income of \$504 million and return on equity of 23.9% in 1993 improved significantly from the 1992 results of \$351 million and 15.2%, respectively. In 1993, New York Markets' net income increased modestly from 1992, reflecting a higher level of fees and wider deposit spreads. The National Consumer Business results reflected strong net interest income growth in 1993 as loan volume substantially increased. Mortgage servicing volume exceeded \$36.4 billion, an increase of \$6.0 billion over the prior year, and contributed to higher servicing fee revenues. Retail Card Services also benefited from higher net interest income due to increased volume. This performance was accompanied by an improvement in overall credit quality, as charge-offs in the Retail Card portfolio in 1993 declined from 1992 levels. During the fourth quarter of 1993, a program for a co-branded MasterCard with Shell Oil Company was announced. The new Shell MasterCard offers cardholders rebates towards the purchase of Shell gasoline. The start-up costs associated with this program accounted for over two-thirds of the overall increase in noninterest expense for the Regional Bank compared with 1992. Regional Relationship Banking had a significant increase in earnings, primarily due to reduced credit costs in Middle Market and Chemical Bank New Jersey, N.A. Private Banking produced higher earnings as a result of increased net interest income (represented by solid loan growth) and fees. Geoserve also reported an increase in its earnings in 1993 over the prior year, primarily due to significant growth in revenue from several new business initiatives.

TEXAS COMMERCE BANCSHARES

Texas Commerce is a premier corporate banking institution in the State of Texas and a leader in providing financial products and services to individuals throughout Texas. The 1993 results included the acquisitions of the First City Banks and Ameritrust. As a result of these acquisitions, Texas Commerce had the largest trust operations in the southwest United States. As of December 31, 1993, Texas Commerce had \$22 billion in total assets.

YEAR ENDED DECEMBER 31, (IN MILLIONS, EXCEPT RATIOS)	1993	1992
Total Revenue	\$ 1,084	\$ 895
Credit Provision	--	25
Noninterest Expense	815	686
Net Income	190	180
Average Assets	21,126	17,250
Return on Common Equity	11.1%	15.1%
Return on Assets	0.90%	1.04%

Texas Commerce's net income of \$190 million in 1993 improved from last year's results of \$180 million. The improved 1993 results also included \$79 million of income tax expense compared with only \$4 million for last year due to the use of net operating loss carryforwards in 1992. On a pre-tax basis, the \$269 million of operating earnings posted by Texas Commerce was up 46% over last year and represented the most profitable year in its history. Although commercial loan demand remained weak, Texas Commerce benefited from its strong customer base to post substantial increases in revenue from fee-based services and growth in deposit volumes. Solid expense management also contributed to the strong earnings.

The aforementioned results for the year ended December 31, 1993 exclude the restructuring charge (\$43 million pre-tax; \$30 million after-tax) related to the acquisition of the First City Banks and a positive \$9 million after-tax net effect from the implementation of SFAS 106 and SFAS 109.

Nonperforming assets declined to \$219 million at December 31, 1993, down 49% from the end of 1992 and 84% below the peak of \$1,303 million in

mid-1988. Based on the continuing improvements in asset quality and Texas Commerce's already adequate allowance for losses, no overall credit provision was recorded in 1993.

REAL ESTATE

Real Estate includes the management of the Corporation's commercial real estate portfolio, exclusive of those in Texas Commerce and Chemical Bank New Jersey, N.A. The net loss of \$222 million in 1993 resulted from credit costs remaining at high levels, although credit quality continued to improve. Total nonperforming assets at December 31, 1993 were \$1,304 million, down 33% from \$1,944 million at December 31, 1992. Noninterest expense of \$213 million for 1993 included \$119 million of foreclosed property expense.

YEAR ENDED DECEMBER 31, (IN MILLIONS, EXCEPT RATIOS)	1993	1992
Total Revenue	\$ 172	\$ 137
Credit Provision	329	324
Noninterest Expense	213	220
Net Loss	(222)	(245)
Average Assets	6,982	7,679
Return on Common Equity	n/m	n/m
Return on Assets	n/m	n/m

n/m--Not meaningful due to net loss.

CORPORATE

Corporate had a net loss of \$49 million in 1993, compared with a net loss of \$6 million in 1992. Included in the \$49 million loss were the following one-time items: a noninterest expense charge of \$67 million (\$115 million pre-tax) as a result of a reassessment of costs associated with the merger with MHC; an after-tax loss of \$53 million (\$75 million pre-tax) due to the writedown associated with the accelerated disposition of nonperforming residential mortgages; and a \$30 million after-tax restructuring charge (\$43 million pre-tax) related to the acquisition of the First City Banks. In addition, Corporate included the recognition of any Federal tax benefits and a net \$35 million gain from the adoption of SFAS 106 and SFAS 109. Included in the \$6 million net loss in 1992 were one-time charges of \$41 million for costs incurred to combine the Corporation's employee benefit plans, and \$30 million for London occupancy-related expenses in connection with the Corporation's Canary Wharf lease arrangements.

Corporate also includes the management results attributed to the parent company, the Corporation's investment in CIT, and some effects remaining at the corporate level after the implementation of management accounting policies. The following examples represent management accounting policies which had a corporate impact: the performance of individual businesses are evaluated on a fully-taxed basis, whereas the Corporation's overall tax rate in 1993 was lower due to the utilization of Federal tax benefits; the difference between risk-adjusted credit loss provisions in the business units and the overall financial provision for losses taken by the Corporation; and the difference between risk-adjusted capital in the groups and the Corporation's financial capital.

BALANCE SHEET ANALYSIS

SECURITIES

As of December 31, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). As a result of the adoption of SFAS 115, debt and equity securities that were previously measured at amortized cost or at the lower of aggregate amortized cost or market are measured at fair value. See Note Four of the Notes to Consolidated Financial Statements for further discussion of SFAS 115.

The prepayment of mortgage-backed securities and collateralized mortgage obligations ("CMO") is actively monitored through the Corporation's portfolio management function. The Corporation typically invests in CMO's with stable cash flows and relatively short duration, thereby limiting the impact of interest rate fluctuations on the portfolio. Management regularly does simulation testing regarding the impact that interest and market rate changes would have on its CMO portfolio. Mortgage-backed securities and CMO's which management believes have high prepayment risk are included in the available-for-sale portfolio.

CREDIT PORTFOLIO

Loans outstanding, the most significant component of earning assets, totaled \$75.4 billion at December 31, 1993, compared with \$82.0 billion at December 31, 1992. The decline of \$6.6 billion primarily reflected weak loan demand (except large syndicated loans discussed below), loan paydowns from businesses that are refinancing their borrowings in the debt and equity markets, as well as management's strategic decision to reduce the credit risk profile of the Corporation. Partially offsetting these declines was growth in credit card receivables and installment loans.

The Corporation is a leading participant in loan originations and sales. This activity is comprised of the sale of loans and lending commitments to investors, generally without recourse. These sales include syndication, assignment and participation, and include both short- and medium-term transactions. This loan distribution capability allows the Corporation to compete aggressively and profitably in wholesale lending markets by enabling it to reduce larger individual credit exposures and thereby to price more flexibly than if all loans were held as permanent investments. The Corporation also benefits from increased liquidity.

The Corporation's loan balances at December 31, 1993 and 1992 were as follows:

DECEMBER 31, (IN MILLIONS)	1993	1992

Non-LDC Loans:		
Commercial Real Estate(a)	\$ 7,939	\$ 8,551
Commercial and Industrial	24,963	30,064
Financial Institutions	8,364	10,513
Foreign Governments and Official Institutions	5,314	5,230

Total Commercial Loans	46,580	54,358
Consumer(b)	25,803	23,756

Total Non-LDC Loans	72,383	78,114
LDC Loans	2,998	3,896

Total Loans	\$ 75,381	\$82,010

(a) Represents loans secured primarily by real property, other than loans secured by mortgages on 1-4 family residential properties.

(b) Consists of 1-4 family residential mortgages, credit cards, installment loans (direct and indirect types of consumer finance) and student loans.

CREDIT RISK MANAGEMENT

A significant aspect of banking is understanding, measuring and managing credit risk. Credit risk represents the possibility that a loss may occur if a borrower or counterparty fails to honor fully the terms of a contract. Under the direction of the Chief Credit Officer, risk policies are formulated, approved and communicated throughout the Corporation. The Credit Risk Management Committee, chaired by the Chief Credit Officer, is responsible for maintaining a sound credit process, addressing risk issues and reviewing the portfolio.

The Corporation's credit risk management is an integrated process operating concurrently at the transaction and portfolio levels. For credit origination, business units formulate strategies, target markets and determine acceptable levels of risk. Credit officers work with client managers, portfolio management and, when appropriate, the syndications group during the underwriting process.

The consumer and commercial segments of the portfolio have different risk characteristics and different techniques are utilized to measure and manage their credit risks. The consumer portfolio is evaluated on a product as well as geographic basis. Within the commercial segment, each credit facility is risk graded. Facilities are subject to hold targets based on risk, and are often syndicated in order to lower potential concentration risks. Credits not syndicated remain on the balance sheet and are carefully monitored and analyzed. The loan review process includes industry specialists and country risk managers who provide independent expert insight into the portfolio. Industries and countries are also graded in a process which is incorporated into credit risk decisions through the facility risk grading system and by direct consultation with originating officers. The Corporation's global exposure system is utilized to monitor exposure by industry, obligor, business unit, product, geographic region and risk grade. This data is integral to the process of formulating strategic portfolio direction.

Risk management conducts independent evaluations of business unit portfolios and risk processes, reviewing compliance with risk policies, especially facility risk grading and problem credit recognition. Remedial actions for problem credits are the responsibility of the special loan group.

Significant progress was made in 1993 on the Corporation's credit risk profile. Credit quality indicators are favorable and improving, and the outlook for 1994 is for these positive trends to continue.

NONPERFORMING ASSETS

The following table sets forth the nonperforming assets of the Corporation at December 31, 1993 and 1992.

DECEMBER 31, (IN MILLIONS)	1993	1992

Non-LDC:		
Commercial Real Estate	\$ 707	\$1,251
Commercial and Industrial	1,068	1,871
Financial Institutions	69	102
Foreign Governments and Official Institutions	--	3

Total Commercial Loans	1,844	3,227
Consumer	125	241

Total Non-LDC Nonperforming Loans	1,969	3,468

LDC:		
Brazil	403	713
Argentina	7	316
Other LDC Countries	212	319

Total LDC Nonperforming Loans	622	1,348

Total Nonperforming Loans	2,591	4,816
Assets Acquired as Loan Satisfactions	934	1,276
Total Nonperforming Assets	\$3,525	\$6,092

The Corporation's total nonperforming assets at December 31, 1993 were \$3,525 million, down 42% from \$6,092 million at December 31, 1992. The decline from the prior year-end resulted from a \$1,499 million decrease in non-LDC nonperforming loans, a \$726 million decrease in LDC nonperforming loans and a \$342 million decrease in assets acquired as loan satisfactions. The Corporation's nonperforming assets do not include certain assets acquired in connection with the First City Banks acquisition. See Note Seven of the Notes to Consolidated Financial Statements. Management expects a further significant reduction in the level of nonperforming assets during 1994.

The following table presents the reconciliation of non-LDC nonperforming assets for 1993 and 1992.

RECONCILIATION OF NON-LDC NONPERFORMING ASSETS

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Balance at Beginning of Year	\$ 4,744	\$4,907
Additions:		
Loans Placed on Nonperforming Status	1,496	2,790
Deductions:		
Payments	1,197	900
Sales	411	343
Charge-offs(a)	946	918
Write-downs	249	212
Return to Accrual Status	447	580
Transfer to Held-for-Sale (Other Assets)	87	--
Balance at End of Year	\$ 2,903	\$4,744

(a) Excludes charge-offs on a formula basis..

Nonperforming LDC loans at December 31, 1993 were \$622 million, a decrease of \$726 million from the 1992 year-end. The decrease in nonperforming LDC loans principally reflected charge-offs, sales and swaps and the removal of restructured Argentine debt from nonaccrual status. For a further discussion with respect to Argentina, see the Outstandings to Countries Engaged in Debt Rescheduling section.

[NONPERFORMING ASSETS BAR GRAPH -- SEE EDGAR APPENDIX]

As of December 31, 1993, the Corporation had consumer loans of \$299 million (which primarily consisted of credit card and installment loans), and commercial loans of \$24 million that were not characterized as nonperforming loans, although such loans were past due 90 days or more as to principal or interest. The comparable amounts at December 31, 1992 included consumer loans of \$303 million and commercial loans of \$90 million. Consumer loans, exclusive of residential mortgage loans, as to which interest or principal is past due 90 days or more are generally not classified as nonperforming but, rather, are charged off on a formula basis upon reaching certain specified stages of delinquency. A commercial loan on which interest or principal is past due 90 days or more is not classified as nonperforming if the loan is considered well-secured (i.e., the collateral value is considered sufficient to cover the principal and accrued interest on the loan) and is in the process of collection. At each of December 31, 1993 and 1992, the past-due consumer and commercial loans of the Corporation that were not characterized as nonperforming were substantially all domestic.

ALLOWANCE FOR LOSSES

The allowance for losses is available to absorb potential credit losses from the entire loan portfolio, as well as from other balance sheet and off-balance sheet credit-related transactions. The appropriate level of the allowance is based on analyses of the loan portfolio as well as other credit-related balance sheet and off-balance sheet financial instruments and reflects an amount which, in management's judgment, is adequate to provide for potential losses. The analyses include consideration of such factors as the risk rating of individual credits, the size and diversity of the portfolio, particularly in terms of industry and geography, economic and political conditions, prior loss experience and results of the Corporation's periodic credit reviews of its portfolio. If deemed appropriate, as a result of such analyses, the allowance for losses is increased or decreased by a charge or credit, respectively, to income.

The accompanying table reflects the activity in the allowance for losses for the years ended December 31, 1993 and 1992.

ALLOWANCE FOR LOSSES

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Non-LDC Allowance:		
Balance at Beginning of Year	\$ 2,206	\$2,012
Provision for Losses	1,259(a)	1,365
Net Charge-Offs	(1,259)(a)	(1,365)
Allowance Related to Purchased Assets	19(b)	--
Reallocation from LDC Allowance	200	200
Other	(2)	(6)
Balance at End of Year	2,423	2,206
LDC Allowance:		
Balance at Beginning of Year	819	1,263
Provision for Losses	--	--
Net (Charge-Offs) Recoveries	130	(89)
Losses on Sales and Swaps	(152)	(155)
Reallocation to Non-LDC Allowance	(200)	(200)
Balance at End of Year	597	819
Total Allowance for Losses	\$ 3,020	\$3,025

-
- (a) Includes \$55 million related to the decision to accelerate the disposition of certain nonperforming residential mortgages.
 - (b) Related to First City Banks acquisition.

The Corporation's allowance for losses has been allocated between the non-LDC and LDC portfolio segments. The Corporation's non-LDC allowance at the 1993 year-end was \$2.4 billion, or 3.35% of non-LDC loans outstanding, compared with \$2.2 billion, or 2.83% of non-LDC loans outstanding, at December 31, 1992.

The LDC allowance totaled \$.6 billion at December 31, 1993, compared with \$.8 billion at the end of 1992. The changes in the non-LDC and the LDC allowances during 1993 resulted primarily from the reallocation of \$200 million from the LDC allowance to the non-LDC allowance. The reallocation reflected the Corporation's ongoing analysis and evaluation of its LDC loan portfolio, including the finalization of the Argentine financing program and progress in debt negotiations with Brazil. In addition, during 1993, the Corporation allocated a specific portion of the LDC allowance for Brazilian outstandings as a result of the Corporation's evaluation of its refinancing country portfolio and in consideration of recent recommendations of the Interagency Country Exposure Review Committee ("ICERC"). At December 31, 1993, the balance allocated to Brazil was \$82 million. For further discussion of this allocation, see Note Six of the Consolidated Notes to the Financial Statements.

The Corporation will continue to assess developments relating to the various LDC debt renegotiations. Continued progress in this area will allow the Corporation to evaluate its options with respect to the allowance currently allocated to the LDC portfolio.

The following table reflects the Corporation's allowance coverage ratios at December 31, 1993 and 1992.

ALLOWANCE COVERAGE RATIOS

YEAR ENDED DECEMBER 31,	1993	1992
Allowance for Losses to:		
Loans at Year-End	4.01%	3.69%
Average Loans	3.84	3.68
Nonperforming Loans	116.56	62.81
Non-LDC Allowance for Losses to:		
Non-LDC Loans at Year-End	3.35	2.83
Non-LDC Nonperforming Loans	123.06	63.61
LDC Allowance for Losses to:		
Medium- and Long-Term Outstandings	26.55	23.67
Total Outstandings	14.59	18.69
LDC Nonperforming Loans	95.98	60.76
LDC Allowance Adjusted for Prior Charge-Offs with Claims Retained to Medium- and Long-Term Outstandings and Claims Retained	54.14	56.47
Total Net Charge-Offs to:		
Loans at Year-End	1.50	1.77
Average Loans	1.43	1.77
Non-LDC Net Charge-Offs to		
Non-LDC Loans at Year-End	1.74	1.75

The Corporation deems its allowance for losses at December 31, 1993 to be adequate. Although the Corporation considers that it has sufficient reserves to absorb losses that may currently exist in the portfolio, but are not yet identifiable, the precise loss content from the loan portfolio, as well as from other balance sheet and off-balance sheet credit-related instruments, is subject to continuing review based on quality indicators, concentrations, changes in business conditions, and other external factors such as competition, legal and regulatory requirements. The Corporation will continue to reassess the adequacy of the allowance for losses.

NET CHARGE-OFFS

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992
Non-LDC Net Charge-Offs:		
Commercial Real Estate	\$ 284	\$ 354
Commercial and Industrial	516	571
Financial Institutions	40	39
Foreign Governments and Official Institutions	--	--
Total Commercial Net Charge-Offs	840	964
Consumer	419	401
Total Non-LDC Net Charge-Offs	1,259	1,365
LDC Net Charge-Offs (Recoveries)	(130)	89(a)
Total Net Charge-Offs	1,129	1,454
Losses on LDC Sales and Swaps	152	155
Total Net Charge-Offs and Losses	\$1,281	1,609

(a) Includes charge-offs of \$51 million related to loans to the former republics of Yugoslavia (collectively "Yugoslavia").

For a discussion of net charge-offs, see the various credit portfolio sections. Management expects total non-LDC net charge-offs in 1994 to decrease significantly from the 1993 amount.

COMMERCIAL REAL ESTATE PORTFOLIO

Commercial real estate loans represent loans secured primarily by real property, other than loans secured by one-to-four family residential properties, which are included in the consumer loan portfolio. Commercial real estate loans outstanding for the Corporation totaled \$7.9 billion at December 31, 1993, compared with \$8.6 billion a year ago. The decrease during 1993 is attributable to repayments, transfers to real estate owned and charge-offs, partially offset by the addition of approximately \$500 million of commercial real estate loans acquired as part of the First City Banks acquisition.

The table below indicates the composition of the commercial real estate loan portfolio.

DECEMBER 31, (IN MILLIONS)	1993	1992

Commercial Mortgages	\$6,478	\$6,826
Construction	1,461	1,725

Total Commercial Real Estate Loans	\$7,939	\$8,551

Commercial mortgages provide financing for the acquisition or refinancing of commercial properties, and typically have terms ranging from three to seven years. Construction loans are generally originated to finance the construction of real estate projects. When a loan financing the completed construction has cash flows sufficient to support a commercial mortgage, the loan is transferred from construction status to commercial mortgage status.

The following table shows the Corporation's commercial real estate loan portfolio, nonperforming loans and foreclosed commercial real estate, by property type and geographic location.

COMMERCIAL REAL ESTATE BY PROPERTY TYPE AND GEOGRAPHIC REGION(a) DECEMBER 31, (IN MILLIONS)	1993					1992	
	NEW YORK/ NEW JERSEY	TEXAS	OTHER DOMESTIC	TOTAL DOMESTIC	FOREIGN	TOTAL	TOTAL
Office:							
Loans	\$ 817	\$ 422	\$ 350	\$ 1,589	\$179	\$ 1,768	\$2,118
Nonperforming Loans	69	3	108	180	18	198	325
Real Estate Owned	52	46	42	140	68	208	148
Retail:							
Loans	617	263	490	1,370	89	1,459	1,737
Nonperforming Loans	42	10	--	52	--	52	164
Real Estate Owned	11	3	51	65	--	65	135
Residential:(b)							
Loans	757	183	221	1,161	54	1,215	1,375
Nonperforming Loans	106	15	9	130	--	130	123
Real Estate Owned	122	1	--	123	--	123	215
Hotel:							
Loans	205	80	289	574	45	619	807
Nonperforming Loans	23	--	49	72	--	72	272
Real Estate Owned	200	--	11	211	--	211	159
Land:							
Loans	179	173	35	387	17	404	535
Nonperforming Loans	76	6	8	90	--	90	167
Real Estate Owned	85	81	46	212	--	212	312
Other:							
Loans	1,214	689	354	2,257	217	2,474	1,979
Nonperforming Loans	102	27	29	158	7	165	200
Real Estate Owned	21	6	20	47	--	47	147
Total:							
Loans	\$ 3,789	\$1,810	\$ 1,739	\$ 7,338	\$601	\$ 7,939	\$8,551
Nonperforming Loans	418	61	203	682	25	707	1,251
Real Estate Owned	491	137	170	798	68	866	1,116

(a) Nonperforming loans are included in loan balances. Real Estate Owned denotes foreclosed commercial real estate, which is included in assets acquired as loan satisfactions.

(b) Represents residential property construction, land development and multi-family permanent mortgages, excluding 1-4 family residential mortgages.

The largest concentration of commercial real estate loans is in the New York/New Jersey and Texas markets, representing 48% and 23%, respectively, of the commercial real estate portfolio. No other state represented more than 3% of the commercial real estate loan portfolio. The New York/New Jersey economy stabilized during 1993, resulting in moderate improvements in commercial space leasing activity. However, in most real estate property sectors of that region, demand is not yet sufficient to result in higher prices. Improvements in the Texas economy have resulted in significant growth in employment (employment rates in Dallas and Austin are currently above the national average) and in improvements in the real estate market. In California, where the Corporation has less than 3% of its commercial real estate loans, the economy is still weak. At December 31, 1993, the portfolio included \$601 million of secured international real estate loans which are primarily located in the United Kingdom and Hong Kong.

The Corporation's management has a process to monitor all real estate credits to assist it in early identification of problem loans. Line credit officers work in conjunction with appraisers to review individual loans, conduct regular market analyses and evaluate portfolio segments. In addition, real estate problem assets are managed in special units staffed for restructuring, workout and collection and real estate management and disposition. The Corporation reassesses the market value of real estate owned for possible impairment on a continual basis.

Nonperforming commercial real estate assets totaled \$1.6 billion at December 31, 1993, a 34% decrease from a year ago. The decrease reflects nonaccrual loans returning to accrual status, charge-offs and the continuing sale of foreclosed property. Nonperforming commercial real estate loans were \$707 million, down 43% from \$1,251 million at December 31, 1992. Real estate owned totaled \$866 million at December 31, 1993, down 22% from \$1,116 million at December 31, 1992.

Improvement in nonperforming commercial real estate asset levels during 1993 is the result of increased liquidity in the commercial real estate markets, lower interest rates and successful focused workout activities.

Commercial real estate loans entering nonperforming status declined significantly in 1993 when compared with 1992. Reductions to nonperforming assets in the form of payments, return to accrual status and sales of real estate owned were greater than the additions to nonperforming assets in each quarter of 1993. Commercial real estate net charge-offs in the 1993 totaled \$284 million, compared with \$354 million in 1992. Writedowns of commercial real estate owned totaled \$199 million in 1993, compared with \$212 million in 1992. Approximately \$298 million in commercial real estate owned was sold in 1993. Generally, these assets were sold at or above carrying value. Commercial real estate net charge-offs, writedowns and nonperforming assets for 1994 are expected to be below 1993 levels.

COMMERCIAL AND INDUSTRIAL PORTFOLIO

The commercial and industrial portfolio totaled \$25.0 billion at December 31, 1993, representing 33% of the total loan portfolio. The portfolio is diversified geographically and by industry. Approximately 75% of the commercial and industrial loans are domestic. The commercial and industrial portfolio is comprised of 39 industry groups which are graded and actively monitored by the Corporation's industry specialists. Approximately 70% of the industries each represent less than 1% of total loans. The largest industry concentration is oil and gas at approximately 2.9% of total loans. Real estate related, of approximately \$1.6 billion, is the second largest concentration representing 2.2% of total loans.

Included in commercial and industrial are loans related to highly leveraged transactions ("HLT"). The Corporation originates and syndicates loans in HLTs, which include acquisitions, leveraged buyouts and recapitalizations. HLT loans at December 31, 1993 totaled approximately \$1.9 billion, compared with \$3.3 billion at December 31, 1992. The Corporation was also committed at December 31, 1993 to lend an additional amount of approximately \$.9 billion. The substantial reduction in the HLT loan portfolio from year-end 1992 can be largely attributed to repayments, charge-offs and reclassifications to non-HLT status. At December 31, 1993, the Corporation had \$269 million in nonperforming HLT loans compared with \$586 million at year-end 1992. Net charge-offs related to HLTs during 1993 totaled approximately \$81 million, versus \$185 million for 1992.

FINANCIAL INSTITUTIONS, AND FOREIGN GOVERNMENTS AND OFFICIAL INSTITUTIONS PORTFOLIOS

Financial institutions include commercial banks and companies whose businesses primarily involve lending, financing, investing, underwriting or insuring. Loans to financial institutions were 11% of total loans at December 31, 1993. Fifty-seven percent of these loans were to domestic financial institutions. Loans to financial institutions are predominantly to commercial banks and broker-dealers, which together comprise over half the financial institution total.

At year-end 1993, 7% of the Corporation's total loans were to foreign governments, government agencies, government-owned commercial enterprises, and official institutions, exclusive of LDC loans. Approximately 65% of foreign government and official institution loans were to central and other government-owned banks and government institutions.

CONSUMER PORTFOLIO

The consumer loan portfolio consists of one-to-four family residential mortgages, credit cards, installment loans and student loans. The consumer loan portfolio totaled \$25.8 billion at December 31, 1993, representing 34% of total loans, an increase from \$23.8 billion, or 29% of total loans, at December 31, 1992. During 1993, the Corporation's consumer loan portfolio grew by 9%, primarily due to increases in credit card receivables and installment loans.

The following table represents the composition of the Corporation's consumer loan portfolio at December 31, 1993 and December 31, 1992.

DECEMBER 31, (IN MILLIONS)	1993	1992
Residential Mortgages	\$ 12,346	\$12,029
Credit Cards	7,176	6,166
Installment Loans	4,178	3,604
Student Loans	2,103	1,957
Total Consumer Loans	\$ 25,803	\$23,756

Underlying improvements in the economy in 1993 generally strengthened the financial position of the consumer. A healthier economy and easing employment concerns stimulated revolving line and closed-end loan debt levels. Additionally, attractive mortgage rates stimulated home sales to first-time buyers. Credit card receivables at December 31, 1993, increased \$1.0 billion from a year ago, of which \$443 million related to the co-branded Shell MasterCard program which was introduced in the fourth quarter of 1993.

Total nonperforming consumer loans at December 31, 1993 were \$125 million and were comprised of \$101 million of loans secured by residential real estate and \$24 million of installment loans. At December 31, 1992, total nonperforming consumer loans were \$241 million and were comprised of \$210 million of loans secured by residential real estate and \$31 million of installment loans. Residential real estate owned at December 31, 1993 totaled \$20 million, compared with \$57 million at the 1992 year-end. The reductions in nonperforming consumer loans and residential real estate owned at December 31, 1993 reflected the decision to accelerate the disposition of \$162 million of nonperforming residential mortgages.

Net charge-offs in the consumer portfolio totaled \$419 million in 1993 compared with \$401 million in 1992. The 1993 net charge-offs consisted of \$322 million in credit card receivables, \$28 million in installment loans and \$69 million in residential mortgages (which included the \$55 million charge associated with the aforementioned accelerated disposition). The composition of the 1992 net charge-offs were \$348 million in credit card receivables, \$35 million in installment loans and \$18 million in residential mortgages. There were essentially no credit losses in 1993 and 1992 in the student loan portfolio due to the existence of Federal and State government guarantees. Excluding the charge of \$55 million for the accelerated disposition program, the decline in consumer loan charge-offs is due to the effect of further refinement of the Corporation's risk management techniques, including enhanced account monitoring standards and greater efficiencies in the collection and recovery processes.

Consumer loan balances are expected to increase in 1994, particularly in the residential mortgage and the credit card portfolios. In 1994, the Corporation's strategy will continue to emphasize risk management and consumer loan portfolio credit quality. Management expects consumer loan charge-offs in 1994 will approximate the 1993 level due to the anticipated higher level of credit card receivables outstanding as a result of the Shell MasterCard program.

Mortgage Banking Activities: With respect to the Corporation's mortgage banking activities, the Corporation both originates and services residential mortgage loans. After origination, the Corporation may sell loans to investors, primarily in the secondary market, while retaining the rights to service such loans. In accordance with current accounting standards, the value of such servicing rights related to originating mortgage loans is not recorded as an asset in the financial statements. The Corporation originated \$14.7 billion of mortgages in 1993 versus \$12.5 billion in 1992.

In addition to originating mortgage servicing rights, the Corporation also purchases mortgage servicing rights. The Corporation may purchase bulk rights to service a loan portfolio or the Corporation may purchase loans directly and then sell such loans while retaining the servicing rights. The Corporation's servicing portfolio amounted to \$36.4 billion at December 31, 1993 compared with \$30.4 billion at December 31, 1992. Purchased mortgage servicing rights (included in other assets) amounted to \$249 million at December 31, 1993 compared with \$204 million at December 31, 1992. The mortgage loans to which the Corporation's servicing rights relate are, to a substantial degree, of recent vintage (i.e., originated within the past two years when interest rates have been relatively low). Additionally, the Corporation utilizes accelerated amortization and continually evaluates prepayment exposure of the portfolio, thereby adjusting the balance and remaining life of the servicing rights as a result of prepayments. Accordingly, the current interest rate environment has not had a material adverse effect on the carrying value of the Corporation's purchased mortgage servicing rights. During 1993, the Corporation wrote down \$14 million with respect to its purchased mortgage servicing rights.

CROSS-BORDER OUTSTANDINGS

The extension of credits denominated in a currency other than that of the country in which a borrower is located, such as dollar-denominated loans made overseas, are called "cross-border" credits. In addition to the credit risk associated with any borrower, these particular credits are also subject to "country risk" -- economic and political risk factors specific to the country of the borrower which may make the borrower unable or unwilling to pay principal and interest according to contractual terms. Other risks associated with these credits include the possibility of insufficient foreign exchange and restrictions on its availability. To minimize country risk, the Corporation monitors its foreign credits in each country with specific consideration given to maturity, currency, industry and geographic concentration of the credits. In addition, the Corporation establishes limits governing lending to the various categories of the foreign portfolio.

The following table lists all countries in which the Corporation's cross-border outstandings exceeded 1% of consolidated assets as of any of the dates specified. The Corporation does not have significant local currency outstandings to the individual countries listed in the following table that are not hedged or are not funded by local currency borrowings.

CROSS-BORDER OUTSTANDINGS(a) AT DECEMBER 31, (IN MILLIONS) COUNTRY				TOTAL
	PUBLIC	BANKS	OTHER	CROSS-BORDER OUTSTANDINGS(b)
Japan	1993 \$ 27	\$ 3,955	\$ 257	\$ 4,239(c)
	1992 1	264	148	413(c)
	1991 18	1,853	150	2,021
United Kingdom	1993 106	1,035	1,086	2,227
	1992 87	358	1,271	1,716
	1991 209	334	1,276	1,819
Germany	1993 2,021	314	356	2,691(d)
	1992 62	171	145	378
	1991 23	143	313	479

(a) Outstandings (including loans and accrued interest, interest-bearing deposits with banks, securities, acceptances and other monetary assets, except equity investments) represent those of both the public and private sectors and are presented on a risk basis, i.e., net of written guarantees and tangible liquid collateral when held outside the foreign country. At December 31, 1993, outstandings to Italy amounted to \$1,281 million which was in excess of .75% of total assets. At December 31, 1993, 1992 and 1991, outstandings to Brazil amounted to \$1,328 million, \$1,224 million and \$1,148 million, respectively, which were in excess of .75% of total assets in each of such year. At December 31, 1992, outstandings to Korea amounted to \$1,074 million, which were in excess of .75% of total assets. At December 31, 1991, outstandings to Venezuela amounted to \$1,162 million, which was in excess of .75% of total assets for such year.

(b) Outstandings exclude equity received in debt-for-equity conversions, which is recorded initially at fair market value and generally accounted for under the cost method. Commitments (outstanding letters of credit, standby letters of credit, guarantees and unused legal commitments) are excluded. At December 31, 1993, off-balance sheet commitments, after adjusting for transfers of risk, amounted to \$1,133 million for Japan, \$1,247 million for the United Kingdom, and \$357 million for Germany.

(c) The average outstandings to Japan during 1993 and 1992 (based on quarter-end amounts) was approximately \$3.6 billion and \$1.2 billion, respectively.

(d) The average outstandings to Germany during 1993 (based on quarter-end amounts) was approximately \$1.2 billion.

OUTSTANDINGS TO COUNTRIES ENGAGED IN DEBT RESCHEDULING

The following table sets forth the Corporation's outstandings to countries engaged in debt rescheduling at the dates indicated.

(IN MILLIONS)	DECEMBER 31, 1993			DECEMBER 31, 1992		
	MEDIUM-AND LONG-TERM	TRADE AND SHORT-TERM(a)	TOTAL	MEDIUM-AND LONG-TERM	TRADE AND SHORT-TERM(a)	TOTAL
Brazil	\$ 499	\$ 829	\$ 1,328	\$ 793	\$431	1,224
Venezuela(b)	651	160	811	876	47	923
Argentina(c)	203	544	747	509	231	740
Others(d)	895	309	1,204	1,285	213	1,498
Total	\$2,248	\$ 1,842	\$ 4,090	\$3,463	\$922	4,385

(a) Trade and short-term outstandings include accrued interest, interest-bearing deposits with banks and trade-related credits.

(b) Amounts outstanding to Venezuela exclude interest rate reduction bonds with a book value of \$365 million and \$483 million at December 31, 1993 and 1992, respectively. The principal amount of these bonds is secured by zero-coupon U.S. Treasury securities. As of December 31, 1993, the market values of these bonds and the underlying collateral were \$292 million and \$65 million, respectively.

(c) Amounts outstanding to Argentina exclude principal reduction bonds and interest rate reduction bonds with an aggregate book value of \$17 million at December 31, 1993. The principal amount of these bonds is secured by zero-coupon U.S. Treasury securities. As of December 31, 1993, the market values of these bonds and the underlying collateral were \$17 million and \$4 million, respectively.

(d) Amounts outstanding to Uruguay exclude interest rate reduction bonds with a book value of \$129 million at each of December 31, 1993 and 1992. The principal amount of these bonds is secured by zero-coupon U.S. Treasury securities. As of December 31, 1993, the market values of these bonds and the underlying collateral were \$108 million and \$20 million, respectively.

LDC outstandings are subject to unique economic, political and social risks. In 1993 and prior years, borrowers in LDC countries have restructured and refinanced their obligations. The Corporation expects to continue a program of close cooperation with members of the international financial community and the representatives of LDC countries.

The Corporation's medium- and long-term LDC outstandings decreased to \$2,248 million at December 31, 1993, from \$3,463 million at December 31, 1992, a reduction of \$1,215 million, or 35%. The reduction from December 31, 1992 is primarily attributable to loan sales, charge-offs, and the removal of the Argentine debt that was restructured in 1993.

Following is a summary of significant recent developments with respect to the Corporation's outstandings to Brazil and Argentina.

Brazil: Nonperforming loans to Brazilian borrowers totaled \$403 million at December 31, 1993, down from \$713 million at December 31, 1992, reflecting a reduction in medium- and long-term outstandings.

Substantial progress was made during 1993 on the agreement-in-principal reached in July 1992 between the Government of Brazil and the Bank Advisory Committee ("BAC") on the debt and debt service reduction package covering \$45 billion of medium- and long-term debt (the "Financing Package").

During 1993, the Corporation agreed to exchange its eligible "Old" debt (multi-year Deposit Facility Agreement and other pre-1988 restructured debt) for 65% Capitalization Bonds and 35% Discount Bonds. The agreement also provides for the exchange of the Corporation's eligible "New Money" debt (credit extensions originating from the 1988 restructuring) for New Money Bonds, Debt Conversion Bonds and Cruzeiro Dollar Bonds. The Financing Package was signed by 95% of the debt holders on December 15, 1993. The exchange is expected to take place by April 15, 1994.

Brazil has paid 50% of contractual interest due throughout 1993 and is expected to continue these 50% payments until the exchange date. The remaining unpaid interest due is expected to be received by the Corporation on the exchange date in the form of 12-year, uncollateralized Eligible Interest ("EI's") Bonds in the principal amount of approximately \$150 million.

The Corporation's total Brazilian outstandings currently affected by the Financing Package amount to \$1,112 million (which includes loan amounts previously charged off). Debt tendered under the Capitalization Bonds option will be exchanged at face value for 20-year uncollateralized bonds initially bearing interest at 4% and gradually increasing to 8% in year seven and thereafter. The principal balance of the bonds will be increased semi-annually during the first six years for the difference between the interest due based on the stated rate and the rate of 8%. Equal semi-annual principal payments will commence after a ten-year grace period. Debt tendered under the Discount Bond option will be exchanged at a 35% discount for 30-year bonds bearing interest at LIBOR plus 13/16% with a bullet payment at maturity. The principal payment on the Discount Bonds is expected to be collateralized by zero-coupon U.S. Treasury obligations having a redemption value at maturity equal to the face value of the Bonds. Interest payments on these bonds are expected to be collateralized by permitted investments on a 12-month rolling basis and will become fully collateralized during a two-year phase-in period. The New Money Bonds, Debt Conversion Bonds and Cruzeiro Dollar Bonds are uncollateralized 15- or 17-year instruments bearing interest at LIBOR plus 13/16% with equal semi-annual principal payments commencing after a seven- or ten-year grace period. The Corporation does not expect to incur any additional charge-offs as a result of the Financing Package.

The Corporation has sold substantially all of its Interest Due and Unpaid ("IDU") Bonds which were received in November 1992 under the agreement reached by the BAC and Brazil for the settlement of past-due interest owed to bank creditors on medium- and long-term outstandings for 1989 and 1990. During 1993, the Corporation recognized a gain of \$152 million (in other revenue) from the sale of its IDU Bonds.

Argentina: Argentine nonperforming loans were \$7 million at December 31, 1993 compared with \$316 million at December 31, 1992. The decrease in medium- and long-term outstandings and in nonperforming loans is primarily attributable to the exchange of eligible debt for 30-year collateralized Par and Discount Bonds issued by the Republic of Argentina and the sale of local Argentine government instruments.

The rescheduling agreement reached between the Republic of Argentina and the Bank Advisory Committee on the settlement of the country's medium- and long-term debt of approximately \$23 billion and associated interest in arrears was completed during 1993. On April 7, 1993, the creditor banks exchanged their eligible debt into collateralized 30 year Par and Discount Bonds under the terms of the Argentine rescheduling agreement. The Corporation's total Argentine outstandings affected by the rescheduling agreement were \$870 million (which includes loan amounts previously charged off). Par Bonds in the amount of \$613 million and Discount Bonds in the amount of \$167 million were issued to the Corporation. The Corporation did not take any additional charge-offs in connection with the debt exchange. In connection with the agreement, the Corporation received \$337 million of Floating Rate Bonds ("FRB's") and \$32 million in cash, of which \$29 million was recorded in net interest income in 1993.

The Corporation has sold substantially all of the aforementioned Par Bonds, Discount Bonds and FRB's received as a result of the refinancing agreement. The Corporation recognized a \$179 million gain (in other revenue) during 1993 from the sale of its FRB's.

CAPITAL

Total stockholders' equity at December 31, 1993 was \$11.16 billion, an increase from \$9.85 billion at year-end 1992. The \$1.31 billion increase in stockholders' equity from December 31, 1992 included \$1.11 billion in retained earnings generated during 1993. The Corporation raised \$200 million in new common equity primarily through the sale in March 1993 of

[TOTAL STOCKHOLDERS' EQUITY BAR GRAPH -- SEE EDGAR APPENDIX]

3.8 million shares of the Corporation's common stock. Two series of fixed-rate preferred stock totaling \$400 million issued during 1993 were more than offset by the redemption of three series of adjustable-rate preferred stock totaling \$594 million. Such redemptions were part of the Corporation's plan to improve its capital position by achieving lower financing costs and reducing interest-rate risk. The Corporation will continue to evaluate the opportunity for future redemptions of preferred stock given current market conditions. The Corporation's ratio of common stockholders' equity to total assets was 6.34% at December 31, 1993, an increase from 5.73% at year end 1992. The ratio of total stockholders' equity to total assets at December 31, 1993 was 7.45%, an increase from 7.05% from the same date a year ago.

Total capitalization (total stockholders' equity under risk-based capital guidelines, and subordinated and senior debt that qualifies as Tier 2 Capital as discussed below under "Risk-Based Capital Ratios") increased by \$810 million during 1993.

LONG-TERM DEBT

During 1993, the Corporation issued \$3.5 billion of long-term debt (including \$1.6 billion of subordinated debt that qualifies as Tier 2 Capital, of which \$1.1 billion was issued through its Chemical Bank subsidiary). These issuances were offset by maturities of \$402 million of long-term debt (including \$330 million of medium-term notes) and the redemption of \$1.9 billion of long-term debt. As a result of these actions, the Corporation improved its liquidity and extended the maturities of its debt portfolio. See the Liquidity Management section for further discussion of the Corporation's long-term debt redemptions.

COMMON STOCK DIVIDENDS

In the first quarter of 1993, the Board of Directors of the Corporation increased the quarterly dividend on the Corporation's common stock from \$0.30 per share to \$0.33 per share. In the fourth quarter of 1993, the Corporation declared an increase in the quarterly dividend to be paid on its common stock in January 1994 from \$0.33 per share to \$0.38 per share. Future dividend policies will be determined by the Board of Directors in light of the earnings and financial condition of the Corporation and its subsidiaries and other factors, including applicable governmental regulations and policies.

RISK-BASED CAPITAL RATIOS

Under the Federal Reserve Board risk-based capital guidelines, banking organizations are required to maintain certain ratios of "Qualifying Capital" to "risk-weighted assets". "Qualifying Capital" is classified into two tiers, referred to as Tier 1 Capital and Tier 2 Capital. Tier 1 Capital consists of common equity, qualifying perpetual preferred equity and minority interests in the equity accounts of unconsolidated subsidiaries, less goodwill and other non-qualifying intangible assets. Tier 2 Capital consists of perpetual preferred equity not qualifying for Tier 1, qualifying allowance for credit losses, mandatory convertible debt and subordinated debt and other qualifying securities. The amount of Tier 2 Capital may not exceed the amount of Tier 1 Capital. In calculating "risk-weighted assets", certain risk percentages, as specified by the Federal Reserve Board, are applied to particular categories of both on- and off-balance sheet assets. Under the guidelines, the Corporation's Tier 1 Capital ratio and Total Capital ratio to risk-weighted assets at December 31, 1993 were 8.12% and 12.22%, respectively, well in excess of the minimum ratios specified by the Federal Reserve Board. Also on that date, Chemical Bank's ratios of Tier 1 Capital and Total Capital to risk-weighted assets, were 7.90% and 12.54%, respectively. Chemical Bank was "well capitalized" as defined by the Federal Reserve Board. To be "well capitalized," a banking organization must have a Tier 1 Capital ratio of at least 6%, Total Capital ratio of at least 10% and Tier 1 leverage ratio (as defined in the following section) of at least 5%.

These ratios, as well as the leverage ratio discussed below, do not reflect any adjustment in stockholders' equity due to the adoption of SFAS No. 115. The Federal Reserve Board has proposed to permit banking corporations to include in Tier 1 Capital the net amount of any unrealized gains or losses from securities available-for-sale. If the Corporation were to treat the amount at December 31, 1993 of its net unrealized gains attributable to available-for-sale securities as regulatory capital, the Tier 1 Capital, Total Capital and Tier 1 leverage ratios would be 8.30%, 12.39% and 6.92%, respectively, at December 31, 1993. The total capitalization would have increased by an additional \$215 million for a total increase of \$1,025 million during 1993.

[RISK-BASED CAPITAL RATIOS BAR GRAPH -- SEE EDGAR APPENDIX]

LEVERAGE RATIOS

The Tier 1 leverage ratio is defined as Tier 1 Capital divided by average total assets (net of allowance for losses, goodwill and other non-qualifying intangible assets). The minimum leverage ratio is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk (including no undue interest rate risk), excellent asset quality, high liquidity and good earnings. Higher capital ratios could be required if warranted by the particular circumstances, or risk profile, of a given banking organization. The Federal Reserve Board has not advised the Corporation of any specific minimum Tier 1 leverage ratio applicable to it. The Corporation's Tier 1 leverage ratio was 6.77% at December 31, 1993, compared with 6.60% at December 31, 1992. At December 31, 1993, Chemical Bank's Tier 1 leverage ratio was 6.97%.

The table which follows sets forth the Corporation's Tier 1 Capital, Tier 2 Capital and risk-weighted assets, and the Corporation's risk-based capital and Tier 1 leverage ratios for the dates indicated.

CAPITAL RATIOS

DECEMBER 31, (IN MILLIONS, EXCEPT RATIOS)	1993	1992

Tier 1 Capital:		
Common Stockholders' Equity	\$ 9,295	\$ 8,003
Nonredeemable Preferred Stock	1,654	1,848
Minority Interest	66	74
Less: Goodwill	941	682
Less: Non-Qualifying Intangible Assets	211	--

Tier 1 Capital	\$ 9,863	\$ 9,243

Tier 2 Capital:		
Long-Term Debt Qualifying as Tier 2	3,437	3,725
Qualifying Allowance for Credit Losses	1,536	1,595

Tier 2 Capital	\$ 4,973	\$ 5,320

Total Qualifying Capital	\$ 14,836	\$ 14,563

Risk-Weighted Assets	\$ 121,446	\$ 126,124
Tier 1 Capital Ratio	8.12%	7.33%
Total Capital Ratio	12.22%	11.55%
Tier 1 Leverage Ratio	6.77%	6.60%

Excluding the Corporation's securities subsidiary, Chemical Securities Inc., the December 31, 1993 ratios of Tier 1 Capital to risk-weighted assets and Total Capital to risk-weighted assets were 7.93% and 11.86%, respectively, compared with 7.20% and 11.29%, respectively, at December 31, 1992.

LIQUIDITY MANAGEMENT

The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. Liquidity management addresses the Corporation's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, and to make new loans and investments as opportunities arise. Liquidity is managed on a daily basis at both the parent company and the subsidiary levels, enabling senior management to monitor effectively changes in liquidity and to react accordingly to fluctuations in market conditions. Contingency plans exist and could be implemented on a timely basis to minimize the risk associated with dramatic changes in market conditions.

The primary source of liquidity for the bank subsidiaries of the Corporation derives from their ability to generate core deposits, which includes all deposits except zero-rate deposits, foreign deposits and certificates of deposit of \$100,000 or more. The Corporation considers funds from such retail sources to comprise its subsidiary banks' "core" deposit base because of the historical stability of such sources of funds. The average core deposits at the Corporation's bank subsidiaries for 1993 were \$61 billion, an increase from \$57 billion for 1992. These deposits fund a proportion of the Corporation's asset base, thereby reducing the Corporation's reliance on other, more volatile, sources of funds. For 1993, the Corporation's percentage of average core deposits to average interest-earning assets was 49%, compared with 47% during 1992. Average core deposits as a percentage of average loans was 77% for 1993, compared with 70% in 1992.

The Corporation holds marketable securities and other short-term investments which can be readily converted to cash. In addition, active asset securitization programs and loan syndication networks are maintained in order to facilitate the timely liquidation of certain assets if and when deemed desirable.

The Corporation is also an active participant in the capital markets. In addition to issuing commercial paper and medium-term notes, the Corporation raises funds through the issuance of long-term debt, common stock and preferred stock. During 1993, the Corporation issued \$200 million of common stock, \$400 million of preferred stock, \$1.6 billion of subordinated debt (\$1.1 billion of which was issued by Chemical Bank) and \$1.9 billion of senior debt (including \$1.1 billion through its medium-term note program) in various public offerings.

During 1993 and 1992, several nationally-recognized statistical rating organizations announced upgrades in the ratings of the Corporation's senior debt, subordinated debt, commercial paper and preferred stock. These rating increases enhanced and should continue to enhance the Corporation's access to global capital and money markets, a primary source of liquidity for an international money-center institution. The ability to access this geographically diverse assortment of distribution channels and to issue a wide variety of capital and money market instruments at various maturities provides

the Corporation with a full array of alternatives for managing its liquidity position.

During 1993, the Corporation redeemed \$1.9 billion of its long-term debt and \$594 million of its preferred stock. Such redemptions were and will continue to be undertaken by the Corporation in light of its ability (as a result of current market conditions in general and the recent upgrades in the Corpora-

tion's debt ratings in particular) to access the credit markets on terms more favorable than that of the redeemed debt and preferred stock. These redemptions were and continue to be part of the Corporation's plan to improve its capital position by achieving lower financing costs, reducing interest rate risk and lengthening maturities. The Corporation will continue to evaluate the opportunity for future redemptions of debt and preferred stock given current market conditions.

The following comments apply to the Consolidated Statement of Cash Flows.

Cash and due from banks decreased \$2.0 billion during 1993, as net cash used by operating activities exceeded the net cash provided by investing and financing activities. The \$8.5 billion net cash used by operating activities was principally due to cash outflows from a net increase in trading-related assets (\$10.5 billion) and purchases of available-for-sale securities (\$7.6 billion), partially offset by the maturity and sale of available-for-sale securities (\$1.6 billion and \$5.4 billion, respectively). The \$3.4 billion net cash provided from investing activities was largely the result of cash inflows from the net decrease in loans (\$6.7 billion) and proceeds from the maturity of held-to-maturity securities (\$5.0 billion), partially offset by cash outflows from the purchases of held-to-maturity securities (\$6.4 billion), as well as increases in deposits with banks (\$4.2 billion) and Federal funds sold and securities purchased under resale agreements (\$2.4 billion). The \$6.0 billion net cash provided by financing activities was due to increases in Federal funds purchased, securities sold under repurchase agreements and other borrowed funds (\$3.3 billion), foreign deposits (\$2.9 billion) and net proceeds from the issuance of long-term debt (\$3.5 billion), partially offset by repayments and maturities of long-term debt (\$2.3 billion).

The Corporation's anticipated cash requirements (on a parent company-only basis) for 1994 include approximately \$1,650 million for maturing medium- and long-term debt, anticipated dividend payments on the Corporation's common stock and preferred stock and for other parent company operations. The Corporation considers the sources of liquidity available to the parent company to be more than sufficient to meet its obligations. The sources of liquidity available to the Corporation (on a parent company-only basis) include its liquid assets (including deposits with its bank subsidiaries and short-term advances to and repurchase agreements with its securities subsidiaries) as well as dividends and the repayment of intercompany advances from its bank and non-bank subsidiaries. In addition, as of December 31, 1993, the Corporation had available to it \$750 million in committed credit facilities from a syndicate of domestic and international banks. The facilities included a \$241 million three-year facility and a \$509 million 364-day facility.

OFF-BALANCE SHEET ANALYSIS

The Corporation utilizes various off-balance sheet financial instruments in two ways: trading and asset/liability management. Certain of these instruments, commonly referred to as "derivatives", represent contracts with counterparties where payments are made to or from the counterparty based upon specific interest rates, currency levels, other market rates or on terms predetermined by the contract. Derivatives, along with foreign exchange contracts, can provide a cost-effective alternative to assuming and mitigating risks associated with traditional on-balance sheet instruments. Such derivative and foreign exchange transactions involve, to varying degrees, credit risk (i.e., the possibility that a loss may occur because a party to a transaction fails to perform according to the terms of a contract) and market risk (i.e., the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle).

The Corporation's actual credit losses arising from such transactions have been immaterial during 1993, 1992 and 1991. The effects of market losses have been reflected in trading revenue, as the trading instruments are marked-to-market on a daily basis.

TRADING ACTIVITIES: RISK MANAGEMENT PRODUCTS

The Corporation utilizes derivative and foreign exchange instruments to meet the financing needs of its customers and to generate revenues through its trading activities. The Corporation has four fundamental trading activities which generate revenue. The Corporation seeks to maintain a balance between generally stable market-making, sales and arbitrage businesses and potentially less stable positioning.

Market-making: The Corporation trades with the intention of making a profit based on the spread between bid and ask prices. The Corporation views the market risk related to market-making to be relatively low and very short-term. The stability of market-making, compared to other trading activities, is considered by the Corporation to be medium, as both the spreads and the market volume can fluctuate. The Corporation considers market-making to be a key trading activity in its non-exchange traded businesses and emphasizes its use, especially in its foreign exchange, derivative and government markets businesses.

Sales: The Corporation accesses products for its clients at competitive prices. The Corporation is emphasizing sales since the Corporation believes it to be a stable business, given the Corporation's worldwide client franchise.

Arbitrage: This is the purchase or sale of derivatives in one market and the almost simultaneous sale or purchase in another market to take advantage of differences in interest and currency

rates. Because of the nature of trading markets, where there are numerous instruments that relate to one another, and the Corporation's market-making franchise, the Corporation emphasizes the use of this strategy. The Corporation considers arbitrage to be a key fundamental of its risk management business.

Positioning: The Corporation takes certain positions in the market with the intention of generating revenue. This strategy has the lowest stability of all four trading activities. The Corporation's emphasis in this area is less than in the other fundamental trading activities.

ASSET/LIABILITY MANAGEMENT

The Corporation employs a variety of off-balance sheet instruments in managing its exposure to fluctuations in market interest rates and foreign exchange rates. In some cases, these instruments are used to hedge specific on-balance sheet exposures. For example, an interest rate swap contract may be entered into in conjunction with a debt offering, shifting the effective rate paid from fixed to variable, or vice versa, at terms more advantageous than if the debt offering had originally been fixed-rate or variable-rate, as the case may be.

More often, these contracts are used as one of many tools in the Corporation's overall management of its exposure, as opposed to hedging specific transactions as described above. A swap in which the Corporation receives a fixed interest rate and pays a floating rate may serve as a substitute for an investment in a fixed-rate security. Such a swap transaction will have an effect on the Corporation's consolidated interest rate sensitivity identical to a security investment but potentially at more favorable terms depending on market conditions. For a discussion regarding the Corporation's interest rate positions, see the Interest Rate Sensitivity Section. For a discussion regarding the Corporation's asset/liability management policies, see Note One of the Notes to Consolidated Financial Statements. At December 31, 1993, the net deferred amount relating to off-balance sheet instruments used in asset/liability management activities was immaterial.

CREDIT AND MARKET RISK MANAGEMENT

The effective management of credit and market risk is a vital ingredient of the Corporation's trading activities and asset/liability management. The Corporation also manages the risks associated with its trading activities through geographic and product diversification. Because of the changing market environment, which results in increasingly complex financial instruments, and because of the Corporation's business strategy to maintain geographic and product diversification, the monitoring and managing of these risks is a continual process. The Corporation has reviewed both the Group of Thirty report entitled "Derivatives Practices and Principles" and the recently issued Federal Reserve Board examination guidelines for trading activities, and management considers itself to be substantially in compliance with the recommendations and general thrust of these documents.

Credit Risk: The Corporation controls the credit risk arising from derivative and foreign exchange transactions through its credit approval process and the use of risk control limits and monitoring procedures. The Corporation uses the same credit procedures when entering into derivative and foreign exchange transactions as it does for traditional lending products. The credit approval process involves first evaluating each counterparty's creditworthiness, then assessing the applicability of off-balance sheet instruments to the risks the counterparty is attempting to manage, and determining if there are specific transaction characteristics which alter the risk profile. Credit limits are calculated and monitored on the basis of potential exposure which takes into consideration current market value and estimates of potential future movements in market values.

The notional principal of derivative and foreign exchange instruments is the amount on which interest and other payments in a transaction are based. For derivative transactions, the notional principal typically does not change hands; it is simply a quantity that is used to calculate payments. While notional principal is the most commonly used volume measure in the derivative and foreign exchange markets, it is not a measure of credit or market risk. The notional principal of the Corporation's derivatives and foreign exchange products greatly exceeds the possible credit and market loss that could arise from such transactions. As a result, the Corporation does not consider the notional principal to be indicative of its credit or market risk exposure. The Corporation believes the true measure of credit risk exposure is the replacement cost (the cost to replace the contract at current market rates should the counterparty default prior to the settlement date). This is also referred to as the mark-to-market exposure amount.

Mark-to-market exposure is a measure, at a point in time, of the value of a derivative or foreign exchange contract in the open market. When the mark-to-market is positive, it indicates the counterparty owes the Corporation and, therefore, creates a repayment risk for the Corporation. When the mark-to-market is negative, the Corporation owes the counterparty. In this situation the Corporation does not have repayment risk.

When the Corporation has more than one transaction outstanding with a counterparty, the "net" mark-to-market exposure represents the netting of the positive and negative exposures with the same counterparty. If there is a net negative number, the Corporation's exposure to the counterparty is considered zero. Net mark-to-market is the best measure of credit risk when there is a master netting agreement between the Corporation and the counterparty.

The Corporation routinely enters into derivative and foreign exchange product transactions with regulated financial institutions, which it believes have relatively low credit risk. At December 31, 1993, over 80% of transaction counterparties were commercial banks. The remaining 20% were comprised mainly of other financial institutions and major corporations.

The Corporation's trading activities are geographically diverse. Trading activities are undertaken in more than 20 countries, although a majority of the Corporation's transactions are executed in the United States, Japan and Western Europe, areas which the Corporation believes have the most developed laws regarding derivatives and foreign exchange businesses. Trading products include not only foreign exchange and derivatives but also securities, including LDC debt.

The majority of derivative and foreign exchange transactions are outstanding for less than one year. At December 31, 1993, 28% of outstanding transactions were scheduled to expire within three months, 13% within three to six months, 13% within six months to one year, 26% within one to three years and 20% greater than three years. The short-term nature of these transactions along with product diversification mitigates credit risk, as transactions settle quickly.

Market Risk: Market risk management is an effective and wide-ranging activity at the Corporation. A critical goal is the separation of duties of those responsible for day-to-day trading and those responsible for position valuation and limit reporting.

The Chairman of the Market Risk Committee delegates instrument authorities and risk limits to individual business units and exception authority to the senior managers of divisions responsible for those units. Procedures and policies specify authorized instruments and provide for risk limits. Critical risk limits that are designated as primary involve independent daily tracking and centralized reporting, while less-critical risk limits are independently monitored and are reported centrally on a periodic basis. Individual business units often set additional internal limits that are monitored in the same manner. Criteria for risk limit determination include, among other factors, relevant market analysis, prior track record, business strategy, and management experience and depth.

The Chairman of the Market Risk Committee is supported by the Market Risk Group. One focus of the group is independent analysis of instrument authority and limit requests, limit utilization, measure of revenue to risk, average risk levels, and related topics. Other focuses include measures of value at risk, criteria for official volatility and correlation statistics, and formulas for determination of market-related credit exposure. Additionally, the group reviews the market risk related to new products (as one element of the Corporation's new product process) and provides independent review of the mathematical and simulation models utilized by the Corporation. The group combines efforts with other functional units to assess cross-discipline risks in business units having significant market risk.

For further discussion of the Corporation's off-balance sheet financial instruments, see Note Eighteen of the Notes to Consolidated Financial Statements.

INTEREST RATE SENSITIVITY

The Corporation's net interest income is affected by changes in the level of market interest rates based upon mismatches between the repricing of its assets and liabilities. Interest rate sensitivity arises in the ordinary course of the Corporation's banking business as the repricing characteristics of its loans do not necessarily match those of its deposits and other borrowings. This sensitivity can be altered by adjusting investments and the maturities of wholesale funding and with the use of off-balance sheet derivative instruments.

Interest rate sensitivity is managed and controlled on a consolidated basis by the Corporation's Asset and Liability Policy Committee. A key element of the Corporation's interest rate risk management strategy is that it allows the assumption of limited interest rate sensitivities at a decentralized level by authorized units with close contacts with the markets. These units operate within authorities administered centrally which limit the size of exposures by currency and the instruments that can be used to manage the sensitivity. The positions are consolidated and reviewed frequently by the Asset and Liability Policy Committee, which seeks to maximize the Corporation's net interest income while ensuring that the risks to earnings from adverse movements in interest rates are kept within pre-specified limits deemed acceptable by the Corporation.

Measuring Interest Rate Sensitivity: Management uses a variety of techniques to measure its interest rate sensitivity. One such tool is aggregate net gap analysis, an example of which is presented below. Assets and liabilities are placed in maturity ladders based on their contractual maturities or repricing dates. Assets and liabilities for which no specific contractual maturity or repricing dates exist are placed in ladders based on management's judgments concerning their most likely repricing behaviors.

Derivatives used in interest rate sensitivity management are also included in the maturity ladders. The aggregate notional amounts of derivatives are netted when the repricing of the "receive-side" and "pay-side" of two swaps occur within the same gap interval. Such net amount represents the repricing mismatch of the Corporation's derivatives during the particular gap interval. It is the amount of the net repricing mismatch, rather than the aggregate notional principal of the derivatives repricing during the period, that is included in the gap analysis, because it is the amount of the mismatch that reflects the impact of the Corporation's derivatives in altering the repricing profile of the Corporation. See Note Eighteen of the Notes to Consolidated Financial Statements for the aggregate notional principal of off-balance sheet instruments used for asset/liability management.

INTEREST SENSITIVITY TABLE

YEAR ENDED DECEMBER 31, 1993 (IN MILLIONS)	1-3 MONTHS	4-6 MONTHS	7-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Deposits With Banks	\$ 5,568	\$ 455	\$ 7	\$ --	\$ --	\$ 6,030
Federal Funds Sold and Securities Purchased Under Resale Agreements	10,556	--	--	--	--	10,556
Trading Account Assets	11,679	--	--	--	--	11,679
Securities	4,852	1,060	1,863	10,409	7,764	25,948
Loans, Net	48,182	7,374	4,497	8,212	4,096	72,361
Noninterest Earning Assets	14,230	279	558	3,729	4,518	23,314
Total Assets	\$ 95,067	\$ 9,168	\$ 6,925	\$ 22,350	\$ 16,378	\$ 149,888
Liabilities and Stockholders' Equity						
Interest-Bearing Deposits	\$ 66,017	\$ 3,827	\$ 3,179	\$ 13,221	\$ 12,033	\$ 98,277
Short-Term and Other Borrowings	24,688	6	7	--	64	24,765
Long-Term Debt	4,164	647	18	701	2,662	8,192
Other Liabilities	7,089	12	16	121	252	7,490
Stockholders' Equity	638	234	468	4,891	4,933	11,164
Total Liabilities and Stockholders' Equity	\$ 102,596	\$ 4,726	\$ 3,688	\$ 18,934	\$ 19,944	\$ 149,888
Balance Sheet	(7,529)	4,442	3,237	3,416	(3,566)	--
Off-Balance Sheet Items Affecting						
Interest-Rate Sensitivity(a)	(4,994)	(2,131)	(937)	7,379	683	--
Interest-Rate-Sensitivity Gap	(12,523)	2,311	2,300	10,795	(2,883)	--
Cumulative Interest-Rate Sensitivity Gap	(12,523)	(10,212)	(7,912)	2,883	--	--
% of Total Assets	(8)%	(7)%	(5)%	2%	--	--
YEAR ENDED DECEMBER 31, 1992						
Interest-Rate-Sensitivity Gap	\$ (11,501)	\$ 1,730	\$ 2,516	\$ 8,963	\$ (1,708)	--
Cumulative Interest-Rate Sensitivity Gap	(11,501)	(9,771)	(7,255)	1,708	--	--
% of Total Assets	(8)%	(7)%	(5)%	1%	--	--
YEAR ENDED DECEMBER 31, 1991						
Interest-Rate-Sensitivity Gap	\$ (15,702)	\$ 2,338	\$ 2,978	\$ 9,540	\$ 846	--
Cumulative Interest-Rate Sensitivity Gap	(15,702)	(13,364)	(10,386)	(846)	--	--
% of Total Assets	(11)%	(10)%	(7)%	(1)%	--	--

(a) Represents repricing effect of off-balance sheet positions, which include interest rate swaps and options, financial futures, and similar agreements that are used as part of the Corporation's overall asset and liability management activities.

A net gap for each time period is calculated by subtracting the liabilities repricing in that interval from the assets repricing. A negative gap -- more liabilities repricing than assets -- will benefit net interest income in a declining interest rate environment and will detract from net interest income in a rising interest rate environment. Conversely, a positive gap -- more assets repricing than liabilities -- will benefit net interest income if rates are rising and will detract from net interest income in a falling rate environment.

At December 31, 1993, the Corporation had \$7,912 million more liabilities than assets repricing within one year, amounting to 5.3% of total assets. This compares with \$7,255 million, or 5.2% of total assets at December 31, 1992. The consolidated gaps include exposure to U.S. dollar interest rates as well as exposure to non-U.S. dollar rates in currency markets in which the Corporation does business. Since U.S. interest rates and non-U.S. interest rates do not move in tandem, the overall cumulative gaps will tend to overstate the exposures of the Corporation to U.S. interest rates.

Simple gap analysis measures the Corporation's exposure at a particular point in time. The exposure changes continuously as a result of the Corporation's ongoing business and its management initiatives. Moreover, gap analysis cannot reveal the impact of factors such as administered rates (i.e., the prime lending rate), pricing strategies on its consumer and business deposits, changes in balance sheet mix or various options embedded in the balance sheet. Accordingly, the Asset and Liability Policy Committee supplements its gap analysis with comprehensive simulations of net interest income under a variety of market interest rate scenarios. These simulation models take explicit account of pricing strategies and deposit responses and the behavior of embedded options. At December 31, 1993, based on these simulations, net

interest income sensitivity to a gradual 150 basis point rise in market rates over the course of 1994 was estimated at less than two percent of projected 1994 after-tax net income.

While management believes the simulation models do provide a meaningful representation of the Corporation's interest rate sensitivity, these simulation models do not necessarily take into account all business developments which can have an impact on net interest income, such as changes in credit quality or the size and composition of the balance sheet.

In 1993, the Federal Reserve Board and certain other Federal banking regulators proposed a system for measuring interest rate risk and assessing capital adequacy based on the sensitivity of a banking organization's "net economic value" to changes in the level of market interest rates. The system compares the net present value of net interest income-related cash flows under current market conditions to the net present values under hypothetical, instantaneous increases and declines in market rates. The proposal envisions that banks whose net economic value sensitivity exceeds one percent of total assets would be identified as having excessive interest rate risk and, potentially, become subject to additional capital requirements. While final rules have not been adopted, management believes its current interest rate-sensitivity position falls within the range deemed acceptable by the regulators' measurement system.

ACCOUNTING DEVELOPMENTS

ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN

In May 1993, the Financial Accounting Standards Board, ("FASB") issued Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS 114"). SFAS 114 requires that the carrying value of impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Under the new standard, a loan is considered impaired when, based on current information, it is probable that the borrower will be unable to pay contractual interest or principal payments as scheduled in the loan agreement. SFAS 114 is applicable to all loans that are identified for evaluation, uncollateralized as well as collateralized, with certain exceptions.

SFAS 114 applies to financial statements for fiscal years beginning after December 15, 1994, although earlier application is encouraged. Management is currently evaluating the financial impact of adopting this new accounting standard.

OFFSETTING OF AMOUNTS RELATED TO CERTAIN CONTRACTS

The Corporation records unrealized gains and losses related to interest rate and foreign exchange contracts net on the Consolidated Balance Sheet.

In March 1992, the FASB issued Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts" (the "Interpretation"), with an effective date of January 1, 1994, which changes the reporting of unrealized gains and losses on interest rate and foreign exchange contracts on the balance sheet. The Interpretation requires that gross unrealized gains be reported as assets and gross unrealized losses be reported as liabilities. The Interpretation, however, permits netting of such unrealized gains and losses with the same counterparty when master netting agreements have been executed. If this Interpretation had been in effect at December 31, 1993, giving effect to the master netting agreements in place at that time, assets and liabilities each would have increased by approximately \$13.6 billion and the Tier 1 leverage ratio would have been 6.19%. In 1994, to mitigate the impact of the Interpretation, the Corporation anticipates expanding the number of master netting agreements to which it is a party. Upon adoption of this new reporting requirement, the Corporation's net income and risk-based capital ratios will not be affected, although the Corporation expects its asset-based ratios (such as the Tier 1 leverage ratio) will decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS COMPARISON BETWEEN 1992 AND 1991

OPERATING HIGHLIGHTS

The Corporation's net income was \$1,086 million, or \$3.90 per common share, for 1992, compared with \$154 million, or \$.11 per share, in 1991. The 1991 results reflected a pre-tax restructuring charge of \$625 million taken in connection with the merger with MHC. Excluding the restructuring charge, earnings for 1991 were \$779 million, or \$3.56 per share. There were no tax benefits recorded in connection with the restructuring charge.

The Corporation's 1992 earnings, in comparison with the prior year, benefited from a 13% increase in net interest income, a 27% improvement in combined trading account and foreign exchange revenue, as well as higher revenues from fees for other banking services, service charges on deposit accounts and trust and investment management fees. Partially offsetting these factors were higher credit costs in 1992 compared with 1991, reflecting the impact of the weak economy on certain areas of the Corporation's credit portfolio.

NET INTEREST INCOME

The Corporation's net interest income was \$4,598 million in 1992, an increase of 13% from \$4,080 million for 1991. The improvement in net interest income from 1991 was attributable to wider spreads in a lower interest rate environment, lower funding costs (primarily due to upgrades received in 1992 in the Corporation's credit ratings) and effective asset/liability management.

PROVISION FOR LOSSES AND NET CHARGE-OFFS

The provision for losses for 1992 was \$1,365 million, compared with \$1,345 million for 1991.

The Corporation's non-LDC net charge-offs totaled \$1,365 million in 1992 an increase from \$1,191 million in 1991. The increase from the prior year was principally due to the continued weak economy and its effects on certain areas of the Corporation's credit portfolio. However, non-LDC net charge-offs declined in each of the last three quarters of 1992.

LDC net charge-offs in 1992 included \$51 million related to Yugoslavia as a result of a recommendation of ICERC issued in the 1992 fourth quarter. LDC net charge-offs and losses on sales and swaps in 1991 included \$902 million related to Brazilian loans, of which \$491 million occurred in the 1991 fourth quarter. These charge-offs reflected the Corporation's evaluation of its LDC portfolio and the recommendations of ICERC and had the effect of adjusting the Corporation's medium- and long-term Brazilian outstandings to an estimated net recoverable value.

NONINTEREST REVENUE

Noninterest revenue totaled \$3,026 million in 1992, an increase of \$164 million from 1991. The increase was primarily the result of higher foreign exchange trading revenue, service charges on deposit accounts and fees for other banking services, partially offset by lower securities gains, corporate finance and syndication fees and other revenue.

Trust and investment management fees increased in 1992 to \$361 million from \$344 million in 1991. The improvement from the prior year occurred in the stock transfer and corporate trust businesses and also reflected higher personal trust fees due to a rise in the market value of assets under management.

Corporate finance and syndication fees in 1992 were \$265 million, a decrease of 12% from 1991. The decline principally resulted from the sale of a nonstrategic business in the fourth quarter of 1991.

Service charges on deposit accounts were \$264 million in 1992, an increase from \$229 million in 1991. This increase resulted from higher per-account fees, as well as growth in the Corporation's domestic deposit accounts.

Fees for other banking services include revolving credit fees, commissions on letters of credit, fees in lieu of compensating balances, mortgage servicing fees, loan commitment fees and other transactional fee revenue. Such fees totaled \$1,040 million in 1992, an increase from \$959 million in 1991. The increase from the prior year reflected growth in a number of fee components, as well as the prospective reclassification of certain banking relationship fees from other revenue to fees for other banking services.

Revenues from all trading activities (trading account revenue and foreign exchange revenue) were \$853 million in 1992 compared with \$671 million in 1991. In 1992, trading account revenue and foreign exchange revenue were \$377 million and \$476 million, respectively, compared with \$382 million and \$289 million, respectively, in 1991. The increases were primarily the result of increased transaction volumes, market volatility, and the Corporation's higher credit ratings, which resulted in increased opportunities in several key businesses.

Securities gains in 1992 were \$53 million compared with \$110 million in 1991. The gains recorded in both years principally resulted from certain actions taken by the Corporation in managing its interest rate sensitivity and enhancing its securities portfolio.

Other revenue for 1992 was \$190 million compared with \$247 million in 1991. The decrease from 1991 was principally due to lower revenue in connection with the Corporation's residential mortgage warehouse operations, the aforementioned reclassification of certain fees from other revenue to fees for other banking services and higher gains recorded in 1991 on the disposition of nonstrategic corporate assets.

NONINTEREST EXPENSE

Noninterest expense was \$4,930 million in 1992, compared with \$5,307 million in 1991. The results for 1992 included a one-time charge of \$41 million related to costs incurred in combining the Corporation's employee benefit plans and a \$30 million charge for London occupancy-related expenses associated with the Corporation's Canary Wharf lease arrangements. The 1991 results included a \$625 million restructuring charge in connection with the merger with MHC and an \$18 million reduction of expense related to an insurance settlement. Excluding the impact of the aforementioned items, noninterest expense in 1992 increased by \$159 million, or 3.4%, from 1991. The 1992 full-year noninterest expense included higher foreclosed property expense, incentive compensation costs (principally due to improved revenues from the Corporation's trading businesses) and FDIC premiums, which collectively increased by \$208 million. The remaining amount of noninterest expense declined from year-to-year, reflecting the impact of merger-related expense savings.

Salaries and employee benefit expenses in 1992 were \$2,349 million, slightly lower than the \$2,369 million recorded in 1991. The decline was primarily due to lower costs attributable to the reduction in staff from attrition and layoffs subsequent to the merger announcement on July 15, 1991. Partially offsetting this reduction was approximately \$63 million of higher incentive compensation costs due to improved revenues primarily from the Corporation's trading businesses.

Occupancy and equipment expenses for 1992 were \$882 million, a slight increase from \$878 million in 1991.

Foreclosed property expense in 1992 was \$283 million compared with \$154 million in 1991. The \$129 million year-to-year increase reflected higher operating expenses associated with an increased level of foreclosed assets and a higher level of expenses incurred in connection with writedowns resulting from updated market valuations.

For 1992, other expense was \$1,416 million compared with \$1,281 million in 1991. Other expense comprises items such as professional fees, insurance, advertising and communications expense, and in 1992 and 1991 included the aforementioned one-time charges.

INCOME TAXES

The Corporation recorded income tax expense of \$243 million in 1992, compared with \$136 million in 1991. Included in the 1992 and 1991 income tax expense was approximately \$278 million and \$130 million, respectively, of Federal income tax benefits. The Corporation's 1991 income tax expense was reduced by \$55 million as a result of settlements with the Internal Revenue Service ("IRS") of taxes from prior years.

The Corporation's effective tax rate in 1992 was lower than the statutory rate primarily due to the recognition of approximately \$278 million of Federal income tax benefits. For 1991, the \$625 million restructuring charge, the aforementioned \$130 million Federal income tax benefit and the \$55 million reduction in tax expense were the most significant factors affecting the Corporation's effective tax rate. Deferred tax benefits were reflected in the financial statements in accordance with the recognition requirements of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes".

NONPERFORMING ASSETS

The Corporation's total nonperforming assets at December 31, 1992 were \$6,092 million, compared with \$6,155 million at December 31, 1991. The decline from the prior year-end resulted from a \$251 million decrease in assets acquired as loan satisfactions, partially offset by an \$100 million increase in LDC nonperforming loans and an \$88 million increase in non-LDC nonperforming loans.

The non-LDC nonperforming assets decreased \$163 million from the 1991 year-end primarily due to \$1.3 billion of payments received on nonperforming loans and the sale of assets acquired, \$1.1 billion of charge-offs and writedowns (excluding consumer loan charge-offs on a formula basis) and \$0.6 billion of loans returning to performing status, partially offset by \$2.8 billion of loans placed on nonperforming status during 1992.

LDC nonperforming loans at December 31, 1992 were \$1,348 million, an increase of \$100 million from the 1991 year-end. The increase in nonperforming LDC loans principally reflected the placement of loans to Yugoslavia on nonperforming status during 1992, partially offset by charge-offs and sales and swaps of LDC loans.

CASH FLOWS

The following comments apply to the Consolidated Statement of Cash Flows. Cash and due from banks increased \$1.3 billion during 1992, as net cash provided by operating activities exceeded the net cash used by investing and financing activities. The net cash provided by operating activities reflected changes in operating assets/liabilities and higher earnings adjusted for non-cash charges and credits. Financing activities used \$1.1 billion of net cash, mainly due to decreases in Federal funds purchased, securities sold under repurchase agreements and other borrowed funds. The net cash used in investing activities was largely the result of cash outflows for the purchases of securities and the net increase in loans, partially offset by cash inflows from sales and maturities of securities and the decrease in loans due to sales and securitizations.

To Our Stockholders

The management of Chemical Banking Corporation and its subsidiaries has the responsibility for preparing the accompanying consolidated financial statements and for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles. The consolidated financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management maintains a comprehensive system of internal control to assure the proper authorization of transactions, the safeguarding of assets, and the reliability of the financial records. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees. The Corporation maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements thereto. Management believes that as of December 31, 1993, the Corporation maintains an effective system of internal control.

The Audit Committee of the Board of Directors reviews the systems of internal control and financial reporting. The Committee meets and consults regularly with management, the internal auditors and the independent accountants to review the scope and results of their work.

The accounting firm of Price Waterhouse has performed an independent audit of the Corporation's financial statements. Management has made available to Price Waterhouse all of the Corporation's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Price Waterhouse during its audit were valid and appropriate. The firm's report appears below.

/s/ WALTER V. SHIPLEY

Walter V. Shipley
Chairman of the Board and Chief Executive Officer

/s/ PETER J. TOBIN

Peter J. Tobin
Executive Vice President and Chief Financial Officer

/s/ JOSEPH L. SCLAFANI

Joseph L. Sclafani
Senior Vice President and Controller

January 18, 1994

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF CHEMICAL BANKING CORPORATION

[LOGO] PRICE WATERHOUSE
1177 AVENUE OF THE AMERICAS, NEW YORK, NY 10036

In our opinion, the accompanying consolidated balance sheet of Chemical Banking Corporation and Subsidiaries, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Chemical Banking Corporation and its subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of Chemical Banking Corporation; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Notes Four, Thirteen and Sixteen to the consolidated financial statements, Chemical Banking Corporation changed its methods of accounting for certain investments in debt and marketable equity securities, post-retirement benefits and income taxes in 1993.

/s/ PRICE WATERHOUSE

January 18, 1994

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CONSOLIDATED BALANCE SHEET

DECEMBER 31, (IN MILLIONS, EXCEPT SHARE DATA)	1993	1992
ASSETS		
Cash and Due from Banks	\$ 6,852	\$ 8,846
Deposits with Banks	6,030	1,846
Federal Funds Sold and Securities Purchased		
Under Resale Agreements	10,556	7,667
Trading Account Assets	11,679	4,496
Securities:		
Held-to-Maturity (Market Value: \$10,288 and \$15,195)	10,108	15,036
Available-for-Sale (Market Value: \$15,840 and \$8,674)	15,840	8,390
Loans (Net of Unearned Income: \$477 and \$495)	75,381	82,010
Allowance for Losses	(3,020)	(3,025)
Premises and Equipment	1,910	1,699
Due from Customers on Acceptances	1,077	1,392
Accrued Interest Receivable	1,106	1,086
Assets Acquired as Loan Satisfactions	934	1,276
Other Assets	11,435	8,936
TOTAL ASSETS	\$149,888	\$139,655
LIABILITIES		
Deposits:		
Demand (Noninterest Bearing)	\$23,443	\$ 22,813
Time and Savings	51,940	51,353
Foreign	22,894	20,007
Total Deposits	98,277	94,173
Federal Funds Purchased and Securities Sold		
Under Repurchase Agreements	12,857	15,051
Other Borrowed Funds	11,908	8,020
Acceptances Outstanding	1,099	1,443
Accounts Payable and Accrued Liabilities	2,607	1,951
Other Liabilities	3,784	2,368
Long-Term Debt	8,192	6,798
TOTAL LIABILITIES	138,724	129,804
Commitments and Contingencies (See Note Twenty)		
STOCKHOLDERS' EQUITY		
Preferred Stock	1,654	1,848
Common Stock (Issued 253,397,864 and 247,323,972 Shares)	253	247
Capital Surplus	6,553	6,376
Retained Earnings	2,501	1,392
Net Unrealized Gain on Securities Available-for-Sale (Net of Taxes)	215	--
Treasury Stock, at Cost	(12)	(12)
TOTAL STOCKHOLDERS' EQUITY	11,164	9,851
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$149,888	\$139,655

The Notes to Consolidated Financial Statements are an integral part of these Statements.

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, (IN MILLIONS, EXCEPT PER SHARE DATA)	1993	1992	1991
INTEREST INCOME			
Loans	\$5,620	\$6,353	\$ 7,914
Securities	1,727	1,753	1,788
Trading Account Assets	449	419	586
Federal Funds Sold and Securities Purchased Under Resale Agreements	339	349	598
Deposits With Banks	268	274	363
TOTAL INTEREST INCOME	8,403	9,148	11,249
INTEREST EXPENSE			
Deposits	2,241	2,868	4,668
Short-Term and Other Borrowings	992	1,228	2,046
Long-Term Debt	534	454	455
TOTAL INTEREST EXPENSE	3,767	4,550	7,169
Net Interest Income	4,636	4,598	4,080
Provision for Losses	1,259	1,365	1,345
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	3,377	3,233	2,735
NONINTEREST REVENUE			
Trust and Investment Management Fees	406	361	344
Corporate Finance and Syndication Fees	338	265	302
Service Charges on Deposit Accounts	288	264	229
Fees for Other Banking Services	1,067	1,040	959
Trading Account and Foreign Exchange Revenue	1,073	853	671
Securities Gains	142	53	110
Other Revenue	710	190	247
TOTAL NONINTEREST REVENUE	4,024	3,026	2,862
NONINTEREST EXPENSE			
Salaries	2,070	1,977	1,995
Employee Benefits	396	372	374
Occupancy Expense	587	566	568
Equipment Expense	337	316	310
Foreclosed Property Expense	287	283	154
Restructuring Charge	158	--	625
Other Expense	1,458	1,416	1,281
TOTAL NONINTEREST EXPENSE	5,293	4,930	5,307
Income Before Income Tax Expense and Effect of Accounting Changes	2,108	1,329	290
Income Tax Expense	539	243	136
Income Before Effect of Accounting Changes	1,569	1,086	154
Net Effect of Changes in Accounting Principles	35	--	--
NET INCOME	\$1,604	\$1,086	\$ 154
Net Income Applicable to Common Stock	\$1,449	\$ 936	\$ 20
PER COMMON SHARE:			
Income Before Effect of Accounting Changes	\$ 5.63	\$ 3.90	\$.11
Net Effect of Changes in Accounting Principles	.14	--	--
Net Income	\$ 5.77	\$ 3.90	\$.11
Average Common Shares and Common Stock Equivalents Outstanding	251.2	240.4	181.4

The Notes to Consolidated Financial Statements are an integral part of these Statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
PREFERRED STOCK			
Balance at Beginning of Year	\$ 1,848	\$1,598	\$1,398
Issuance of Stock	400	550	200
Redemption of Stock	(594)	(300)	--
BALANCE AT END OF YEAR	1,654	1,848	1,598
COMMON STOCK			
Balance at Beginning of Year	247	183	2,134
Issuance of Stock	6	64	5
Change in Par Value	--	--	(1,956)
BALANCE AT END OF YEAR	253	247	183
CLASS B COMMON STOCK			
Balance at Beginning of Year	--	34	34
Conversion of Class B Common Stock	--	(34)	--
BALANCE AT END OF YEAR	--	--	34
CAPITAL SURPLUS			
Balance at Beginning of Year	6,376	4,734	2,685
Issuance of Stock	194	1,642	93
Redemption of Preferred Stock	(17)	--	--
Change in Par Value	--	--	1,956
BALANCE AT END OF YEAR	6,553	6,376	4,734
RETAINED EARNINGS			
Balance at Beginning of Year	1,392	752	1,008
Net Income	1,604	1,086	154
Cash Dividends Declared:			
Preferred Stock	(155)	(153)	(134)
Common Stock	(345)	(295)	(247)
Class B Common Stock	--	--	(10)
Accumulated Translation Adjustment(a)	5	2	(19)
BALANCE AT END OF YEAR	2,501	1,392	752
NET UNREALIZED GAIN ON SECURITIES AVAILABLE-FOR-SALE (NET OF TAXES)			
Balance at Beginning of Year	--	--	--
Impact of Accounting Change	215	--	--
BALANCE AT END OF YEAR	215	--	--
PREFERRED STOCK IN TREASURY, AT COST			
Balance at Beginning of Year	--	(8)	(8)
Redemption of Stock	--	8	--
BALANCE AT END OF YEAR	--	--	(8)
COMMON STOCK IN TREASURY, AT COST			
Balance at Beginning of Year	(12)	(12)	(13)
Issuance of Treasury Stock	--	--	1
BALANCE AT END OF YEAR	(12)	(12)	(12)
TOTAL STOCKHOLDERS' EQUITY	\$11,164	\$9,851	\$7,281

(a) Balance was (\$10) million, (\$15) million and (\$17) million at December 31, 1993, 1992, and 1991, respectively. The Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
OPERATING ACTIVITIES			
Net Income	\$ 1,604	\$ 1,086	\$ 154
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Losses	1,259	1,365	1,345
Restructuring Charge	158	--	594
Depreciation and Amortization	333	319	325
Proceeds from the Maturity of Available-for-Sale Securities	1,608	304	--
Proceeds from the Sale of Available-for-Sale Securities	5,352	684	--
Purchases of Available-for-Sale Securities	(7,568)	--	--
Net Change In:			
Trading Related Assets	(10,513)	2,149	(1,602)
Accrued Interest Receivable	(20)	101	496
Accrued Interest Payable	22	(76)	(548)
Other, Net	(721)	(175)	(494)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(8,486)	5,757	270
INVESTING ACTIVITIES			
Net Change In:			
Deposits with Banks	(4,169)	1,241	(292)
Federal Funds Sold and Securities Purchased Under Resale Agreements	(2,424)	(951)	(664)
Loans Due to Sales and Securitizations	12,403	7,857	4,198
Other Loans	(5,657)	(7,559)	(6,039)
Other, Net	2,082	440	1,252
Proceeds from the Maturity of Held-to-Maturity Securities	4,968	6,344	3,853
Proceeds from the Sale of Held-to-Maturity Securities	152	3,736	8,238
Purchases of Held-to-Maturity Securities	(6,444)	(14,386)	(12,647)
Cash Used in Acquisitions	(481)	--	--
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	430	(3,278)	(2,101)
FINANCING ACTIVITIES			
Net Change In:			
Noninterest Bearing Domestic Demand Deposits	(115)	4,696	(1,460)
Domestic Time and Savings Deposits	(1,716)	(1,076)	183
Foreign Deposits	2,887	(3,051)	4,226
Federal Funds Purchased, Securities Sold Under Repurchase Agreements and Other Borrowed Funds	3,347	(4,449)	366
Other Liabilities	1,326	131	(781)
Other, Net	(344)	115	(440)
Proceeds from the Issuance of Long-Term Debt	3,451	1,654	880
Redemption and Maturity of Long-Term Debt	(2,299)	(549)	(908)
Proceeds from the Issuance of Stock	591	2,117	291
Redemption of Preferred Stock	(610)	(292)	--
Cash Dividends Paid	(480)	(438)	(405)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	6,038	(1,142)	1,952
Effect of Exchange Rate Changes on Cash and Due From Banks	24	(20)	(8)
Net Increase (Decrease) in Cash and Due from Banks	(1,994)	1,317	113
Cash and Due from Banks at the Beginning of the Year	8,846	7,529	7,416
CASH AND DUE FROM BANKS AT THE END OF THE YEAR	\$ 6,852	\$ 8,846	\$ 7,529
Cash Interest Paid	\$ 3,745	\$ 4,626	\$ 7,538
Taxes Paid (Refunded)	\$ 390	\$ 166	\$ (109)

The Notes to Consolidated Financial Statements are an integral part of these Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE ONE

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chemical Banking Corporation (the "Corporation") is a bank holding company organized under the laws of the State of Delaware in 1968 and registered under the Bank Holding Company Act of 1956, as amended. On December 31, 1991, Manufacturers Hanover Corporation ("MHC") was merged with and into the Corporation. The merger was accounted for as a pooling of interests and, as a result, the Corporation's financial statements include the consolidated accounts of MHC. In addition, on June 19, 1992, Manufacturers Hanover Trust Company ("MHT") was merged with and into Chemical Bank.

The Corporation conducts domestic and international financial services businesses through various bank and non-bank subsidiaries. The principal bank subsidiaries of the Corporation are Chemical Bank, a New York State bank ("Chemical Bank"), and Texas Commerce Bank National Association, a subsidiary of Texas Commerce Bancshares Inc. ("Texas Commerce"), a bank holding company organized under the laws of the State of Delaware. The accounting and financial reporting policies of the Corporation and its subsidiaries conform to generally accepted accounting principles and prevailing industry practices. The following is a description of significant accounting policies.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries, after eliminating intercompany balances and transactions. Equity investments in less than majority-owned companies (20%-50% ownership interest) are generally accounted for in accordance with the equity method of accounting. The Corporation's pro-rata share of earnings (losses) of equity investments is included in other noninterest revenue.

Securities and other property held in a fiduciary or agency capacity are not included in the Consolidated Balance Sheet since these are not assets or liabilities of the Corporation.

Certain amounts in prior periods have been reclassified to conform to the current presentation.

STATEMENT OF CASH FLOWS

For purposes of preparing the Consolidated Statement of Cash Flows, the Corporation defines cash and cash equivalents as those amounts included in the balance sheet caption "cash and due from banks". Cash flows from loans and deposits are reported on a net basis.

TRADING ACCOUNT ASSETS

Trading account assets include securities, refinancing country loans, money market, credit and certain derivative instruments held for trading purposes. Obligations to deliver securities sold but not yet purchased are included in other borrowed funds. Trading account assets and liabilities are carried at fair value. Gains and losses on trading account assets and liabilities, including market value adjustments, are included in trading account and foreign exchange revenue.

HELD-TO-MATURITY AND AVAILABLE-FOR-SALE SECURITIES

Effective December 31, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). Securities that may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, or other factors, are classified as available-for-sale and carried at fair value. The unrealized gains and losses on these securities, along with any unrealized gains and losses on related hedges, are reported net of applicable taxes in a separate component of stockholders' equity. At December 31, 1992, securities available-for-sale were carried at the lower of aggregate cost or market value (see Note Four). Securities that the Corporation has the positive intent and ability to hold to maturity continue to be carried at amortized cost.

Interest income on securities, including amortization of premiums and accretion of discounts, is recognized using the interest method. The Corporation anticipates prepayments of principal in the calculation of the effective yield for collateralized mortgage obligations and mortgage-backed securities. The specific identification method is used to determine realized gains and losses on sales of securities, which are reported in securities gains.

LOANS

Loans are generally reported at the principal amount outstanding, net of unearned income and net deferred loan fees (deferred nonrefundable yield-related loan fees, net of related direct origination costs). Mortgage loans held for sale are carried at the lower of aggregate cost or market value. Loans meeting the accounting definition of a security are reported as loans but are valued consistent with SFAS 115.

Interest income is recognized using the interest method or on a basis approximating a level rate of return over the term of the loan. Net deferred loan fees are amortized into interest income over the term of the loan.

Nonaccrual loans are those on which the accrual of interest has ceased. Loans, other than certain consumer loans discussed below, are placed on nonaccrual status immediately if, in the opinion of management, principal or interest is not likely to be paid in accordance with the terms of the loan agreement, or when principal or interest is past due 90 days or more and

collateral, if any, is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. In addition, the amortization of net deferred loan fees is suspended when a loan is placed on nonaccrual status. Interest income is recognized on nonaccrual loans only to the extent received in cash. However, where there is doubt regarding the ultimate collectibility of the loan principal, cash receipts, whether designated as principal or interest, are thereafter applied to reduce the carrying value of the loan. Loans are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured.

Renegotiated loans are those for which concessions, such as the reduction of interest rates or deferral of interest or principal payments, have been granted due to a deterioration in the borrower's financial condition. Interest on renegotiated loans is accrued at the renegotiated rates. Certain renegotiated loan agreements call for additional interest to be paid on a deferred or contingent basis. Such interest is taken into income only as collected.

Consumer loans (exclusive of residential mortgage products which are accounted for in accordance with the nonaccrual loan policy discussed above) are generally charged to the allowance for losses upon reaching specified stages of delinquency. Accrued interest is reversed against interest income when such consumer loans are charged off.

ALLOWANCE FOR LOSSES

The allowance for losses is based on periodic reviews and analysis of the portfolio, which comprises primarily loans and other financial instruments, including commitments to extend credit, guarantees, letters of credit, and derivatives and foreign exchange contracts. The analysis includes consideration of such factors as the risk rating of individual credits, the size and diversity of the portfolio (particularly in terms of industry and geography), economic and political conditions, prior loss experience and results of periodic credit reviews of the portfolio. The allowance for losses is increased by charges against income and reduced by charge-offs, net of recoveries, and losses on sales and swaps of loans to countries engaged in debt rescheduling.

PREMISES AND EQUIPMENT

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. Capital leases are included in premises and equipment at the capitalized amount less accumulated amortization. Depreciation and amortization of premises are included in occupancy expense while depreciation of equipment is included in equipment expense. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the owned asset and, for leasehold improvements, over the estimated useful life of the related asset or the lease term, whichever is shorter.

ASSETS ACQUIRED AS LOAN SATISFACTIONS

Assets acquired in full or partial satisfaction of debt, either formally or through in-substance foreclosure, are reported at the lower of cost or fair value less estimated costs to sell. These are primarily real estate assets. Writedowns of such assets subsequent to six months from the date of acquisition are included in foreclosed property expense. Operating expenses, net of related revenue, and gains and losses on sales of such assets are reported net in foreclosed property expense.

INTANGIBLES

Goodwill and other acquisition intangibles are amortized over the estimated periods to be benefited, the majority of which are being amortized over periods not exceeding 25 years.

OFF-BALANCE SHEET INSTRUMENTS USED IN TRADING ACTIVITIES

The Corporation deals in interest rate, foreign exchange, equity and commodity contracts to generate trading revenues. Such contracts include futures, forwards, swaps and options. Contracts used in trading activities are adjusted to fair value. Realized and unrealized gains and losses on trading positions are recognized in trading account and foreign exchange revenue. A portion of the market valuation relating to certain contracts is deferred and accreted to income over the life of the contracts to match ongoing servicing costs and credit risks, as appropriate.

OFF-BALANCE SHEET INSTRUMENTS USED IN ASSET/LIABILITY MANAGEMENT ACTIVITIES

As part of its asset/liability management activities, the Corporation may enter into interest rate futures, forwards, swaps and options contracts. Gains and losses realized on futures and forward contracts are deferred and amortized over the terms of the related assets or liabilities and are included as adjustments to interest income or interest expense. Settlements on interest rate swaps and options contracts are recognized over the lives of the agreements as adjustments to interest income or interest expense.

Interest rate contracts used in connection with the securities portfolio that is designated as available-for-sale are carried at fair value with gains and losses, net of applicable tax, reported in a separate component of stockholders' equity, consistent with the reporting of unrealized gains and losses on such securities.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars using prevailing rates of exchange. Gains and losses on foreign currency translation from operations for which the functional currency is other

than the U.S.

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dollar, together with related hedges and tax effects, are reported in stockholders' equity. For foreign operations for which the U.S. dollar is the functional currency, translation gains and losses, including the related hedges, are included in trading account and foreign exchange revenue.

CORPORATE FINANCE AND SYNDICATION FEES

Corporate finance and syndication fees primarily include fees received for managing and syndicating loan arrangements; providing investment banking and financial advisory services in connection with leveraged buyouts, recapitalizations, and mergers and acquisitions; underwriting debt securities; and arranging private placements. Syndication fees are recognized upon receipt when certain yield tests are satisfied. Corporate finance and underwriting fees are generally recognized when all services to which they relate have been provided.

FEES FOR OTHER BANKING SERVICES

Fees received in connection with loan commitments, standby letters of credit, related administrative services performed and other fees are generally recognized over the period the related service is provided.

INCOME TAXES

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, the deferred tax liability (asset) is determined based on enacted tax rates which will be in effect when the underlying items of income and expense are expected to be reported to the taxing authorities. Annual deferred tax expense (benefit) is equal to the change in the deferred tax liability (asset) account from the beginning to the end of the year. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year. During 1992 and 1991, the Corporation followed Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" ("SFAS 96"). See Note Sixteen for further discussion.

NET INCOME PER COMMON SHARE

Net income per common share is computed by dividing net income, after deducting preferred stock dividends, by the weighted average number of common shares and common stock equivalents outstanding during the period.

On December 31, 1991, MHC merged with and into the Corporation. Pursuant to the merger, each share of common stock of MHC was converted into 1.14 shares of common stock of the Corporation, or 91,238,025 common shares, and each share of preferred stock of MHC outstanding immediately prior to the merger was converted into one share of newly created preferred stock of the Corporation having terms similar to those of such MHC preferred stock. Common shares and common stock equivalents outstanding for 1991 is based on the combined weighted average number of shares of the Corporation's common stock and MHC's common stock outstanding during the period as adjusted to reflect the conversion of the MHC 97/8% Mandatorily Convertible Preferred Stock into shares of MHC common stock prior to the merger and the conversion of each share of MHC common stock outstanding immediately prior to the merger into 1.14 shares of the Corporation's common stock as a result of the merger.

For 1991 (due to the existence during such period of the Corporation's Class B Common Stock), the earnings per share using the if-converted basis was \$0.11 and using the two-class basis was \$0.06.

Other common stock equivalents such as stock options are not included in the calculation since their dilutive effect is immaterial.

NOTE TWO

ACQUISITIONS

In February 1993, the Corporation, through its Texas Commerce subsidiary, acquired \$3.8 billion in assets and assumed \$3.4 billion in deposit liabilities of four banks (the "First City Banks") of the former First City Bancorporation of Texas, Inc. ("First City") from the Federal Deposit Insurance Corporation (the "FDIC") in a federally-assisted transaction. The First City Banks were primarily engaged in providing commercial banking services in Texas. The premium paid to the FDIC was \$333 million.

In September 1993, the Corporation, through Texas Commerce Bank National Association, a wholly-owned bank subsidiary of Texas Commerce, acquired Ameritrust Texas Corporation ("Ameritrust"), a corporation engaged in the delivery of personal, corporate and institutional trust and investment services. The purchase price included a premium of \$130 million.

These acquisitions were recorded using the purchase method of accounting. Under this method of accounting, the purchase price is allocated to the respective assets acquired and liabilities assumed based on their estimated fair values. Intangibles related to the Ameritrust acquisition are being amortized over a 10-year period. Deposit premiums and other intangibles related to the First City acquisition are being amortized over the estimated periods of benefit. Goodwill related to both acquisitions is being amortized over 25 years.

NOTE THREE

TRADING ACCOUNT ASSETS

Trading account assets at December 31, 1993 and 1992, which are valued at fair value, are presented in the following table.

DECEMBER 31, (IN MILLIONS)	1993	1992
U.S. Government and Federal Agencies	\$ 2,792	\$ 1,583
Obligations of State and Political Subdivisions	604	277
Certificates of Deposit, Bankers' Acceptances, and Commercial Paper	1,794	691
Debt Securities Issued by Foreign Governments	4,025	1,005
Foreign Financial Institutions	1,496	847
Other(a)	968	93
Total Trading Account Assets	\$ 11,679	\$ 4,496

(a) Primarily includes corporate debt and eurodollar bonds.

NOTE FOUR

SECURITIES

On December 31, 1993, the Corporation adopted SFAS 115, which addresses the accounting for investments in equity securities that have readily determinable fair values and for investments in all debt securities. Such securities are classified in three categories and accounted for as follows: debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortized cost; debt and equity securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are measured at fair value, with unrealized gains and losses included in earnings; debt and equity securities not classified as either held-to-maturity or trading securities are deemed available-for-sale and are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

Prior to the adoption of SFAS 115, securities deemed available-for-sale were carried at the lower of aggregate amortized cost or market value.

As a result of the adoption of SFAS 115, debt and equity securities in the amount of \$15,444 million that were previously measured at amortized cost or at the lower of aggregate amortized cost or market are measured at fair value.

HELD-TO-MATURITY SECURITIES

The amortized cost and estimated fair value of held-to-maturity securities were as follows for the dates indicated:

DECEMBER 31, 1993 (IN MILLIONS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE(a)
U.S. Government and Federal Agency/Corporation obligations:				
Mortgage-backed Securities	\$ 3,666	\$132	\$ --	\$ 3,798
Collateralized Mortgage Obligations	5,375	45	11	5,409
Other, primarily U.S. Treasuries	101	--	--	101
Obligations of State and Political Subdivisions	13	1	--	14
Debt Securities Issued by Foreign Governments	1	--	--	1
Collateralized Mortgage Obligations(b)	153	5	1	157
Other	799	9	--	808
Total Held-to-Maturity Securities	\$ 10,108	\$192	\$ 12	\$ 10,288

DECEMBER 31, 1992 (IN MILLIONS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE(a)
U.S. Government and Federal Agency/Corporation obligations:				
Mortgage-backed Securities	\$ 5,638	\$121	\$ 9	\$ 5,750
Collateralized Mortgage Obligations	6,273	70	24	6,319
Other, primarily U.S. Treasuries	197	1	--	198
Obligations of State and Political Subdivisions	4	--	--	4
Debt Securities Issued by Foreign Governments	342	1	11	332
Corporate Debt Securities	27	--	2	25
Collateralized Mortgage Obligations(b)	2,055	20	14	2,061
Other	500	7	1	506
Total Held-to-Maturity Securities	\$ 15,036	\$220	\$ 61	\$ 15,195

(a) The Corporation's portfolio of securities generally consists of

investment-grade securities. The fair value of actively-traded securities is determined by the secondary market, while the fair value for non-actively-traded securities is based on independent broker quotations. (b) Collateralized mortgage obligations of private issuers generally have underlying collateral consisting of obligations of U.S. Government and Federal agencies and corporations.

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AVAILABLE-FOR-SALE SECURITIES

The amortized cost and estimated fair value of available-for-sale securities at December 31, 1993 and 1992 were as follows:

DECEMBER 31, 1993 (IN MILLIONS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE(a)
U.S. Government and Federal Agency/Corporation obligations:				
Mortgage-backed Securities	\$ 8,298	\$ 349	\$ 14	\$ 8,633
Collateralized Mortgage Obligations	837	4	2	839
Other, primarily U.S. Treasuries	2,400	42	17	2,425
Debt Securities Issued by Foreign Governments	2,174	49	9	2,214
Corporate Debt Securities	326	11	3	334
Collateralized Mortgage Obligations(b)	618	3	1	620
Other	791	--	16	775
Total Available-for-Sale Securities Carried at Fair Value	\$ 15,444	\$ 458	\$ 62	\$ 15,840

DECEMBER 31, 1992 (IN MILLIONS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE(a)
U.S. Government and Federal Agency/Corporation obligations:				
Mortgage-backed Securities	\$ 5,204	\$ 261	\$ --	\$ 5,465
Other, primarily U.S. Treasuries	1,364	38	--	1,402
Debt Securities Issued by Foreign Governments	1,267	3	6	1,264
Corporate Debt Securities	306	11	10	307
Other	249	--	13	236
Total Available-for-Sale Securities Carried at Lower of Aggregate Cost or Market	\$ 8,390	\$ 313	\$ 29	\$ 8,674

(a) The Corporation's portfolio of securities generally consists of investment-grade securities. The fair value of actively-traded securities is determined by the secondary market, while the fair value for non-actively-traded securities is based on independent broker quotations.

(b) Collateralized mortgage obligations of private issuers generally have underlying collateral consisting of obligations of U.S. Government and Federal agencies and corporations.

Cash proceeds from the sales of held-to-maturity securities during 1993, 1992 and 1991 were \$152 million, \$3,736 million, and \$8,238 million, respectively. Cash proceeds from the sale of available-for-sale securities during 1993 and 1992 were \$5,352 million and \$684 million, respectively. Net gains from available-for-sale securities sold in 1993 amounted to \$139 million (gross gains of \$178 million and gross losses of \$39 million). Gross gains from held-to-maturity securities sold amounted to \$3 million in 1993. Net gains from securities sold in 1992 and 1991 were \$53 million (gross gains of \$140 million and gross losses of \$87 million) and \$110 million (gross gains of \$198 million and gross losses of \$88 million), respectively.

The amortized cost, estimated fair value and average yield of securities at December 31, 1993 by contractual maturity were as follows:

MATURITIES SCHEDULE OF SECURITIES DECEMBER 31, 1993 (IN MILLIONS)	AVAILABLE-FOR-SALE SECURITIES			HELD-TO-MATURITY SECURITIES		
	AMORTIZED COST	FAIR VALUE	AVERAGE YIELD(a)	AMORTIZED COST	FAIR VALUE	AVERAGE YIELD(a)
Due in One Year or Less	\$ 767	\$ 775	4.67%	\$ 97	\$ 97	3.17%
Due After One Year Through Five Years	1,898	1,943	7.60	1,047	1,061	5.40
Due After Five Years Through Ten Years	1,917	1,946	6.89	875	885	6.39
Due After Ten Years(b)	10,862	11,176	7.00	8,089	8,245	7.15
Total Securities	\$ 15,444	\$ 15,840	6.95%	\$ 10,108	\$ 10,288	6.87%

(a) The average yield is based on effective rates on book balances at the end of the year. Yields are derived by dividing interest income, adjusted for amortization of premiums and accretion of discounts, by total amortized cost.

(b) Securities with no stated maturity are included with securities with a remaining maturity of ten years or more. Substantially all of the Corporation's mortgage-backed securities are due in ten years or more based on contractual maturity. The weighted-average maturity of mortgage-backed securities, which reflects anticipated future prepayments based on a consensus of dealers in the market, is approximately 5 years.

NOTE FIVE

LOANS

The composition of the loan portfolio at each of the dates indicated was as follows:

DECEMBER 31, (IN MILLIONS)	DOMESTIC	1993 FOREIGN	TOTAL	DOMESTIC	1992 FOREIGN	TOTAL
Non-LDC Loans:						
Commercial and Industrial	\$ 19,000	\$ 6,174	\$ 25,174	\$23,223	\$ 7,041	\$30,264
Financial Institutions	4,848	3,598	8,446	6,054	4,564	10,618
Commercial Real Estate	7,338	601	7,939	8,103	448	8,551
Foreign Governments and Official Institutions	--	5,386	5,386	--	5,230	5,230
Consumer	25,798	117	25,915	23,599	347	23,946
Total Non-LDC Loans	56,984	15,876	72,860	60,979	17,630	78,609
LDC Loans(a)	--	2,998	2,998	--	3,896	3,896
Total Loans	56,984	18,874	75,858	60,979	21,526	82,505
Unearned Income	(270)	(207)	(477)	(320)	(175)	(495)
Loans, Net of Unearned Income	\$ 56,714	\$ 18,667	\$ 75,381	\$60,659	\$21,351	\$82,010

(a) LDC denotes activity related to loans to countries engaged in debt rescheduling.

As discussed in Note Four, the Corporation adopted SFAS 115 effective December 31, 1993. Certain loans that meet the accounting definition of a security are classified as loans and are measured pursuant to SFAS 115. Bonds that have been issued by foreign governments (such as Mexico and Venezuela) to financial institutions, including the Corporation, as part of a debt renegotiation are subject to the provisions of SFAS 115. Such loans are classified as loans to foreign governments or as LDC loans. At December 31, 1993, \$3,783 million of loans, primarily renegotiated loans, were measured under SFAS 115, including \$1,962 million that are classified as held-to-maturity and that are carried at amortized cost. Pre-tax gross unrealized gains and gross unrealized losses related to these held-to-maturity loans totaled \$13 million and \$362 million, respectively, at December 31, 1993. Loans that were previously recorded at amortized cost and that were designated as available-for-sale at December 31, 1993 are carried at fair value in the amount of \$1,821 million. Pre-tax gross unrealized gains and gross unrealized losses on these loans totaled \$86 million and \$122 million, respectively, and are reported net of taxes in a separate component of stockholders' equity. The fair value of loans designated as available-for-sale was calculated after consideration of the allowance for losses that would be available to cover credit losses. Substantially all foreign government and LDC loans that meet the accounting definition of a security mature in over 10 years.

RENEGOTIATED LOANS

In 1992, the Corporation exchanged \$375 million of its medium- and long-term loans to the Philippines for an equal amount of uncollateralized 15 1/2-year interest rate reduction bonds with stated interest rates of 4% for years one through two, 5% for years three through five, 6% for year six, and LIBOR plus 13/16% for each year thereafter.

In 1991, the Corporation exchanged \$135 million of its Uruguayan medium- and long-term loans for an equal amount of 30-year interest rate reduction bonds, which have been collateralized by zero-coupon U.S. Treasury obligations and carry a fixed rate of 6.75%.

In accordance with the Mexican debt restructuring agreement of 1990, the Corporation exchanged approximately \$2,527 million of Mexican medium- and long-term loans for \$663 million of 30-year principal reduction bonds, \$1,515 million of 30-year interest rate reduction bonds and a \$7 million contribution of new money. Principal on the bonds is collateralized by zero-coupon U.S. Treasury obligations. Principal reduction bonds carry a floating rate of interest of LIBOR plus 13/16%. Interest rate reduction bonds carry a fixed rate of 6.25%.

In accordance with the Republic of Venezuela 1990 Financing Plan, the Corporation exchanged approximately \$605 million of Venezuelan medium- and long-term loans for an equal amount

of 30-year interest rate reduction bonds, which have been collateralized by zero-coupon U.S. Treasury obligations and carry a fixed interest rate of 6.75%.

In addition, under the new money option of the Venezuelan 1990 Financing Plan, the Corporation purchased \$194 million of new money bonds and then converted \$968 million of existing outstandings into debt conversion bonds. Debt conversion bonds have a 17-year maturity and bear interest at a rate of LIBOR plus 7/8%. New money bonds have a 15-year maturity, and bear interest at rates ranging from LIBOR plus 7/8% to LIBOR plus 1%.

Aside from renegotiated loans to the Philippines, Uruguay, Mexico, and Venezuela, the Corporation's remaining renegotiated loans at December 31, 1993 and 1992 were not significant.

NOTE SIX

ALLOWANCE FOR LOSSES

The table below summarizes the changes in the allowance for losses during 1993, 1992 and 1991.

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Total Allowance at January 1	\$ 3,025	\$3,275	\$4,229
Non-LDC Allowance:			
Balance at January 1	2,206	2,012	1,852
Provision for Losses	1,259(a)	1,365	1,345
Gross Charge-Offs	(1,405)(a)	(1,502)	(1,351)
Recoveries	146	137	160
Net Charge-Offs	(1,259)	(1,365)	(1,191)
Reallocation from LDC Allowance	200	200	--
Allowance Related to Purchased Assets	19(b)	--	--
Other	(2)	(6)	6
Total Non-LDC Allowance at December 31	2,423	2,206	2,012
LDC Allowance:			
Balance at January 1	819	1,263	2,377
Provision for Losses	--	--	--
Gross Charge-Offs	(67)	(99)	(1,024)
Recoveries	197	10	12
Net (Charge-Offs) Recoveries	130	(89)	(1,012)(c)
Losses on Sales and Swaps	(152)	(155)	(102)(c)
Reallocation to Non-LDC Allowance	(200)	(200)	--
Total LDC Allowance at December 31	597	819	1,263
Total Allowance at December 31	\$ 3,020	\$3,025	\$3,275

(a) Includes \$55 million related to the decision to accelerate the disposition of certain nonperforming residential mortgages.

(b) Related to the First City Banks acquisition.

(c) Includes \$895 million of net charge-offs and \$7 million of losses on sales and swaps related to Brazilian loans.

During each of 1993 and 1992, the Corporation transferred \$200 million of the allowance for losses allocated to the LDC portfolio to the non-LDC portion of the allowance. The reallocations reflect the Corporation's ongoing analysis and evaluation of its LDC loan portfolio, including the finalization of the Argentine financing program and progress in debt negotiations with Brazil. In addition, during 1993, the Corporation specifically allocated a portion of the LDC allowance to Brazilian outstandings as a result of the Corporation's evaluation of its refinancing country portfolio and in consideration of recent recommendations of the Interagency Country Exposure Review Committee. The LDC allowance allocated to Brazil was \$82 million at December 31, 1993.

NOTE SEVEN

NONPERFORMING ASSETS

The Corporation's nonperforming assets were as follows:

NONPERFORMING ASSETS DECEMBER 31, (IN MILLIONS)	1993	1992
Total Domestic Nonperforming Loans	\$1,698	\$2,974
Total Foreign Nonperforming Loans, excluding LDC	271	494
Total Nonperforming Loans, excluding LDC	1,969	3,468
Total LDC Nonperforming Loans	622	1,348
Total Nonperforming Loans	2,591	4,816
Assets Acquired as Loan Satisfactions (primarily Real Estate)	934	1,276
Total Nonperforming Assets	\$3,525	\$6,092

Certain assets ("shared loss assets") acquired from First City are subject to the loss-sharing provisions of the Purchase and Assumption Agreements between the FDIC and Texas Commerce relating to the First City Banks based in Houston and Dallas/Ft. Worth. These agreements provide that, for a period of five years following the acquisition, the FDIC will absorb 80% of future losses arising from such shared loss assets up to \$61 million from the Houston bank and \$21 million from the Dallas/Ft. Worth bank and 95% of losses in excess of such respective amounts. Shared loss assets are certain specified commercial and real estate loans acquired by Texas Commerce at those two banks. At December 31, 1993, nonperforming shared loss assets were \$98 million. Such assets are not included in the amount of nonperforming assets in the table above.

The following table presents the amount of interest income recorded by the Corporation on its nonaccrual and renegotiated loans (including LDC loans) and the amount of interest income on the carrying value of such loans that would have been recorded if these loans had been current in accordance with their original terms (interest at original rates).

IMPACT OF NONPERFORMING LOANS ON INTEREST INCOME

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Domestic:			
Gross Amount of Interest That Would Have Been Recorded at the Original Rate	\$180	\$254	\$346
Interest That Was Recognized in Income	(38)	(28)	--
Negative Impact-Domestic	142	226	346
Foreign:			
Gross Amount of Interest That Would Have Been Recorded at the Original Rate	54	161	206
Interest That Was Recognized in Income	(85)	(94)	(141)
Negative (Positive) Impact-Foreign	(31)	67	65
Total Negative Impact on Interest Income	\$111	\$293	\$411

NOTE EIGHT

SHORT-TERM AND OTHER BORROWINGS

(IN MILLIONS)	1993	1992	1991
Federal funds purchased and securities sold under repurchase agreements:			
Balance at year end	\$12,857	\$15,051	\$ 16,213
Average balance during the year(a)	15,461	15,658	19,354
Maximum month-end balance	16,071	17,594	23,495
Weighted-average rate at December 31	2.85%	3.23%	4.81%
Weighted-average rate during the year	3.05%	3.98%	6.05%
Commercial paper:			
Balance at year end	\$ 2,423	\$ 2,377	\$ 2,159
Average balance during the year(a)	2,438	2,190	2,252
Maximum month-end balance	2,764	2,377	2,736
Weighted-average rate at December 31	2.81%	3.51%	5.10%
Weighted-average rate during the year	3.42%	3.92%	6.46%

Other borrowings:			
Balance at year end	\$ 9,485	\$ 5,643	\$ 7,836
Average balance during the year(a)	6,663	6,376	8,343
Maximum month-end balance	11,501	12,188	10,491
Weighted-average rate at			
December 31	8.31%	8.10%	10.59%
Weighted-average rate during the year	6.56%	8.17%	8.75%

(a) Average balances were computed using daily balances.

Federal funds purchased and securities sold under repurchase agreements are generally issued on an overnight or demand basis. Commercial paper is generally issued in amounts not less than \$100,000 and with maturities of 270 days or less. Other borrowings consist of demand notes and various other borrowings in domestic and foreign offices that generally have maturities of less than one year.

At December 31, 1993, the Corporation had unused lines of credit available for general corporate purposes, including the payment of commercial paper borrowings, amounting to \$750 million.

NOTE NINE

LONG-TERM DEBT

BY REMAINING MATURITY AT DECEMBER 31, (IN MILLIONS)	UNDER 1 YEAR	DUE 1-5 YEARS	DUE 6-15 YEARS	OVER 15 YEARS	1993 TOTAL	1992 TOTAL
Chemical Banking Corporation:						
Parent Company:						
Fixed Rate	\$ 247	\$ 633	\$ 1,554	\$--	\$ 2,434	\$ 2,184
Variable Rate	690	1,958	346	--	2,994	2,851
Subtotal	937	2,591	1,900	--	5,428	5,035
Subsidiaries:						
Fixed Rate	37	106	1,046	--	1,189	552
Variable Rate	690	455	400	30	1,575	1,211
Subtotal	727	561	1,446	30	2,764	1,763
Total Long-Term Debt	\$1,664	\$ 3,152	\$ 3,346	\$30	\$ 8,192(a)	\$6,798(a)

(a) Includes subordinated notes in aggregate principal amounts of \$3.8 billion and \$3.1 billion at December 31, 1993 and 1992, respectively.

The accompanying table is a summary of long-term debt (net of unamortized original issue debt discount, where applicable) displayed by remaining maturity at December 31, 1993. The distribution by remaining maturity is based on contractual maturity or the earliest date on which the debt is redeemable at the option of the holder.

Fixed-rate debt outstanding at December 31, 1993 matures at various dates through 2008 at interest rates ranging from 3.26% to 11.83%. The consolidated weighted-average interest rates on fixed-rate debt at December 31, 1993 and 1992 were 8.03% and 8.70%, respectively. Variable-rate debt outstanding, with interest rates ranging from 3.32% to 6.67% at December 31, 1993, matures at various dates through 2011. The consolidated weighted-average interest rates on variable-rate debt at December 31, 1993 and 1992 were 3.94% and 4.60%, respectively.

Included in long-term debt are equity commitment notes and equity contract notes totalling \$923 million and \$1,826 million at December 31, 1993 and 1992, respectively.

Equity commitment notes require that the Corporation issue, prior to their maturity, shares of common stock or perpetual preferred stock or other securities of the Corporation (collectively, "Capital Securities") approved by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") equal to 100% of the original aggregate principal amount of the notes.

Equity contract notes require the Corporation to exchange the notes at maturity for Capital Securities with a market value equal to the principal amount of the notes or, at the Corporation's option, to pay the principal of the notes from amounts representing designated proceeds from the sale of Capital Securities.

At December 31, 1993, the Corporation had designated proceeds from the sale of Capital Securities in an amount sufficient to satisfy fully the dedication requirements of its equity commitment and equity contract notes.

The Corporation has guaranteed several long-term debt issues of its subsidiaries. Such guaranteed debt totaled \$300 million and \$291 million at December 31, 1993 and 1992, respectively.

At December 31, 1993, long-term debt aggregating \$640 million was redeemable at the option of the Corporation, in whole or in part, prior to maturity, based on the terms specified in the respective notes.

The Corporation's aggregate amounts of maturities and sinking fund requirements for the five years subsequent to December 31, 1993 are \$1,664 million in 1994, \$1,167 million in 1995, \$701 million in 1996, \$679 million in 1997 and \$605 million in 1998.

NOTE TEN

PREFERRED STOCK

At December 31, 1993, the Corporation was authorized to issue 200 million shares of preferred stock, in one or more series, with a par value of \$1 per share. During 1993, the Corporation redeemed all 3.87 million outstanding shares of its Adjustable Rate Cumulative Preferred Stock, Series E, at a redemption price of \$51.50 per share plus accrued but unpaid dividends; all four million outstanding shares of its Adjustable Rate Cumulative Preferred Stock, Series F, at a redemption price of \$50.00 per share plus accrued but unpaid dividends; and all two million outstanding shares of its 103/4% Cumulative Preferred Stock, at a redemption price of \$105.375 per share plus accrued but unpaid dividends. Two issues of preferred stock totaling \$400 million were issued during 1993. At December 31, 1993, four million shares of preferred stock designated as Junior Participating Preferred Stock were reserved for issuance under the Corporation's Shareholders' Rights Plan (see Note Twentythree).

During 1992, the Corporation redeemed all 3.83 million outstanding shares of its Adjustable Rate Cumulative Preferred

Stock, Series A, all 2 million outstanding shares of its Adjustable Rate Cumulative Preferred Stock, Series B, and also retired all 170,000 shares of preferred stock that were held in treasury.

The following is a summary of the Corporation's preferred stocks outstanding at December 31, 1993:

DECEMBER 31, 1993	SHARES OUTSTANDING	DIVIDEND RATES		
		MAXIMUM	MINIMUM	CURRENT
Adjustable Rate Cumulative, Series C(a) (Stated Value \$12.00)	33,647,591	11.50%	5.50%	5.50%
10.96% Cumulative(b) (Stated Value \$25.00)	4,000,000	10.96	10.96	10.96
10% Convertible(c) (Stated Value \$50.00)	4,000,000	10.00	10.00	10.00
83/8% Cumulative(d) (Stated Value \$25.00)	14,000,000	8.38	8.38	8.38
7.92% Cumulative(e) (Stated Value \$100.00)	2,000,000	7.92	7.92	7.92
7.58% Cumulative(f) (Stated Value \$100.00)	2,000,000	7.58	7.58	7.58
7.50% Cumulative(g) (Stated Value \$100.00)	2,000,000	7.50	7.50	7.50

(a) Shares may be redeemed (at option of the Corporation) in whole or in part through May 1, 1997 at \$12.36 per share and at \$12.00 per share thereafter.

(b) Shares may be redeemed (at option of the Corporation) in whole or in part on or after June 30, 2000 at \$25.00 per share.

(c) Shares may be redeemed (at option of the Corporation) from May 1, 1995 at \$53.00 per share, and at decreasing prices thereafter declining to \$50.00 per share on May 1, 2001 and thereafter. The shares are convertible at any time at the option of the holder into shares of common stock at a conversion price equal to \$26.20, subject to adjustments as set forth in the terms of the preferred stock.

(d) Shares were issued in 1992 and may be redeemed (at the option of the Corporation) from June 1, 1997 at \$25.00 per share.

(e) Shares were issued in 1992 and may be redeemed (at the option of the Corporation) from October 1, 1997 at \$100 per share. Such shares are represented by 8,000,000 depository shares, each representing .25 of a share.

(f) Shares were issued in 1993 and may be redeemed (at the option of the Corporation) from April 1, 1998 at \$100 per share. Such shares are represented by 8,000,000 depository shares, each representing .25 of a share.

(g) Shares were issued in 1993 and may be redeemed (at the option of the Corporation) from June 1, 1998 at \$100 per share. Such shares are represented by 8,000,000 depository shares, each representing .25 of a share.

The dividend rate on the Adjustable Rate Cumulative Preferred Stock, Series C, is adjusted quarterly based on a formula that considers the interest rates of selected short- and long-term U.S. Treasury securities prevailing at the time the rate is set. All the preferred stocks outstanding have preference over the Corporation's common stock with respect to the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of the Corporation.

NOTE ELEVEN

COMMON STOCK

At December 31, 1993, the Corporation was authorized to issue 400 million shares of common stock, \$1 par value per share. At December 31, the number of shares of common stock issued and outstanding were as follows:

	1993	1992	1991
Issued	253,397,864	247,323,972	182,978,555
Held in Treasury	(515,782)	(515,782)	(527,102)
Outstanding	252,882,082	246,808,190	182,451,453

As of December 31, 1993, approximately 18,472,629 shares of common stock were reserved for issuance under various employee incentive and stock purchase plans and under the Corporation's Dividend Reinvestment Plan. In addition, as of such date, the Corporation had reserved 7,700,000 shares of common stock for issuance upon the conversion of its 10% Convertible Preferred Stock.

Under the Corporation's Dividend Reinvestment Plan, stockholders may reinvest all or part of their quarterly dividends in shares of common stock.

Common stock issued during 1993, 1992 and 1991 was as follows:

1993	1992	1991
------	------	------

Public Offerings	3,800,000	57,500,000	--
Mandatory Stock			
Purchase Contracts	--	2,842,299	--
Dividend Reinvestment			
and Stock Purchase Plans	539,919	1,108,523	3,505,199
Class B Common			
Stock Conversion	--	1,014,064	--
Employee Benefit and			
Compensation Plans	1,733,973	1,891,851	1,649,409

Total Shares Issued	6,073,892	64,356,737	5,154,608

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NOTE TWELVE

FEES FOR OTHER BANKING SERVICES AND OTHER REVENUE

Details of fees for other banking services were as follows:

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Fees in Lieu of Compensating Balances	\$ 209	\$ 212	\$ 196
Credit Card Services Revenue	238	210	214
Commissions on Letters of Credit and Acceptances	155	162	166
Loan Commitment Fees	90	81	74
Mortgage Servicing Fees	63	57	51
Other	312	318	258
Total Fees for Other Banking Services	\$1,067	\$ 1,040	\$ 959

In 1992, the Corporation reclassified the amortization of purchased mortgage servicing rights from other expenses to fees for other banking services. Such amounts are recorded as reductions to mortgage servicing fees. Prior period amounts have been restated to conform with the 1992 presentation.

Other Revenue: Included in other revenue was venture capital income of \$301 million in 1993, compared with \$100 million in 1992 and \$66 million in 1991. Also included in other revenue in 1993 were \$179 million of gains related to the sale of Argentine past-due interest bonds and \$152 million related to the sale of Brazilian interest-due-and-unpaid bonds.

NOTE THIRTEEN

POSTRETIREMENT BENEFITS

Pension Plans: The Corporation amended its noncontributory pension plan as of January 1, 1993 (the "noncontributory plan"). It covers substantially all domestic employees and provides for defined benefits pursuant to a cash balance feature and a final-average-pay feature. Contributions will be made to the noncontributory plan within the range of levels permitted under applicable law. Through December 31, 1992, employees of the Corporation and the former MHC had separate noncontributory pension plans that covered substantially all domestic employees who satisfied minimum age and length-of-service requirements (the "prior domestic plans"). Both prior domestic plans provided a defined benefit that was determined based on years of service and either annual compensation during employment or a percentage of qualifying compensation during final years of employment. Certain benefits accrued under such prior domestic plans are added to benefits accrued after January 1, 1993 under the noncontributory plan.

The Corporation also maintains a number of pension plans in foreign jurisdictions covering the employees of certain foreign operations. A new defined contribution plan was adopted in 1992 for United Kingdom employees. Contributions are made to the foreign plans in accordance with local plan and legal requirements.

The accompanying tables present the aggregate funded status and the net asset amounts recognized in the Consolidated Balance Sheet and the components of net pension expense recognized in the Consolidated Statement of Income for those plans in effect at the respective dates that had assets in excess of benefit obligations. At December 31, 1993, the assumptions used to determine the actuarial present value of the benefit obligation included: a 7.5% discount rate and a 5% annual rate of increase in future compensation. For 1993 expense, an 8.75% discount rate, a 6% annual rate of increase in future compensation and a 9.5% annual long-term rate of return on plan assets were assumed. The 1992 and 1991 amounts in the accompanying tables reflect the following weighted-average assumptions: discount rates of 8.75% in 1992 and 8.5% to 9.5% in 1991; annual rates of increase in future compensation of 6% in both 1992 and 1991; and annual long-term rates of return on plan assets of 9.5% in 1992, and 9% to 10% in 1991.

FUNDED STATUS OF PENSION PLANS

DECEMBER 31, (IN MILLIONS)	1993	1992
Actuarial Present Value of Benefit Obligation:		
Accumulated Benefit Obligation		
Vested Benefits	\$(753)	\$ (613)
Nonvested Benefits	(73)	(47)
Additional Benefits Based on Future Salary Levels	(185)	(155)
Projected Benefit Obligation for Service Rendered to Date	(1,011)	(815)
Plan Assets at Fair Value, primarily Listed Stocks, U.S. Bonds and Commingled Funds	1,373	1,274
Plan Assets in Excess of Projected Benefit Obligation	362	459
Unrecognized Net Loss	146	16
Unrecognized Net Asset	(72)	(74)
Unrecognized Prior Service (Benefit) Cost	(27)	30
Prepaid Pension Cost Included in Other Assets	\$ 409	\$ 431

In 1993, the changes in the benefits design in connection with the noncontributory pension plan resulted in significantly higher net periodic pension expense. The increase in the unrecognized net loss at December 31, 1993 resulted primarily from the change in assumptions. Amortization of the loss in excess of a 10% corridor will result in an increase in expense in 1994 and subsequent years. In addition, the assumed annual long-term rate of return on plan assets will be lowered to 8.5% in 1994.

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In 1992, the Corporation recognized a one-time, pre-tax charge of \$41 million relating to costs incurred in combining the Corporation's employee benefit plans. The \$41 million included: \$17 million of special-window termination benefits, net of settlement and curtailment gains, that related to the prior domestic plans; and a \$24 million cost for restructuring plans covering United Kingdom employees.

COMPONENTS OF NET PENSION EXPENSE

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Cost of Benefits Earned During the Year	\$ 87	\$ 60	\$ 64
Interest Cost on Projected Benefit Obligation	69	70	62
Actual Gain on Plan Assets	(157)	(151)	(223)
Net Amortization and Deferral	24	24	106
Net Periodic Pension Expense	\$ 23	\$ 3	\$ 9
Special-Window Termination Benefits	--	37	--
Net Curtailment and Settlement Loss	--	4	--
Dividend Income Recognized	--	(9)	--

The Corporation also has several defined benefit plans that it has elected not to prefund fully based on plan and legal requirements. At each of December 31, 1993 and 1992, the Corporation's accrued liability related to those plans totaled \$43 million and \$37 million, respectively, and expense was \$8 million in both 1993 and 1992.

Postretirement Benefits Other Than Pensions: The Corporation provides postretirement health care and life insurance benefits to substantially all domestic employees hired prior to April 15, 1992 who meet certain age and length-of-service requirements at retirement. The amount of benefits provided varies with length of service and date of hire. The Corporation has not prefunded these benefits.

Effective January 1, 1993, the Corporation adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). SFAS 106 requires recognition, during the years of the employees' active service, of the employer's expected cost and obligation of providing postretirement health care and other postretirement benefits other than pensions to employees and eligible dependents.

The Corporation elected to expense the entire unrecognized accumulated obligation as of the date of adoption of SFAS 106 via a one-time pre-tax charge of \$415 million. During 1993, the Corporation accrued \$38 million of periodic expense, which was comprised of \$35 million of interest and \$3 million related to the cost of benefits earned during the year. Of the \$38 million, \$31 million related to current retirees. Through December 31, 1992, the Corporation recognized the costs of providing postretirement benefits on a cash basis. In 1992, the Corporation recognized cash-basis costs of \$22 million.

At December 31, 1993, the Corporation's accumulated benefit obligation totaled \$481 million, of which \$419 million related to current retirees, with the remainder attributable to active employees. After consideration of an unrecognized net loss of \$68 million, the accrued obligation included in accounts payable and accrued expenses on the Consolidated Balance Sheet at December 31, 1993 totaled \$413 million. The unrecognized net loss in excess of a 10% corridor will be amortized commencing in 1994; however, the increase in expense resulting from such amortization will be offset by lower interest cost. As of December 31, 1993, a 7.5% discount rate was used to determine the actuarial present value of the benefit obligation. A 9% rate was used to compute the 1993 interest expense. The assumed medical benefits cost trend rate was 15% for 1993, declining by 1% per year to a floor of 6%. The effect of a 1% increase in the assumed medical-benefits cost trend rate would be to increase the December 31, 1993 accumulated obligation and related periodic expense by approximately 10%.

NOTE FOURTEEN

EMPLOYEE STOCK INCENTIVE PLANS

In 1992, the Corporation adopted a new, consolidated stock incentive plan (the "current plan"). The current plan provides for stock-based awards, including stock options and restricted stock. The former plans of the Corporation and MHC generally provided for similar types of awards. The following discussion applies to outstanding awards issued under all of the Corporation's current and former employee stock incentive plans (the "plans").

At each of December 31, 1993 and 1992, 223,365 and 587,653 shares, respectively, of the Corporation's common stock were reserved for issuance and available for future awards under the current plan.

Stock options are issued at prices at least equal to the market value of the Corporation's common stock on the grant date. Under generally accepted accounting principles, no expense is currently required to be recognized in conjunction with options granted or exercised; amounts received upon the exercise of options are recorded as common stock and capital surplus. Options generally expire ten years after the grant date. Options cannot be exercised until one year after the grant date and generally become exercisable over various periods as determined in the grant. At December 31, 1993, stock options covering 4,616,083 shares of the Corporation's common stock were exercisable under the plans.

Restricted stock is issued and valued as of the grant date, and the value is amortized to compensation expense over the restriction period. During 1993 and 1992, 48,500 and 28,500 shares, respectively, of restricted stock were issued under the current plan.

The following table presents a summary of the aggregate options transactions which occurred under all of the Corporation's plans during 1993 and 1992.

YEAR ENDED DECEMBER 31,	1993		1992	
	NUMBER OF OPTIONS	OPTION PRICE	NUMBER OF OPTIONS	OPTION PRICE
Options Outstanding, January 1	8,825,955	\$10.88 --\$42.21	5,831,991	\$10.88 --\$42.21
Granted	4,063,150	38.06 -- 43.13	4,718,825	27.56 -- 38.88
Exercised	1,250,019	10.88 -- 42.21	1,401,156	10.88 -- 33.33
Cancelled	198,538	10.88 -- 43.13	323,705	10.88 -- 42.21
Options Outstanding, December 31	11,440,548	\$10.88 --\$43.13	8,825,955	\$10.88 --\$42.21

NOTE FIFTEEN

RESTRUCTURING CHARGES AND OTHER EXPENSE

In 1993, the Corporation completed an assessment of costs associated with the merger of the Corporation and MHC and, as a result, included in noninterest expense a charge of \$115 million. The charge is related principally to changes in the Corporation's facilities plans since the merger announcement and revised estimates of occupancy-related costs associated with headquarters and branch consolidations. At December 31, 1993, the merger reserve balance was approximately \$80 million.

The Corporation's Texas Commerce subsidiary incurred a restructuring charge of \$43 million in 1993 in connection with the acquisition of assets and assumption of liabilities of the First City Banks from the FDIC. The restructuring charge is being utilized for expenses associated with cost-saving actions arising from the acquisition. These actions include the consolidation of operations and the elimination of redundant expenses.

In 1991, in connection with the merger with MHC, the Corporation incurred a pre-tax restructuring charge of \$625 million, principally for expenses associated with staff reductions and office consolidations.

Other Expense: Included in other expense were FDIC assessments of \$175 million in 1993, compared with \$159 million in 1992 and \$143 million in 1991. Professional services expense in 1993 was \$193 million compared with \$196 million in 1992 and \$213 million in 1991, and marketing expense in 1993 was \$187 million compared with \$111 million in 1992 and \$100 million in 1991.

NOTE SIXTEEN

INCOME TAXES

The Corporation adopted SFAS 109 as of January 1, 1993 and, after taking into account the additional tax benefits associated with the adoption of SFAS 106 (see Note Thirteen), the Corporation recognized a favorable cumulative effect on income tax expense of \$450 million (or \$1.81 per common share). Prior-years' financial statements have not been restated to apply the provisions of SFAS 109.

Prior to 1993, the Corporation followed Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" ("SFAS 96"). The primary difference between SFAS 109 and SFAS 96 is that SFAS 96 precluded the recognition of deferred tax assets the realization of which was dependent on taxable earnings of future years. SFAS 109 requires recognition of such deferred tax assets except where, in management's judgement, the realization of such tax benefits appears unlikely.

The cumulative effect adjustment upon adoption of SFAS 109 was less than the unrecognized benefits available at December 31, 1992 because of the timing of anticipated future income, tax law limitations on the utilization of tax-attribute carryovers, and the recognition of losses at the two predecessor institutions in recent years.

A valuation reserve was established as of January 1, 1993, in accordance with the requirements of SFAS 109, for tax benefits available to the Corporation but for which realization was in doubt. The Corporation's valuation reserve for Federal taxes of \$452 million upon adoption of SFAS 109, as restated for the Omnibus Budget Reconciliation Act of 1993 ("OBRA"), was reevaluated and reduced by \$331 million during 1993 due to the strength of the Corporation's earnings. The remaining Federal valuation reserve of \$121 million relates to tax benefits

which are subject to tax law limitations on realization. At this time, the Corporation believes that realization of these benefits is sufficiently in doubt to preclude recognition in accordance with the criteria of SFAS 109.

Additionally, a valuation reserve approximating \$148 million was established as of January 1, 1993 against all New York State and City deferred tax assets. Because of the lack of any loss carryover provision under New York statutes, the Corporation is uncertain at this time whether these tax benefits can be realized. The Corporation has recorded deferred New York State and City tax liabilities of approximately \$202 million, after valuation reserve, as of December 31, 1993. Foreign deferred taxes are not material.

On August 10, 1993, President Clinton signed OBRA, which increased the corporate Federal tax rate from 34% to 35% retroactive to January 1, 1993. The impact on current and deferred tax assets and liabilities resulted in a decrease in the Corporation's tax expense of approximately \$8 million.

Deferred income tax expense (benefit) results from differences between amounts of assets and liabilities as measured for income tax return and financial reporting purposes. The significant components of Federal deferred tax assets and liabilities as of December 31, 1993 are reflected in the following table.

DECEMBER 31, (IN MILLIONS)	1993

Federal Deferred Tax Assets:	
Reserves for credit losses	\$ 784
Reserves other than credit losses	396
Interest and fee accrual differences	225
Tax credits and foreign losses not currently utilizable	166
Non-pension retirement benefits	145
Other	147

Gross Federal Deferred Tax Assets	\$1,863

Federal Deferred Tax Liabilities:	
Leasing transactions	\$ 634
Pension benefits	137
Depreciation and amortization	131
Market value adjustments	110
Other	161

Gross Federal Deferred Tax Liabilities	\$1,173

Deferred Federal Tax Asset Valuation Reserve	\$ 121

Net Federal Deferred Tax Asset After Valuation Reserve	\$ 569

The components of income tax expense included in the Consolidated Statement of Income were as follows:

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991

Current Income Tax Expense (Benefit):			
Federal	\$ 360	\$ 75	\$ (68)
Foreign	201	70	84
State and Local	203	36	72

Total Current	764	181	88

Deferred Income Tax Expense (Benefit):			
Federal	(229)	--	48
Foreign	(17)	(6)	4
State and Local	21	68	(4)

Total Deferred	(225)	62	48

Total Income Tax Expense	\$ 539	\$ 243	\$ 136

Not reflected in the accompanying table are the tax effects of foreign currency translation adjustments related to the hedging of foreign net investments. Because the functional currency used in the hedging of foreign investments is not the U.S. dollar, the tax effects are recorded directly in stockholders' equity and are not included in consolidated income. These tax effects amounted to a decrease of \$2 million in 1993 and \$4 million in 1992 and an increase of \$4 million in 1991. Additionally, the tax effects of SFAS 115 on unrealized gains and losses, with respect to available-for-sale securities, are recorded directly in stockholders' equity and in 1993 amounted to a decrease of \$145 million.

The tax expense applicable to securities gains and losses for the years 1993, 1992 and 1991 was \$62 million, \$17 million and \$31 million, respectively.

A reconciliation of the income tax expense computed at the applicable statutory U.S. income tax rate to the actual income tax expense for the past three years is shown in the following table.

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Statutory U.S. Federal Tax Expense	\$ 738	\$ 452	\$ 99
Increase (Decrease) in Taxes Resulting From:			
Settlement of Prior Years' Federal Income Taxes	--	--	(55)
(Recognized) Unrecognized Tax Benefits	(331)	(278)	50
Tax-Exempt Interest and Dividends	(34)	(37)	(43)
State and Local Income Taxes, Net of Federal Income Tax Benefit	145	69	45
Nondeductible Expense	24	21	20
Foreign Operations	4	13	33
Other--Net	(7)	3	(13)
Total Income Tax Expense	\$ 539	\$ 243	\$ 136

The following table presents the domestic and foreign components of income before income taxes for the past three years.

DOMESTIC AND FOREIGN COMPONENTS OF INCOME

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Domestic	\$ 1,783	\$ 997	\$340
Foreign(a)	325	332	(50)
Income Before Income Taxes	\$ 2,108	\$1,329	\$290

(a) For purposes of this disclosure, foreign income is defined by Securities and Exchange Commission regulations as income generated from operations located outside the United States.

NOTE SEVENTEEN

RESTRICTIONS ON CASH AND INTERCOMPANY FUNDS TRANSFERS

Federal Reserve Board regulations require depository institutions to maintain cash reserves with a Federal Reserve Bank. The average amount of reserve balances deposited by the Corporation with various Federal Reserve Banks was \$1 billion during both 1993 and 1992.

Restrictions imposed by Federal law prohibit the Corporation and certain other affiliates from borrowing from banking subsidiaries unless the loans are secured in specified amounts. Such secured loans to the Corporation or to each of certain other affiliates generally are limited to 10% of the banking subsidiary's capital and surplus; the aggregate amount of all such loans is limited to 20% of the banking subsidiary's capital and surplus.

The principal sources of the Corporation's income are dividends and interest from Chemical Bank and the other banking and non-banking subsidiaries of the Corporation. Federal law imposes limitations on the payment of dividends by the subsidiaries of the Corporation that are state member banks of the Federal Reserve System (a "state member bank") or are national banks. Under such limitations, dividend payments by such banks are limited to the lesser of (i) the amount of "undivided profits then on hand" (as defined) less the amount of "bad debts" (as defined) in excess of the allowance for losses and (ii) absent regulatory approval, an amount not in excess of "net profits" (as defined) for the current year plus "retained net profits" (as defined) for the preceding two years. Non-bank subsidiaries of the Corporation are not subject to such limitations.

At December 31, 1993, in accordance with the foregoing restrictions, the Corporation's bank subsidiaries could, without the approval of their relevant banking regulators, pay dividends of approximately \$1.7 billion to their respective bank holding companies, plus an additional amount equal to their net profits from January 1, 1994 through the date of any such dividend payment.

In addition to dividend restrictions, the Federal Reserve Board, the Office of the Comptroller of the Currency and the FDIC have authority under the Financial Institutions Supervisory Act to prohibit or to limit the payment of dividends by the banking organizations they supervise, including the Corporation and its subsidiaries that are banks or bank holding companies, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

NOTE EIGHTEEN

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Derivatives and Foreign Exchange Products: In the normal course of its business, the Corporation utilizes various financial instruments to meet the financing needs of its customers, to generate revenues through its trading activities, and to manage its exposure to fluctuations in interest and currency rates. Derivatives and foreign exchange transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the terms of the contract. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

The Corporation controls the credit risk arising from derivative and foreign exchange transactions by using the same credit procedures when entering into such transactions as it does for traditional lending products. The credit approval process involves first evaluating each counterparty's creditworthiness, then assessing the applicability of derivative instruments to the risks the counterparty is attempting to manage and determining if there are specific transaction characteristics which alter the risk profile. If collateral is deemed necessary to reduce credit risk, the amount and nature of the collateral obtained is based

on management's credit evaluation of the customer. Collateral held varies but may include cash, investment securities, accounts receivable, inventory, property, plant and equipment, and real estate.

The market risk associated with derivatives and foreign exchange products, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that traders may undertake. These limits are approved by senior management, and the risk positions of traders are reviewed on a daily basis to monitor compliance with the limits.

The notional principal of derivatives and foreign exchange products is the amount upon which interest and other payments in a transaction are based. For derivative transactions, the notional principal typically does not change hands; it is simply a quantity that is used to calculate payments. While notional principal is the most commonly used volume measure in the derivatives and foreign exchange markets, it is not a measure of credit exposure. The Corporation believes that the true measure of credit exposure is the replacement cost (the cost to replace the contract at current market rates should the counterparty default prior to the settlement date). This is also referred to as the mark-to-market exposure amount.

Overall counterparty credit risk assumed by the Corporation is substantially reduced through master netting agreements. The Corporation enters into master netting agreements which permit the Corporation to offset the mark-to-market exposure for derivative or foreign exchange contracts with the same counterparty. During 1993, the Corporation began to expand the number of master netting agreements for all of its instruments executed with its counterparties.

Credit exposure not recorded on the consolidated balance sheet at each of December 31, 1993 and 1992 is summarized in the following table. The amount of mark-to-market exposure presented for 1993 takes into account the effects of master netting agreements in effect at December 31, 1993.

DECEMBER 31, (IN BILLIONS)	1993	1992
Credit Exposure:		
Interest Rate Contracts	\$ 8.6	\$ 7.5
Foreign Exchange Contracts	8.1	14.9
Stock Index Option and Commodity Contracts	0.2	0.6
Total Credit Exposure	16.9	23.0
Less: Amounts Recorded as Assets on Consolidated Balance Sheet	3.3	2.3
Credit Exposure Not Recorded on the Consolidated Balance Sheet	\$13.6	\$20.7

The Corporation's actual credit losses arising from such transactions have been immaterial during 1993, 1992 and 1991.

The following table summarizes the aggregate notional amounts of interest rates and foreign exchange contracts as of December 31, 1993 and 1992. The table should be read in conjunction with the preceding narrative as well as the descriptions of these products and their risks immediately following.

OFF-BALANCE SHEET INSTRUMENTS-DERIVATIVES
AND FOREIGN EXCHANGE INSTRUMENTS

DECEMBER 31, (IN MILLIONS)	1993 CONTRACT/NOTIONAL AMOUNTS			1992
	TRADING	ALM(a)	TOTAL	TOTAL
Financial Instruments, the Credit Risk of Which is Represented by Other Than Notional or Contract Amounts:				
Interest Rate Contracts:				
Futures and Forward Rate Agreements	\$ 780,418	\$ 14,004	\$ 794,422	\$ 545,907
Interest Rate Swaps	630,537	37,381	667,918	389,685
Purchased Options	87,465	26,269	113,734	60,192
Written Options	145,976	19,316	165,292	70,570
Total Interest Rate Contracts (Notional Amount)	\$ 1,644,396	\$ 96,970	\$ 1,741,366	\$1,066,354
Foreign Exchange Contracts:				
Spot, Forward and Futures Contracts	\$ 656,984	\$ 11,003	\$ 667,987	\$ 491,313
Purchased Options	21,888	--	21,888	17,336
Written Options	23,697	--	23,697	18,217
Cross-Currency Interest Rate Swaps	18,224	358	18,582	22,097
Total Foreign Exchange Contracts (Notional Amount)	\$ 720,793	\$ 11,361	\$ 732,154	\$ 548,963
Total Stock Index Options and Commodity Derivative Contracts (Notional Amount)	\$ 5,751	\$ --	\$ 5,751	\$ 5,502
Total Off-Balance Sheet Instruments (Notional Amount)	\$ 2,370,940	\$ 108,331	\$ 2,479,271	\$1,620,819

(a) ALM: Asset/Liability Management.

The Corporation deals in interest-rate and foreign exchange contracts to generate fee income and trading revenues and also utilizes interest rate contracts to manage its own asset/liability risk.

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. Most interest rate swaps involve the exchange of fixed and floating interest payments. Cross-currency interest rate swaps are contracts that involve the exchange of both interest and principal amounts in two different currencies. The risks inherent in interest rate and cross currency swap contracts are the potential inability of a counterparty to meet the terms of each contract and the risk associated with changes in the market values of the underlying interest rates. To reduce its exposure to market risk, the Corporation may enter into offsetting positions.

Interest rate options, which include caps and floors, are contracts which transfer, modify, or reduce interest rate risk in exchange for the payment of a premium when the contract is initiated. As a writer of interest rate caps, floors, and other options, the Corporation receives a premium in exchange for bearing the risk of unfavorable changes in interest rates. Foreign currency options are similar to interest rate option contracts, except that they are based on currencies instead of interest rates. To reduce its exposure to market risk related to writing or purchasing options the Corporation may enter into offsetting positions.

Forward rate agreements are contracts to exchange payments on a certain future date, based on a market change in interest rates from trade date to contract maturity date. The maturity of these agreements is typically less than two years. To reduce its exposure to market risk, the Corporation may enter into offsetting positions.

Foreign exchange contracts are contracts for the future receipt or delivery of foreign currency at previously agreed upon terms. The risks inherent in these contracts are the potential inability of a counterparty to meet the terms of each contract and the risk associated with changes in the market values of the underlying currencies. To reduce its exposure to market risk, the Corporation may enter into offsetting positions.

Futures and forwards are contracts for the delayed delivery of securities or money market instruments in which the seller agrees to deliver on a specified future date, a specified instrument, at a specified price or yield. The credit risk inherent in futures is the risk that the exchange may default. Futures contracts settle in cash daily and, therefore, there is minimal credit risk to the Corporation. The credit risk inherent in forwards arises from the potential inability of counterparties to meet the terms of their contracts. Both futures and forwards are also subject to the risk of movements in interest rates or the value of the underlying securities or instruments.

The Corporation enters into other contracts such as stock index option contracts and commodity contracts. Stock index option contracts are contracts to pay or receive cash flows from counterparties based upon the increase or decrease in the underlying index. Commodity contracts include swaps, caps and floors and are similar to interest rate contracts, except that they are based on commodity indices instead of interest rates.

The Corporation also enters into transactions involving "when-issued securities". When-issued securities are commitments to purchase or sell securities authorized for issuance, but not yet actually issued. Accordingly, they are not recorded on the balance sheet until issued. At December 31, 1993 and 1992, commitments to purchase were \$2,194 million and \$2,799 million, respectively, and commitments to sell were \$1,790 million and \$3,158 million, respectively.

Credit-related financial instruments: In meeting the financing needs of its customers, the Corporation issues commitments to extend credit, standby and other letters of credit and guarantees, and also provides securities lending services. For these instruments, the contractual amount of the financial instrument represents the maximum potential credit risk if the counterparty does not perform according to the terms of the contract. A large majority of these commitments expire without being drawn upon. As a result, total contractual amounts do not represent future credit exposure or liquidity requirements.

The following table summarizes the Corporation's maximum credit risk, which is represented by contract amounts relating to these financial instruments at December 31, 1993 and 1992.

OFF-BALANCE SHEET INSTRUMENTS-CREDIT-RELATED FINANCIAL INSTRUMENTS

DECEMBER 31, (IN MILLIONS)	1993	1992
Commitments to Extend Credit	\$47,540(a)	\$41,177(a)
Standby Letters of Credit (Net of Risk Participations of \$1,285 and \$926)	11,224	10,729
Other Letters of Credit	2,325	2,822
Customers' Securities Lent	14,530	14,716

(a) Excludes credit card commitments of \$18 billion and \$13 billion at December 31, 1993 and 1992, respectively.

Unfunded commitments to extend credit are agreements to lend to a customer who has complied with predetermined contractual conditions. Commitments generally have fixed expiration dates.

Standby letters of credit and guarantees are conditional commitments issued by the Corporation generally to guarantee the performance of a customer to a third party in borrowing arrangements, such as commercial paper, bond financing, construction and similar transactions. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers and may be reduced by participations to third parties. The Corporation holds collateral to support those standby

letters of credit and guarantees written for which collateral is deemed necessary. At December 31, 1993, 94% of the Corporation's standby letters of credit and guarantees written expire in less than five years.

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Customers' securities lent are customers' securities held by the Corporation which are lent to third parties. The Corporation obtains collateral, with a market value exceeding 100% of the contract amount, for all such customers' securities lent, which is used to indemnify customers against possible losses resulting from third-party defaults.

CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk arise when a number of customers are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

Concentrations of credit risk indicate the relative sensitivity of the Corporation's performance to both positive and negative developments affecting a particular industry. Based on the nature of the banking business, management does not believe that any of these concentrations are unusual.

The accompanying table presents the Corporation's significant concentrations of credit risk for all financial instruments. The Corporation has procedures to monitor counterparty credit risk and to obtain collateral when deemed necessary. Accordingly, management believes that the total credit exposure shown below is not representative of the potential risk of loss inherent in the portfolio.

DECEMBER 31, (IN BILLIONS)	TOTAL CREDIT EXPOSURE	1993 DISTRIBUTIONS			1992 DISTRIBUTIONS			
		% OF TOTAL	ON-BALANCE SHEET	OFF-BALANCE SHEET	TOTAL CREDIT EXPOSURE	% OF TOTAL	ON-BALANCE SHEET	OFF-BALANCE SHEET
Consumer	\$ 45	18%	\$ 26	\$ 19	\$38	16%	\$ 24	\$ 14
Real Estate	12	5	10	2	13	6	11	2
Financial Institutions	61	24	26	35	55	23	22	33
U.S. Government and Agencies	24	9	24	--	30	13	30	--
Foreign Governments and Official Institutions	15	6	13	2	12	5	11	1
Brokers and Dealers	30	12	11	19	22	9	3	19
All Other	67	26	32	35	67	28	32	35
Total	\$ 254	100%	\$ 142	\$ 112	237	100%	\$133	\$104

Geographic concentrations are a factor most directly affecting the credit risk of the real estate and LDC segments of the Corporation's loan portfolio. The Corporation's real estate portfolio is primarily concentrated in the New York Metropolitan area and in Texas. Its LDC portfolio is concentrated in Latin America.

NOTE NINETEEN

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("SFAS 107"), requires the Corporation to disclose fair value information about financial instruments for which it is practicable to estimate the value, whether or not such financial instruments are recognized on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

Quoted market prices are not available for a significant portion of the Corporation's financial instruments. As a result, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of the net realizable or liquidation value. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of current or future fair values.

Certain financial instruments and all nonfinancial instruments are excluded from the scope of SFAS 107. Accordingly, the fair value disclosures required by SFAS 107 provide only a partial estimate of the fair value of the Corporation; for example, the values associated with the various ongoing businesses which the Corporation operates are excluded. The Corporation has estimated the value related to the long-term relationships with its customers through its deposit base and its credit card accounts, commonly referred to as core deposit intangibles and credit card relationships, respectively, as well as the value of its portfolio of mortgage servicing rights and its owned and leased premises. In the aggregate, these items add significant value to the Corporation but their fair value is not disclosed in this Note.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Corporation's financial instruments required to be valued pursuant to SFAS 107.

FINANCIAL ASSETS

Assets for Which Fair Value Approximates Book Value: The fair value of certain financial assets carried at cost, including cash and due from banks, deposits with banks, federal funds sold and securities purchased under resale agreements, due from customers on acceptances, short-term receivables and accrued interest receivable is considered to approximate their respective book values due to their short-term nature and negligible credit losses. In addition, the Corporation carries trading account assets and derivatives used in trading activities at fair value. See Note One for a description of these financial instruments.

Securities: Securities held-to-maturity are carried at amortized cost at each of December 31, 1993 and 1992. Securities available-for-sale and interest rate contracts used in connection with such portfolio are carried at fair value at December 31, 1993. Such securities were carried at lower of aggregate amortized cost or market value at December 31, 1992. The valuation methodologies for securities are discussed in Note Four.

Loans: The fair value of the Corporation's non-LDC commercial loan portfolio was estimated by assessing the two main risk components of the portfolio: credit and interest. The estimated cash flows were adjusted to reflect the inherent credit risk and then discounted, using rates appropriate for each maturity that incorporate the effects of interest rate changes. Generally, LDC loans were valued based on secondary market prices.

For consumer installment loans and residential mortgages, for which market rates for comparable loans are readily available, the fair value was estimated by discounting cash flows, adjusted for prepayments. The discount rates used for consumer installment loans were current rates offered by commercial banks and thrifts; for residential mortgages, secondary market yields for comparable mortgage-backed securities, adjusted for risk were used. The fair value of credit card receivables was estimated by discounting expected net cash flows. The discount rate used incorporated the effects of interest rate changes only, since the estimated cash flows were adjusted for credit risk.

The estimated fair value of net loans increased from 100% of carrying value at December 31, 1992 to 104% of carrying value at December 31, 1993 primarily due to the positive effect of a \$2.2 billion reduction in nonperforming loans during 1993.

Other: Included in other assets are equity investments, venture capital investments and securities acquired as loan satisfactions. The fair value of these investments was determined on an individual basis. The valuation methodologies included market values of publicly-traded securities, independent appraisals, and cash flow analyses.

FINANCIAL LIABILITIES

Liabilities for Which Fair Value Approximates Book Value: SFAS 107 requires that the fair value disclosed for deposit liabilities with no stated maturity (i.e., demand, savings and certain money market deposits) be equal to the carrying value. SFAS 107 does not allow for the recognition of the inherent funding value of these instruments.

The fair value of foreign deposits, federal funds purchased and securities sold under repurchase agreements, other borrowed funds, acceptances outstanding, short-term payables and accounts payable and accrued liabilities are considered to approximate their respective book values due to their short-term nature.

Domestic Time Deposits: The fair value of time deposits was estimated by discounting cash flows based on contractual maturities at the average interest rates offered by commercial banks and thrifts.

Long-Term Debt: The valuation of long-term debt takes into account several factors, including current market interest rates and the Corporation's credit rating. Quotes were gathered from various investment banking firms for indicative yields for the Corporation's securities over a range of maturities.

Derivatives Used for Asset/Liability Management: The Corporation employs off-balance sheet financial instruments to manage its asset/liability exposure to fluctuations in interest rates. These instruments are mostly used to manage overall exposure as opposed to hedging specific on-balance sheet items. The estimated fair value and carrying value of these instruments at December 31, 1993 was \$725 million and \$300 million, respectively. The estimated fair value and carrying value of these instruments at December 31, 1992 was \$756 million and \$246 million, respectively. Interest rate contracts were valued at the net present value of expected cash flows based upon prevailing market rates.

Unused Commitments and Letters of Credit: The Corporation has reviewed the unfunded portion of commitments to extend credit as well as standby and other letters of credit, and has determined that the fair value of such financial instruments is not material.

The following table presents the financial assets and liabilities required to be valued for SFAS 107.

DECEMBER 31, (IN MILLIONS)	CARRYING VALUE	1993		CARRYING VALUE	1992	
		ESTIMATED	FAIR VALUE		ESTIMATED	FAIR VALUE
Financial Assets:						
Assets for Which Fair Value Approximates Book Value	\$ 43,744	\$	43,744	\$ 30,453	\$	30,453
Securities:						
Held-to-Maturity	10,108	10,288		15,036	15,195	
Available-for-Sale	15,840	15,840(a)		8,390	8,674	
Loans, Net	72,361	74,918(b)		78,985	79,367	
Other Assets	1,670	2,171		1,566	2,024	
TOTAL FINANCIAL ASSETS	\$ 143,723	\$ 146,961		\$134,430	\$135,713	
Financial Liabilities:						
Liabilities for Which Fair Value Approximates Book Value	\$ 113,202	\$	113,202	\$105,470	\$	105,470
Domestic Time Deposits	16,703	17,050		17,536	17,813	
Long-Term Debt	8,192	8,489(c)		6,798	6,986	
TOTAL FINANCIAL LIABILITIES	\$ 138,097	\$ 138,741		\$129,804	\$130,269	

(a) Estimated fair value in 1993 includes a decrease of approximately \$2 million representing estimated fair value amounts of interest rate contracts, used in connection with available-for-sale securities.

(b) Estimated fair value in 1993 includes an increase of approximately \$2 million representing estimated fair value amounts of interest rate contracts, used in connection with mortgages held-for-sale.

(c) Estimated fair value in 1993 includes an increase of approximately \$7 million representing estimated fair value amounts of interest rate contracts, used in connection with long-term debt.

NOTE TWENTY

COMMITMENTS AND CONTINGENCIES

At December 31, 1993, the Corporation and its subsidiaries were obligated under a number of noncancelable operating leases for premises and equipment used primarily for banking purposes. Certain leases contain rent escalation clauses for real estate taxes and other operating expenses and renewal option clauses calling for increased rents. No lease agreement imposes any restrictions on the Corporation affecting its ability to pay dividends, engage in debt or equity financing transactions or to enter into further lease agreements. Future minimum rental payments required under operating leases with initial or remaining noncancelable lease terms in excess of one year as of December 31, 1993 were as follows:

YEAR ENDED DECEMBER 31, (IN MILLIONS)

1994	\$ 256
1995	227
1996	193
1997	165
1998	152
After	919
Total Minimum Payments Required	\$1,912
Less: Sublease Rentals Under Noncancelable Subleases	\$ (162)
Net Minimum Payment Required	\$1,750

Total rental expense in 1993, 1992 and 1991 was as follows:

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Gross Rentals	\$384	\$372	\$370
Sublease Rentals	(60)	(55)	(54)
Total	\$324	\$317	\$316

At December 31, 1993 and 1992, assets amounting to \$18 billion and \$26 billion, respectively, were pledged to secure public deposits and for other purposes. The significant components of the \$18 billion of assets pledged at December 31, 1993 to secure public deposits and for other purposes were as follows: \$4 billion were securities, \$8 billion were loans, and the remaining \$6 billion were primarily trading account assets. These amounts compare with \$11 billion of securities, \$8 billion of loans and \$7 billion of trading account assets pledged at December 31, 1992.

The Corporation and its subsidiaries are defendants in a number of

legal proceedings. After reviewing with counsel all such actions and proceedings pending against or involving the Corporation and its subsidiaries, management does not expect the aggregate liability or loss, if any, resulting therefrom to have a material adverse effect on the consolidated financial condition of the Corporation.

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NOTE TWENTYONE

INTERNATIONAL OPERATIONS

The accompanying table presents total assets and income statement information for 1993, 1992 and 1991 pertaining to international and domestic operations of the Corporation by major geographic areas, based on the domicile of the customer. The Corporation defines international activities as business transactions that involve customers residing outside of the United States. However, a definitive separation of the Corporation's domestic and foreign businesses cannot be performed because many of the Corporation's domestic operations service international business.

As these operations are highly integrated, estimates and subjective assumptions have been made to apportion revenue and expenses between domestic and international operations. Estimates of the following are allocated on a management accounting basis: stockholders' equity, interest costs charged to users of funds, and overhead, administrative and other expenses incurred by one area on behalf of another. The provision for losses is allocated based on actual net charge-offs and changes in outstandings.

Although the Corporation considers the balance in the non-LDC allowance for losses to be available for both domestic and foreign losses, a portion of the allowance is allocated, based on a methodology consistent with the allocation of the provision for losses, to international operations.

AS OF OR FOR THE YEAR ENDED DECEMBER 31, (IN MILLIONS)	TOTAL ASSETS	TOTAL REVENUE	TOTAL EXPENSE	INCOME (LOSS) BEFORE INCOME TAXES	NET INCOME (LOSS)
1993					
Europe	\$ 18,598	\$ 1,806	\$ 1,438	\$ 368	\$ 221
Latin America and the Caribbean	8,203	990	536	454	272
Asia and Pacific	6,765	471	336	135	72
Middle East and Africa	1,015	78	49	29	17
Other(a)	774	49	60	(11)	(6)
Total International	35,355	3,394	2,419	975	576
Total Domestic	114,533	9,033	7,900	1,133	1,028
Total Corporation	\$ 149,888	\$ 12,427	\$ 10,319	\$ 2,108	\$1,604
1992					
Europe	\$ 12,718	\$ 1,603	\$ 1,437	\$ 166	\$ 100
Latin America and the Caribbean	8,716	1,046	886	160	113
Asia and Pacific	4,771	383	331	52	32
Middle East and Africa	1,312	90	73	17	10
Other(a)	2,305	164	173	(9)	(6)
Total International	29,822	3,286	2,900	386	249
Total Domestic	109,833	8,888	7,945	943	837
Total Corporation	\$ 139,655	\$ 12,174	\$ 10,845	\$ 1,329	\$1,086
1991					
Europe	\$ 13,168	\$ 1,583	\$ 1,605	\$ (22)	\$ (16)
Latin America and the Caribbean	8,504	1,101	985	116	86
Asia and Pacific	4,963	571	456	115	81
Middle East and Africa	1,354	129	155	(26)	(25)
Other(a)	1,490	88	150	(62)	(53)
Total International	29,479	3,472	3,351	121	73
Total Domestic	109,451	10,639	10,470	169	81
Total Corporation	\$ 138,930	\$ 14,111	\$ 13,821	\$ 290	\$ 154

(a) No geographic region included in other international amounts to more than 10% of the total for the Corporation.

NOTE TWENTYTWO

PARENT COMPANY

Condensed financial information of Chemical Banking Corporation, the Parent Company, is presented on the next page.

For purposes of preparing the Statement of Cash Flows, cash and cash equivalents are those amounts included in the balance sheet caption cash with banks.

BALANCE SHEET

DECEMBER 31, (IN MILLIONS)	1993	1992
Assets		
Cash with Banks	\$ 69	\$ 97
Deposits with Banking Subsidiaries	1,205	1,050
Securities Purchased Under Resale Agreements-Chemical Securities Inc.	586	--
Short-Term Advances to Subsidiaries:		
Banking	12	--
Nonbanking	2,027	2,203
Long-Term Advances to Subsidiaries:		
Banking	2,287	2,937
Nonbanking	5	5
Investment (at Equity) in Subsidiaries:		
Banking	11,174	9,609
Nonbanking	1,021	814
Other Assets	648	579
Total Assets	\$19,034	\$17,294
Liabilities and Stockholders' Equity		
Other Borrowed Funds, primarily		
Commercial Paper	\$ 2,040	\$ 2,029
Other Liabilities	263	239
Long-Term Debt(a)	5,567	5,175
Total Liabilities	7,870	7,443
Stockholders' Equity	11,164	9,851
Total Liabilities and Stockholders' Equity	\$19,034	\$17,294

(a) At December 31, 1993, aggregate annual maturities and sinking fund requirements for all issues for the years 1994 through 1998 were \$937 million, \$844 million, \$679 million, \$472 million, and \$596 million, respectively.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Income			
Dividends from Subsidiaries:			
Banking	\$ 588	\$ 204	\$ 256
Nonbanking	23	18	17
Interest from Subsidiaries	326	296	364
All Other Income	--	5	1
Total Income	937	523	638
Expense			
Interest on:			
Other Borrowed Funds, primarily			
Commercial Paper	75	71	111
Long-Term Debt	361	339	383
All Other Expense	96	102	118
Total Expense	532	512	612
Income Before Income Tax			
Expense (Benefit) and Equity			
in Undistributed Net Income			
of Subsidiaries	405	11	26
Income Tax Expense (Benefit)	(76)	(79)	(83)
Equity in Undistributed Net			
Income of Subsidiaries	1,123	996	45
Net Income	\$1,604	\$1,086	\$ 154

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, (IN MILLIONS)	1993	1992	1991
Operating Activities			
Net Income	\$1,604	\$1,086	\$154
Less--Net Income of Subsidiaries	1,734	1,218	318
Parent Company Net Loss	(130)	(132)	(164)
Add--Dividends from Subsidiaries	611	222	270
Other--Net	(131)	(69)	47
Net Cash Provided by Operating Activities	350	21	153

Investing Activities			
Net (Increase) Decrease in Deposits with Banking Subsidiaries	(155)	(704)	668
Net (Increase) Decrease in Short-Term Advances to Subsidiaries	242	336	195
Net (Increase) in Long-Term Advances to Subsidiaries	650	(1,077)	(45)
Net (Increase) Decrease in Investments (at Equity) in Subsidiaries	(430)	(1,045)	(191)
Net (Increase) Decrease in Securities Under Resale Agreement-Chemical Securities Inc.	(586)	--	--
Other--Net	--	7	1

Net Cash Provided (Used) by Investing Activities	(279)	(2,483)	628

Financing Activities			
Net Increase (Decrease) in Other Borrowed Funds	6	368	(625)
Proceeds from the Issuance of Long-Term Debt	2,408	1,306	500
Redemption and Maturity of Long-Term Debt	(2,014)	(517)	(618)
Proceeds from the Issuance of Stock	591	2,117	291
Redemption of Preferred Stock	(610)	(292)	--
Cash Dividends Paid	(480)	(438)	(405)
Other--Net	--	--	4

Net Cash Provided (Used) by Financing Activities	(99)	2,544	(853)
Net Increase (Decrease) in Cash	(28)	82	(72)
Cash with Banks at the Beginning of the Year	97	15	87

Cash with Banks at the End of the Year	\$ 69	\$ 97	\$ 15

Cash Interest Paid	\$ 421	\$ 409	\$515
Taxes Paid (Refunded)	\$ 89	\$ 58	\$(42)

NOTE TWENTYTHREE

SHAREHOLDERS' RIGHTS PLAN

The Corporation has in place a Shareholders' Rights Plan. The Shareholders' Rights Plan contains provisions intended to protect stockholders in the event of unsolicited offers or attempts to acquire the Corporation, including offers that do not treat all stockholders equally, acquisitions in the open market of shares constituting control without offering fair value to all stockholders, and other coercive or unfair takeover tactics that could impair the Board of Directors' ability to represent stockholders' interests fully. The Shareholders' Rights Plan provides that attached to each share of common stock is one right (a "Right") to purchase a unit consisting of one one-hundredth of a share (a "Unit") of Junior Participating Preferred Stock for an exercise price of \$150 per unit, subject to adjustment.

The Rights have certain anti-takeover effects. The Rights may cause substantial dilution to a person that attempts to acquire the Corporation without the approval of the Board of Directors unless the offer is conditioned on a substantial number of Rights being acquired. The Rights, however, should not affect offers for all outstanding shares of common stock at a fair price and otherwise in the best interests of the Corporation and its stockholders as determined by the Board of Directors. The Board of Directors may, at its option, redeem all, but not fewer than all, of the then outstanding Rights at any time until the 10th business day following a public announcement that a person or a group had acquired beneficial ownership of 20% or more of the Corporation's outstanding common stock or total voting power.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AND STOCK PRICE DATA)

	1993				1992			
	4TH	3RD	2ND	1ST	4TH	3RD	2ND	1ST
Net Interest Income	\$ 1,149	\$ 1,163	\$ 1,175	\$ 1,149	\$1,226	\$1,158	\$1,099	\$1,115
Provision For Losses	286	298	363	312	315	330	345	375
Noninterest Revenue	1,053	1,004	1,042	925	717	767	737	805
Noninterest Expense	1,335	1,370	1,312	1,276	1,294	1,258	1,184	1,194
Income Before Income Tax Expense and Effect of Accounting Changes	581	499	542	486	334	337	307	351
Income Tax Expense (Benefit)	234	(3)	161	147	30	55	67	91
Income Before Effect of Accounting Changes	347	502	381	339	304	282	240	260
Net Effect of Changes in Accounting Principles	--	--	--	35	--	--	--	--
Net Income	\$ 347	\$ 502	\$ 381	\$ 374	\$ 304	\$ 282	\$ 240	\$ 260
Per Common Share:								
Income Before Effect of Accounting Changes	\$ 1.23	\$ 1.84	\$ 1.35	\$ 1.21	\$ 1.09	\$.98	\$.83	\$ 1.00
Net Effect of Changes in Accounting Principles	--	--	--	.14	--	--	--	--
Net Income	\$ 1.23	\$ 1.84	\$ 1.35	\$ 1.35	\$ 1.09	\$.98	\$.83	\$ 1.00
Cash Dividends Declared Per Share	\$.38	\$.33	\$.33	\$.33	\$.30	\$.30	\$.30	\$.30
Average Common Shares and Equivalents Outstanding	252.5	252.1	251.7	248.5	246.2	245.8	244.9	224.7
Stock Price Per Common Share(a)								
High	\$ 46.38	\$ 45.38	\$ 44.13	\$ 44.13	\$39.38	\$39.50	\$39.38	\$35.63
Low	36.00	38.75	35.00	37.00	30.25	30.25	29.00	21.88
Close	40.13	45.00	40.88	40.38	38.63	32.63	37.13	32.75

(a) The Corporation's common stock is listed and traded on the New York Stock Exchange and the International Stock Exchange of the United Kingdom and Republic of Ireland. The high, low and closing prices of the Corporation's common stock are from the New York Stock Exchange Composite Transaction Tape.

AVERAGE CONSOLIDATED BALANCE SHEET, INTEREST AND RATES

YEAR ENDED DECEMBER 31, (TAXABLE-EQUIVALENT INTEREST AND RATES; IN MILLIONS)	1993			1992		
	BALANCE	INTEREST	RATE	BALANCE	INTEREST	RATE
ASSETS						
Deposits With Banks	\$ 4,202	\$ 268	6.39%	\$ 2,605	\$ 274	10.52%
Federal Funds Sold and Securities Purchased Under Resale Agreements	10,300	339	3.29	8,592	349	4.07
Trading Account Assets	8,039	449	5.59	6,205	419	6.76
Securities:						
U.S. Government and Federal Agency/ Corporation Obligations	19,535	1,388	7.11	16,630	1,313	7.90
Obligations of States and Political Subdivisions	23	2	6.98	19	2	8.17
Other	4,096	341	8.32	5,025	443	8.81
Total Securities	23,654	1,731	7.32	21,674	1,758	8.11
Domestic Loans	57,701	4,197	7.28	58,963	4,580	7.77
Foreign Loans	21,038	1,440	6.85	23,210	1,799	7.75
Total Loans	78,739	5,637	7.16	82,173	6,379	7.76
Total Interest-Earning Assets	124,934	8,424	6.74%	121,249	9,179	7.57%
Allowance for Losses	(3,084)			(3,327)		
Cash and Due from Banks	8,537			8,051		
All Other Assets	14,494			13,356		
TOTAL ASSETS	\$ 144,881			\$ 139,329		
LIABILITIES						
Domestic Retail Deposits	\$ 46,598	\$ 1,237	2.65%	\$ 44,538	\$ 1,438	3.23%
Domestic Negotiable Certificates of Deposit and Other Deposits	6,242	191	3.05	7,506	296	3.94
Deposits in Foreign Offices	21,066	813	3.86	21,717	1,134	5.22
Total Time and Savings Deposits	73,906	2,241	3.03	73,761	2,868	3.89
Short-Term and Other Borrowings:						
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	15,461	472	3.05	15,658	623	3.98
Commercial Paper	2,438	83	3.42	2,190	87	3.92
Other Borrowings	6,663	437	6.56	6,376	518	8.17
Total Short-Term and Other Borrowings	24,562	992	4.04	24,224	1,228	5.07
Long-Term Debt	8,053	534	6.64	6,220	454	7.31
Total Interest-Bearing Liabilities	106,521	3,767	3.54	104,205	4,550	4.37
Demand Deposits	21,750			18,989		
All Other Liabilities	6,027			6,811		
TOTAL LIABILITIES	134,298			130,005		
STOCKHOLDERS' EQUITY						
Preferred Stock	1,887			1,751		
Common Stockholders' Equity	8,696			7,573		
Total Stockholders' Equity	10,583			9,324		
Total Liabilities and Stockholders' Equity	\$ 144,881			\$ 139,329		
Spread on Interest-Bearing Liabilities			3.20%			3.20%
Net Interest Income and Net Yield on Interest-Earning Assets		\$ 4,657	3.73%		\$ 4,629	3.82%

Fees and commissions on loans included in loan interest amounted to \$176 million, \$159 million, \$149 million, \$162 million and \$204 million in 1993-1989, respectively. The ratio of average stockholders' equity to average assets was 7.3%, 6.7%, 5.4%, 5.1% and 4.8% in 1993-1989, respectively.

1991			1990			1989		
BALANCE	INTEREST	RATE	BALANCE	INTEREST	RATE	BALANCE	INTEREST	RATE
\$ 2,788	\$ 363	13.02%	\$ 4,563	\$ 627	13.75%	\$ 6,036	\$ 665	11.02%
10,455	598	5.72	14,575	1,166	8.00	12,878	1,108	8.60
7,398	586	7.92	7,924	717	9.05	6,005	597	9.95
13,348	1,214	9.10	12,917	1,193	9.24	8,804	798	9.07
37	4	10.26	440	42	9.59	3,220	343	10.67
6,318	575	9.11	4,819	426	8.83	4,826	408	8.45
19,703	1,793	9.10	18,176	1,661	9.14	16,850	1,549	9.20
60,460	5,604	9.27	58,767	6,202	10.55	65,101	7,332	11.26
24,060	2,352	9.77	25,960	2,729	10.51	26,611	2,862	10.76
84,520	7,956	9.41	84,727	8,931	10.54	91,712	10,194	11.12
124,864	11,296	9.05%	129,965	13,102	10.08%	133,481	14,113	10.57%
(3,999)			(4,743)			(4,718)		
7,101			7,169			7,298		
13,259			13,415			13,239		
\$141,225			\$145,806			\$149,300		
\$ 43,193	\$ 2,373	5.49%	\$ 41,004	\$ 2,813	6.87%	\$ 37,213	\$ 2,717	7.30%
8,458	494	5.84	10,058	730	7.25	11,002	935	8.50
22,754	1,801	7.92	24,771	2,522	10.22	27,459	2,694	9.81
74,405	4,668	6.28	75,833	6,065	8.00	75,674	6,346	8.39
19,354	1,171	6.05	21,849	1,729	7.91	16,861	1,480	8.78
2,252	145	6.46	3,244	268	8.26	6,620	619	9.36
8,343	730	8.75	7,276	850	11.68	6,886	833	12.11
29,949	2,046	6.83	32,369	2,847	8.79	30,367	2,932	9.66
5,880	455	7.75	5,925	540	9.12	9,869	962	9.76
110,234	7,169	6.51	114,127	9,452	8.28	115,910	10,240	8.84
16,698			16,962			18,011		
6,678			7,305			8,214		
133,610			138,394			142,135		
1,589			1,422			1,333		
6,026			5,990			5,832		
7,615			7,412			7,165		
\$141,225			\$145,806			\$149,300		
		2.54%			1.80%			1.73%
	\$ 4,127	3.30%		\$ 3,650	2.81%		\$ 3,873	2.90%

CHEMICAL BANK
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, (IN MILLIONS, EXCEPT SHARE DATA)	1993	1992
ASSETS		
Cash and Due from Banks	\$ 4,335	\$ 6,408
Deposits with Banks	5,829	1,652
Federal Funds Sold and Securities Purchased Under Resale Agreements	4,271	3,375
Trading Account Assets	8,556	2,797
Securities:		
Held-to-Maturity (Market Value: \$8,429 and \$12,769)	8,269	12,706
Available-for-Sale (Market Value: \$13,562 and \$7,341)	13,562	7,129
Loans (Net of Unearned Income: \$332 and \$326)	59,350	67,246
Allowance for Losses	(2,447)	(2,391)
Premises and Equipment	1,238	1,088
Due from Customers on Acceptances	1,063	1,379
Accrued Interest Receivable	899	700
Assets Acquired as Loan Satisfaction	759	961
Other Assets	7,318	5,601
TOTAL ASSETS	\$ 113,002	\$108,651
LIABILITIES		
Deposits:		
Demand (Noninterest Bearing)	\$ 15,950	\$ 16,416
Time and Savings	35,626	37,053
Foreign	24,886	21,823
Total Deposits	76,462	75,292
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	13,508	13,096
Other Borrowed Funds	4,426	3,872
Acceptances Outstanding	1,084	1,431
Accounts Payable and Accrued Liabilities	2,190	1,386
Other Liabilities	2,945	2,509
Long-Term Debt	2,537	1,251
Long-Term Debt Payable to Parent Company	1,867	2,817
TOTAL LIABILITIES	105,019	101,654
STOCKHOLDER'S EQUITY		
Common Stock (\$12 Par Value; Issued and Outstanding 51,633,170 and 51,587,026 Shares)	620	619
Capital Surplus	4,501	4,496
Retained Earnings	2,703	1,882
Net Unrealized Gain on Securities Available-for-Sale (Net of Taxes)	159	--
TOTAL STOCKHOLDER'S EQUITY	7,983	6,997
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 113,002	\$108,651

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 behalf of the undersigned, thereunto duly authorized on the 15th day of March, 1994.

CHEMICAL BANKING CORPORATION
(Registrant)

By WALTER V. SHIPLEY

(Walter V. Shipley,
Chairman of the Board and
Chief Executive Officer)

This report has been reviewed by each member of the Board of Directors and pursuant to the requirements of the Securities Exchange Act of 1934, signed on behalf of the registrant by members present at the meeting of the Board of Directors on the date indicated. The Corporation does not exercise the power of attorney to sign on behalf of any Director.

	Capacity -----		Date -----
WALTER V. SHIPLEY ----- (Walter V. Shipley)	Director and Chairman of the Board (Principal Executive Officer)))))))
EDWARD D. MILLER ----- (Edward D. Miller)	Director and President))))))
WILLIAM B. HARRISON, JR. ----- (William B. Harrison, Jr.)	Director and Vice Chairman))))))
FRANK A. BENNACK, JR. ----- (Frank A. Bennack, Jr.)	Director)))	March 15, 1994)))
MICHEL C. BERGERAC ----- (Michel C. Bergerac)	Director))))))
RANDOLPH W. BROMERY ----- (Randolph W. Bromery)	Director))))))
CHARLES W. DUNCAN, JR. ----- (Charles W. Duncan, Jr.)	Director))))))
ROBERT G. GOELET ----- (Robert G. Goelet)	Director))))))
MELVIN R. GOODES ----- (Melvin R. Goodes)	Director))))))

	Capacity -----		Date -----
GEORGE V. GRUNE ----- (George V. Grune)	Director))
HAROLD S. HOOK ----- (Harold S. Hook)	Director))
HELENE L. KAPLAN ----- (Helene L. Kaplan)	Director))
J. BRUCE LLEWELLYN ----- (J. Bruce Llewellyn)	Director))
JOHN P. MASCOTTE ----- (John P. Mascotte)	Director))
JOHN F. MCGILLICUDDY ----- (John F. McGillicuddy)	Director))
ROBERT E. MERCER ----- (Robert E. Mercer)	Director))
ANDREW C. SIGLER ----- (Andrew C. Sigler)	Director)	March 15, 1994)
MICHAEL I. SOVERN ----- (Michael I. Sovern)	Director))
JOHN R. STAFFORD ----- (John R. Stafford)	Director))
W. BRUCE THOMAS ----- (W. Bruce Thomas)	Director))
MARINA V.N. WHITMAN ----- (Marina V.N. Whitman)	Director))
RICHARD D. WOOD ----- (Richard D. Wood)	Director))
PETER J. TOBIN ----- (Peter J. Tobin)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)))
JOSEPH L. SCLAFANI ----- (Joseph L. Sclafani)	Controller (Principal Accounting Officer)))

APPENDIX I

NARRATIVE DESCRIPTION OF GRAPHIC IMAGE MATERIAL

Pursuant to Item 304 of Regulation S-T, the following is a description of the graphic image material included in the foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations in Section B.

Graphic Number	Page	Description			
1	26	Bar Graph entitled "Net Income (a) (in millions of dollars)" presenting the following information:			
			1991	1992	1993
			----	----	----
		Net Income	\$779	\$1,086	\$1,604
		(a) Excludes impact of \$625 million restructuring charge in 1991.			
2	26	Bar Graph entitled "Return on Average Common Stockholders' Equity (a)" presenting the following information:			
			1991	1992	1993
			----	----	----
		Return on Average Common Stockholders' Equity	10.70%	12.36%	16.66%
		(a) Excludes impact of \$625 million restructuring charge in 1991.			
3	27	Bar Graph entitled "Net Interest Income (in millions of dollars)" presenting the following information:			
			1991	1992	1993
			----	----	----
		Net Interest Income	\$4,080	\$4,598	\$4,636
4	28	Pie Chart entitled "Composition of Interest-Earning Assets" presenting the following information:			
				1992	1993
				----	----
		Loans		67.8%	63.0%
		Securities		17.9%	19.0%
		Liquid Assets		14.3%	18.0%

Number -----	Graphic Page -----	Description -----			
5	29	Bar Graph entitled "Noninterest Revenue (in millions of dollars)" presenting the following information:			
			1991 -----	1992 -----	1993 -----
		Fee-Based Revenue	\$1,834	\$1,930	\$2,099
		Combined Trading	671	853	1,073
		All Other Noninterest Revenue	357	243	852
6	31	Bar Graph entitled "Overhead Ratio" presenting the following information:			
			1991	1992	1993
		Overhead Ratio	67.4%	63.7%	59.1%
		Text on page 30 also discloses exclusion of one-time charges.			
7	36	Bar Graph entitled "Nonperforming Assets (in millions of dollars)" presenting the following information:			
		At December 31,	1991 -----	1992 -----	1993 -----
		Non-LDC Nonperforming Loans	\$3,380	\$3,468	\$1,969
		Assets Acquired as Loan Satisfactions	1,527	1,276	934
		LDC Nonperforming Loans	1,248	1,348	622
8	42	Bar Graph entitled "Total Stockholders' Equity (in billions of dollars)" presenting the following information:			
		At December 31,	1991 -----	1992 -----	1993 -----
		Total Stockholders' Equity	\$7.3	\$9.9	\$11.2
9	43	Bar Graph entitled "Risk-Based Capital Ratios" presenting the following information:			
		At December 31,	1991 -----	1992 -----	1993 -----
		Tier 1 Capital Ratios (4.00% Required)	8.12%	5.13%	7.33%
		Total Capital Ratios (8.00% Required)	9.13%	11.55%	12.22%

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Restated Certificate of Incorporation of Chemical Banking Corporation.
3.2	By-laws of Chemical Banking Corporation, as amended.
11.1	Computation of Net Income per common share.
12.0	Computation of ratio of earnings to fixed charges.
12.1	Computation of ratio of earnings to fixed charges and preferred stock dividend requirements.
21.1	List of Subsidiaries of Chemical Banking Corporation.
23.1	Consent of Independent Accountants.

RESTATED CERTIFICATE OF INCORPORATION

of

CHEMICAL BANKING CORPORATION

Under Section 245

of the

General Corporation Law of the State of Delaware

We, Walter V. Shipley, Chairman, and John B. Wynne, Secretary, of Chemical Banking Corporation (the "Corporation") do hereby certify under the seal of the Corporation as follows:

First: The name of the Corporation is Chemical Banking Corporation; the Corporation was originally incorporated as Chemical New York Corporation.

Second: The Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware in Dover, Delaware, on the 28th day of October, 1968.

Third: This Restated Certificate of Incorporation was duly adopted in accordance with Section 245 of the General Corporation Law of the State of Delaware and only restates and integrates, and does not further amend, the provisions of the Corporation's Certificate of Incorporation as heretofore amended and supplemented. There is no discrepancy between those provisions and the provisions of this Restated Certificate.

Fourth: The text of the Certificate of Incorporation of said Chemical Banking Corporation, as amended, is hereby restated to read in full, as follows:

FIRST. The name of the corporation is

CHEMICAL BANKING CORPORATION

SECOND. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware. Without limiting in

any manner the scope and generality of the foregoing, the Corporation shall have the following purposes and powers:

(1) To acquire by purchase, subscription, or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge, or otherwise dispose of or deal in and with any and all securities, as such term is hereinafter defined, issued or created by any corporation, firm, organization, association or other entity, public or private, whether formed under the laws of the United States of America or of any state, commonwealth, territory, dependency or possession thereof, or of any foreign country or of any political subdivision, territory, dependency, possession or municipality thereof, or issued or created by the United States of America or any state or commonwealth thereof or any foreign country, or by any agency, subdivision, territory, dependency, possession or municipality of any of the foregoing, and as owner thereof to possess and exercise all the rights, powers and privileges of ownership, including the right to execute consents and vote thereon;

(2) to make, establish and maintain investments in securities, and to supervise and manage such investments;

(3) to cause to be organized under the laws of the United States of America or of any state, commonwealth, territory, dependency or possession thereof, or of any foreign country or of any political subdivision, territory, dependency, possession or municipality thereof, one or more corporations, firms, organizations, associations or other entities and to cause the same to be dissolved, wound up, liquidated, merged or consolidated;

(4) to acquire by purchase or exchange, or by transfer to or by merger or consolidation with the Corporation or any corporation, firm, organization, association or other entity owned or controlled, directly or indirectly, by the Corporation, or to otherwise acquire, the whole or any part of the business, good will, rights or other assets of any corporation, firm, organization, association or other entity, and to undertake or assume in connection therewith the whole or any part of the liabilities and obligations thereof, to effect any such acquisition in whole or in part by delivery of cash or other property, including securities issued by the Corporation, or by any other lawful means;

(5) to make loans and give other forms of credit, with or without security, and to negotiate and make contracts and agreements in connection therewith;

(6) to aid by loan, subsidy, guaranty or in any other lawful manner any corporation, firm, organization, association

or other entity of which any securities are in any manner directly or indirectly held by the Corporation or in which the Corporation or any such corporation, firm, organization, association or entity may be or become otherwise interested; to guarantee the payment of dividends on any stock issued by any such corporation, firm, organization, association or entity; to guarantee or, with or without recourse against any such corporation, firm, organization, association or entity, to assume the payment of the principal of, or the interest on, any obligations issued or incurred by such corporation, firm, organization, association or entity; to do any and all other acts and things for the enhancement, protection or preservation of any securities which are in any manner, directly or indirectly, held, guaranteed or assumed by the Corporation, and to do any and all acts and things designed to accomplish any such purpose;

(7) to borrow money for any business, object or purpose of the Corporation from time to time, without limit as to amount; to issue any kind of evidence of indebtedness, whether or not in connection with borrowing money, including evidences of indebtedness convertible into stock of the Corporation, to secure the payment of any evidence of indebtedness by the creation of any interest in any of the property or rights of the Corporation, whether at that time owned or thereafter acquired;

(8) to render service, assistance, counsel and advice to, and to act as representative or agent in any capacity (whether managing, operating, financial, purchasing, selling, advertising or otherwise) of, any corporation, firm, organization, association or other entity; and

(9) to engage in any commercial, financial, mercantile, industrial, manufacturing, marine, exploration, mining, agricultural, research, licensing, servicing, or agency business not prohibited by law, and any, some or all of the foregoing.

The term "securities" as used in this Certificate of Incorporation shall mean any and all notes, stocks, treasury stocks, bonds, debentures, evidences of indebtedness, certificates of interest or participation in any profit-sharing agreement, collateral-trust certificates, preorganization certificates or subscriptions, transferable shares, investment contracts, voting trust certificates, certificates of deposit for a security, fractional undivided interests in oil, gas, or other mineral rights, or, in general, any interests or instruments commonly known as "securities", or any and all certificates of interest or participation in, temporary or interim certificates for, receipts for, guaranties of, or warrants or rights to subscribe to or purchase, any of the foregoing.

The purposes and powers specified in the foregoing paragraphs shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other paragraph in this Certificate of Incorporation, but the purposes and powers specified in each of the foregoing paragraphs of this Article THIRD shall be regarded as independent purposes and powers.

The Corporation shall possess and may exercise all powers and privileges necessary or convenient to effect any or all of the foregoing purposes, or to further any or all of the foregoing powers, and the enumeration herein of any specific purposes or powers shall not be held to limit or restrict in any manner the exercise by the Corporation of the general powers and privileges now or hereafter conferred by the laws of the State of Delaware upon corporations formed under the General Corporation Law of Delaware.

FOURTH. The Corporation shall have authority to issue capital stock as set forth in Parts I, II and III of this Article FOURTH.

PART I

Authorized Capital Stock

The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is SIX HUNDRED THIRTY FOUR MILLION, SEVEN HUNDRED THOUSAND shares, of which TWO HUNDRED MILLION shares shall be shares of preferred stock of the par value of \$1 per share (hereinafter called "Preferred Stock"), FOUR HUNDRED MILLION shares shall be shares of common stock of the par value of \$1 per share (hereinafter called "Common Stock") and THIRTY-FOUR MILLION, SEVEN HUNDRED THOUSAND shares shall be shares of Class B common stock without par value (hereinafter called "Class B Common Stock").

Subject to any specific provisions contained in Part II of this Article Fourth, any amendment to this Certificate of Incorporation which shall increase or decrease the authorized capital stock of the Corporation may be adopted by the affirmative vote of the holders of capital stock representing not less than a majority of the voting power represented by the outstanding shares of capital stock of the Corporation entitled to vote.

PART II

Common Stock and Class B Common Stock

The Common Stock and the Class B Common Stock shall be identical in all respects and shall have equal rights and

privileges, except as otherwise provided in this Article Fourth. The relative rights, privileges and restrictions of the shares of each class are as follows (certain definitions applicable thereto, or the location of such definitions, being set forth in subparagraph (h)(1)):

(a) Dividend Rights. Subject to the express terms of any outstanding series of Preferred Stock, dividends may be paid in cash or otherwise upon the Common Stock and the Class B Common Stock out of the assets of the Corporation in the relationship and upon the terms provided for below with respect to each such class:

(1) Dividends on Common Stock. Dividends on the Common Stock may be declared and paid only to the extent of the assets of the Corporation legally available therefor. Subject to the foregoing and to the second proviso to subparagraph (a)(2), the declaration and payment of dividends on the Common Stock, and the amount thereof, shall at all times be solely in the discretion of the Board of Directors of the Corporation.

(2) Dividends on Class B Common Stock. Dividends on the Class B Common Stock may be declared and paid only to the extent of the assets of the Corporation legally available therefor; provided, however, that no dividend shall be paid or set aside for payment or other distribution made upon the Class B Common Stock unless a dividend shall have been so paid or set aside for payment or other distribution made upon the Common Stock at (A) the time of such payment, setting aside or other distribution upon the Class B Common Stock or (B) any previous time during the Fiscal Quarter in which such payment, setting aside or other distribution upon the Class B Common Stock is to be made; provided, further, however, that from and after the Reset Date no dividend shall be paid or set aside for payment or other distribution made upon the Common Stock unless a dividend shall, at the same time and in respect of the same declaration date and record date as applicable to the Common Stock, be so paid or set aside for payment or other distribution made upon the Class B Common Stock in an amount per share of Class B Common Stock not less than the product of (x) the amount of the payment, setting aside or other distribution in respect of one share of Common Stock and (y) the Applicable Ratio fixed as of the Reset Date, as it may be thereafter adjusted pursuant to subparagraphs (e)(1) and (e)(2). Subject to the foregoing, the declaration and payment of dividends on the Class B Common Stock, and the amount thereof, shall at all times be solely in the discretion of the Board of Directors of the Corporation.

(3) Discrimination Between Common Stock and Class B Common Stock. The Board of Directors, subject to the provisions of subparagraphs (a)(1) and (a)(2), may, in its sole discretion, declare dividends payable exclusively to the holders of Common Stock, exclusively to the holders of Class B Common Stock or to the holders of both of such classes in equal or unequal amounts and in like or in unlike kind, notwithstanding the respective voting and liquidation rights of each class, the conversion rights applicable to the Class B Common Stock, the amount of prior dividends declared on each class or any other factor.

(b) Voting Rights. The holders of Common Stock and Class B Common Stock shall vote together as a single class on all matters; provided, however, that (i) the holders of Common Stock voting separately as a class shall be entitled to approve by the vote of a majority of the shares of Common Stock then outstanding any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation which adversely affects the rights, powers or privileges of the Common Stock; (ii) the holders of Class B Common Stock voting separately as a class shall be entitled to approve by the vote of a majority of the shares of Class B Common Stock then outstanding any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation which adversely affects the rights, powers, or privileges of the Class B Common Stock; and (iii) any increase in the number of authorized shares of Class B Common Stock shall be subject to approval by both (A) the holders of a majority of shares of Common Stock and Class B Common Stock then outstanding, voting together as a single class based upon their respective voting rights, and (B) the holders of a majority of the shares of Class B Common Stock then outstanding, voting separately as a class. Each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in his name on the stock transfer books of the Corporation, and each holder of Class B Common Stock shall be entitled to one-fifth (0.2) of a vote, in person or by proxy, for each share of Class B Common Stock standing in his name on the stock transfer books of the Corporation; provided, however, that the voting power of a share of Class B Common Stock shall be adjusted from time to time concurrently with any adjustment in the Applicable Ratio pursuant to subparagraphs (e)(1) and (e)(2) by multiplying the voting power then in effect by a fraction of which (x) the numerator shall be the Applicable Ratio in effect immediately after such adjustment and (y) the denominator shall be the Applicable Ratio in effect immediately before such adjustment.

(c) Liquidation Rights. In the event of the liquidation, dissolution or winding up of the Corporation (a

"Liquidation"), whether voluntary or involuntary, after there shall have been paid or set apart for the holders of Preferred Stock the full preferential amounts to which they are entitled, the holders of Common Stock and (other than in connection with or following a conversion of Class B Common Stock into Common Stock pursuant to paragraph (d)) Class B Common Stock shall be entitled to receive the assets of the Corporation remaining for distribution to its stockholders on a per share basis in proportion to the aggregate liquidation units attributable to such classes. For purposes of the foregoing, each share of Common Stock shall be entitled to one liquidation unit and each share of Class B Common Stock shall be entitled to the following fraction of a liquidation unit: (A) in the case of a voluntary Liquidation, 0.4500, and (B) in the case of an involuntary Liquidation, 0.2000; provided, however, that each such fraction of a liquidation unit applicable to a share of Class B Common Stock shall be adjusted from time to time concurrently with any adjustment in the Applicable Ratio pursuant to subparagraphs (e)(1) and (e)(2) by multiplying the fraction then in effect by a fraction of which (x) the numerator shall be the Applicable Ratio in effect immediately after such adjustment and (y) the denominator shall be the Applicable Ratio in effect immediately before such adjustment.

(d) Convertibility.

(1) Optional Conversion. The Board of Directors of the Corporation, in its sole discretion and by a majority vote of the directors then in office, may at any time effect a recapitalization of the Corporation by declaring that each of the outstanding shares of Class B Common Stock shall be converted into the number of fully paid and nonassessable shares of Common Stock provided for in subparagraph (d)(3).

(2) Automatic Conversion. In the event of the sale, transfer, assignment or other disposition by the Corporation of a majority of the assets or voting stock of Texas Commerce to one or more persons, entities or groups of which the Corporation is not a majority owner (whether by merger, consolidation, sale of assets or stock, liquidation, dissolution, winding up or otherwise), effective upon consummation of such sale, transfer, assignment or other disposition (or, in the case of a related series of such transactions, effective upon the consummation of the first thereof after the consummation of which a majority of the assets or voting stock of Texas Commerce shall have been so sold, transferred, assigned or otherwise disposed of) and automatically without any action on the part of the Corporation or its Board of Directors or stockholders,

the Corporation shall be recapitalized and each of the outstanding shares of Class B Common Stock shall be converted into the number of fully paid and nonassessable shares of Common Stock provided for in subparagraph (d)(3).

(3) Number of Shares of Common Stock into which Shares of Class B Common Stock Shall Be Convertible. The number of shares of Common Stock into which each share of Class B Common Stock shall be convertible upon any conversion pursuant to this paragraph (d) shall be: (A) prior to the Reset Date, 0.4500, as such number may be adjusted pursuant to subparagraphs (e)(1) and (e)(2), and (B) thereafter, a number equal to the Applicable Ratio.

(4) Conversion Procedures.

(A) No fraction of a share of Common Stock shall be issued in connection with the conversion of shares of Class B Common Stock into Common Stock, but in lieu thereof each holder of Class B Common Stock who would otherwise be entitled to a fractional interest of a share of Common Stock shall, upon surrender of such holder's certificate or certificates representing shares of Class B Common Stock, receive a cash payment (without interest) (the "Fractional Payment") equal to the product resulting from multiplying (I) the fraction of a share of Common Stock to which such holder would otherwise have been entitled by (II) the Average Market Price per Share of Common Stock (as defined in the next sentence) on the Conversion Date. The "Average Market Price per Share of Common Stock" shall be the average of the daily closing prices per share for the Common Stock for the 15 consecutive trading days ending one trading day prior to either (I) in the case of a conversion pursuant to subparagraph (d)(1), the date the Conversion Notice is mailed or (II) in the case of a conversion pursuant to subparagraph (d)(2), the date of the public announcement by the Corporation or one of its subsidiaries of the first to occur of the following: that the Corporation or one of its subsidiaries (1) has entered into an agreement in principle with respect to such transaction or (2) has entered into a definitive agreement with respect thereto. The closing price for each day shall be the closing sales price as reported in The Wall Street Journal or, if not reported therein, as reported in another newspaper of national circulation chosen by the Board of Directors of the Corporation or the Executive Committee thereof or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way on the New York Stock Exchange or, if the Common Stock is not then listed or admitted to trading on the New York Stock

Exchange, on the largest national securities exchange on which such stock is then listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, then the last reported sale prices for such shares in the over-the-counter market as reported on the National Association of Securities Dealers Automated Quotation System or, if such sale prices shall not be reported thereon, the average of the closing bid and asked prices so reported or, if such bid and asked prices shall not be reported thereon, as the same shall be reported by the National Quotation Bureau Incorporated or, in all other cases, an appraised market value furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Corporation or the Executive Committee thereof for that purpose.

(B) No adjustments in respect of Class B Common Stock dividends shall be made upon the conversion of any shares of Class B Common Stock (and the provisions of subparagraph (d)(4)(E) shall govern with respect to Common Stock dividends payable on converted shares of Class B Common Stock); provided, however, that, if the Conversion Date shall be subsequent to the record date for the payment of a dividend or other distribution thereon or with respect thereto but prior to the payment or distribution thereof, the registered holders of such shares at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such shares on the date set for payment of such dividend or other distribution notwithstanding the conversion of such shares or the Corporation's default in payment of the dividend or distribution due on such date; provided further, however, that so long as any shares of Class B Common Stock shall remain outstanding, the record dates for the payment of regular quarterly cash dividends (to the extent, if any, declared) with respect to the Common Stock and Class B Common Stock shall be the same.

(C) At such time as the Corporation exercises its right to cause all of the shares of Class B Common Stock to be converted into Common Stock in accordance with subparagraph (d)(1) or at such time as there occurs the automatic conversion of such Class B Common Stock into Common Stock as a result of a sale, transfer, assignment or other disposition of the type referred to in subparagraph (d)(2), the Corporation shall (i) fix a date for conversion, which in the case of conversion in accordance with subparagraph (d)(1) shall be not less than 10 nor more than 60 days after the giving of notice provided for below and in the case of conversion in accordance with subparagraph (d)(2) shall be as soon as

practicable before or after the date of such notice (any such date fixed for conversion or any such date of conversion being called the "Conversion Date"), and (ii) give notice of conversion to the holders of Class B Common Stock by mailing by first-class mail a notice of such conversion (the "Conversion Notice") to such holders' last addresses as they shall appear on the Corporation's books. Each such Conversion Notice shall specify the Conversion Date, the number of shares of Common Stock into which a share of Class B Common Stock shall be convertible and the information required by subparagraphs (h)(3)(A) through (E) for the period ending on the Conversion Date (or, with respect to the information required by subparagraphs (h)(3)(A) through (E), if the Conversion Date shall not be the last day of a Fiscal Quarter, for the period ending on the last day of the Fiscal Quarter immediately preceding the Conversion Date) and shall state that issuance of certificates representing Common Stock to be received upon conversion of shares of Class B Common Stock shall be conditioned upon surrender of certificates representing such shares of Class B Common Stock.

(D) Before any holder of shares of Class B Common Stock converted into shares of Common Stock shall be entitled to receive certificates representing such shares of Common Stock, he shall surrender at such office as the Corporation shall specify certificates for such shares of Class B Common Stock duly endorsed to the Corporation or in blank or accompanied by proper instruments of transfer to the Corporation or in blank, unless the Corporation shall waive such requirement. The Corporation shall, as soon as practicable after such surrender of certificates representing such shares of Class B Common Stock, issue and deliver, at the office of the transfer agent for the Common Stock, to the person for whose account such shares of Class B Common Stock were so surrendered (or to his nominee or nominees), certificates representing the number of whole shares of Common Stock to which he shall be entitled as aforesaid, together with the Fractional Payment, if any.

(E) From and after the Conversion Date, all rights of a holder of shares of Class B Common Stock which were converted into shares of Common Stock shall cease except for the right, upon surrender of the certificates representing such shares of Class B Common Stock, to receive certificates representing shares of Common Stock together with a Fractional Payment, if any, as contemplated by subparagraphs (d)(4)(D) and (d)(4)(A) and the rights to Class B Common Stock dividends as provided in subparagraph (d)(4)(B). No holder of a certificate

which immediately prior to the applicable Conversion Date represented shares of Class B Common Stock shall be entitled to receive any dividend or other distribution with respect to such shares of Common Stock until surrender of such holder's certificate for a certificate or certificates representing shares of Common Stock. Upon such surrender, there shall be paid to the holder the amount of any dividends or other distributions (without interest) which theretofore became payable with respect to a record date after the Conversion Date, but which were not paid by reason of the foregoing, with respect to the number of whole shares of Common Stock represented by the certificate or certificates issued upon such surrender. From and after the Conversion Date, the Corporation shall, however, be entitled to treat the certificates for Class B Common Stock which have not yet been surrendered in respect of conversion as evidencing the ownership of the number of whole shares of Common Stock into which the shares of Class B Common Stock represented by such certificates shall have been converted, notwithstanding the failure to surrender the certificates.

(F) If any certificate for shares of Common Stock is to be issued in a name other than that in which the certificate representing shares of Class B Common Stock surrendered in respect of conversion is registered, it shall be a condition of such issuance that the person requesting such issuance shall pay any transfer or other taxes required by reason of the issuance of certificates for such shares of Common Stock in a name other than that of the record holder of the certificate surrendered, or shall establish to the satisfaction of the Corporation or its agent that such tax has been paid or is not applicable. Notwithstanding anything to the contrary in this paragraph (F), the Corporation shall not be liable to a holder of shares of Class B Common Stock for any shares of Common Stock or dividends or distributions thereon delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(G) At any time prior to the Conversion Date, the Corporation shall reserve and keep available, solely for the purpose of issuance upon conversion of Class B Common Stock, the maximum number of shares of Common Stock that shall be issuable upon the conversion of the shares of Class B Common Stock outstanding at such time; provided, that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of conversion of the outstanding shares of Class B Common Stock by delivery of purchased shares of

Common Stock which are held in the treasury of the Corporation.

(H) All computations of the number of shares of Common Stock into which a share of Class B Common Stock shall be convertible, except to the extent more specific provision is made in this Part II of this Article Fourth, shall be made by the firm of independent certified public accountants regularly employed by the Corporation, and a written statement thereof shall be filed with and retained by the office of the Secretary of the Corporation. Such firm shall not be bound by the rules of evidence when making any such computation. All such computations shall be binding and conclusive on the Corporation and the holders from time to time of the shares of common stock. No such determination shall be subject to review by or appeal to any court.

(e) Recapitalizations, Mergers, etc.; Authority to Issue and Reissue Class B Common Stock.

(1) Capital Events. If, after the Effective Date, the Corporation shall in any manner subdivide (by stock split or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of the Common Stock or the Class B Common Stock or otherwise recapitalize the common stocks of the Corporation or pay a stock dividend (subject to subparagraph (e)(3)) (any such subdivision, combination, recapitalization or stock dividend being called a "Capital Event"), the Applicable Ratio and, where not based on the Applicable Ratio, the number of shares of Common Stock into which a share of Class B Common Stock shall be convertible shall be appropriately and proportionately adjusted.

(2) Adjustments Generally. The determination of any adjustment required under subparagraph (e)(1) shall be made by the Corporation's Board of Directors, and evidence thereof shall be filed with and retained by the office of the Secretary of the Corporation.

(3) Prohibited Stock Dividends. The Corporation shall not effect any Capital Event which shall be, or which shall have the effect of, a stock dividend (i) of either class of common stock with respect to shares of Class B Common Stock or (ii) of Class B Common Stock with respect to shares of Common Stock.

(4) Mergers, etc. In the event of any merger or consolidation or similar transaction (a "Merger") (it being understood that for these purposes a sale of all or substantially all the assets of the Corporation shall

not, in itself, constitute a Merger) between the Corporation and any other person or entity in which the Corporation is not the surviving corporation (other than a Capital Event effected as a Merger between the Corporation and a wholly owned subsidiary of the Corporation (without consideration of directors' qualifying shares) in which the certificate of incorporation of the surviving corporation provides for two classes of common equity correlative to the Common Stock and Class B Common Stock and defines the relative rights, privileges and restrictions of the shares of each class as herein defined), each share of Class B Common Stock shall represent the right to receive, at the time or times to be received by the holders of shares of Common Stock in respect of such shares in the Merger, the type or types and amount or amounts of consideration so to be received in respect of 0.4500 shares of Common Stock (as such number 0.4500 may be adjusted from time to time for Capital Events between the Effective Date and the date of the Merger) and subject to such provisions for settlement of fractional share amounts, elections by holders among types and amounts of consideration receivable by them and the like as the agreement or plan governing the Merger shall provide.

(5) Authority to Issue and Reissue Class B Common Stock. From and after the earlier of the Reset Date and the Conversion Date, the Corporation shall cease to have the authority to issue or to reissue Class B Common Stock.

(f) Applicable Ratio. The "Applicable Ratio" shall be based on Texas Commerce Adjusted Additional Retained Earnings per Share calculated as of the close of the Fiscal Quarter preceding the occurrence of the event requiring the calculation (but in no event as of a date later than December 31, 1991) pursuant to paragraph (g) and shall be adjusted pursuant to subparagraphs (e)(1) and (e)(2). If Texas Commerce Adjusted Additional Retained Earnings per Share computed as of the relevant date shall be less than \$8.87, the Applicable Ratio shall be 0.0300. If Texas Commerce Adjusted Additional Retained Earnings per Share computed as of the relevant date shall be equal to or greater than \$30.56, the Applicable Ratio shall be 0.4500. In all other cases, the Applicable Ratio shall be based on the Factors (the numbers set forth under the headings Y and Z in the table below) corresponding to the adjacent range of Texas Commerce Adjusted Retained Earnings per Share computed as of the relevant date (the numbers set forth under the headings W and X in the table below) and shall be equal, for any particular value ("N") of Texas Commerce Adjusted Additional Retained Earnings per Share computed as of the relevant date, to the number (rounded to

the nearest 0.001, with 0.00005 being rounded up) obtained from the following formula:

$$Y + (Z-Y) \frac{N - W}{X - W}$$

where W, X, Y and Z shall have the following corresponding values:

Texas Commerce Adjusted Additional Retained Earnings per Share		Factors	
W	X	Y	Z
\$ 8.87 or greater, but less than \$ 9.87	\$ 9.87	0.0300	0.0466
\$ 9.87 or greater, but less than \$10.16	\$10.16	0.0466	0.0547
\$10.16 or greater, but less than \$10.68	\$10.68	0.0547	0.0691
\$10.68 or greater, but less than \$10.87	\$10.87	0.0691	0.0744
\$10.87 or greater, but less than \$11.49	\$11.49	0.0744	0.0917
\$11.49 or greater, but less than \$11.87	\$11.87	0.0917	0.0981
\$11.87 or greater, but less than \$12.87	\$12.87	0.0981	0.1151
\$12.87 or greater, but less than \$13.87	\$13.87	0.1151	0.1520
\$13.87 or greater, but less than \$14.87	\$14.87	0.1520	0.1690
\$14.87 or greater, but less than \$15.03	\$15.03	0.1690	0.1717
\$15.03 or greater, but less than \$15.87	\$15.87	0.1717	0.1859
\$15.87 or greater, but less than \$16.87	\$16.87	0.1859	0.2029
\$16.87 or greater, but less than \$17.87	\$17.87	0.2029	0.2198
\$17.87 or greater, but less than \$18.87	\$18.87	0.2198	0.2368
\$18.87 or greater, but less than \$19.87	\$19.87	0.2368	0.2537
\$19.87 or greater, but less than \$20.79	\$20.79	0.2537	0.2693
\$20.79 or greater, but less than \$20.87	\$20.87	0.2693	0.2707
\$20.87 or greater, but less than \$21.57	\$21.57	0.2707	0.2826
\$21.57 or greater, but less than \$22.87	\$22.87	0.2826	0.2855
\$22.87 or greater, but less than \$23.87	\$23.87	0.2855	0.3069
\$23.87 or greater, but less than \$24.87	\$24.87	0.3069	0.3283
\$24.87 or greater, but less than \$25.87	\$25.87	0.3283	0.3497
\$25.87 or greater, but less than \$26.87	\$26.87	0.3497	0.3711
\$26.87 or greater, but less than \$27.87	\$27.87	0.3711	0.3925
\$27.87 or greater, but less than \$28.87	\$28.87	0.3925	0.4139
\$28.87 or greater, but less than \$29.87	\$29.87	0.4139	0.4353
\$29.87 or greater, but less than \$30.56	\$30.56	0.4353	0.4500

(g) Texas Commerce Adjusted Additional Retained Earnings per Share. "Texas Commerce Adjusted Additional Retained Earnings per Share" shall be equal at any date to the quotient (rounded to the nearest cent, with one-half of a cent being rounded up) of (x) the difference between Texas Commerce Earnings and Deemed Dividends, in each case cumulated from the first day of the calendar month in which the Effective Date occurs through the date as of which Texas Commerce Adjusted Additional Retained Earnings per Share is to be calculated,

and (y) the number of shares of Class B Common Stock outstanding as of the calculation date plus the number of shares of Class B Common Stock deliverable upon exercise of all employee stock options issued by Texas Commerce before the Effective Date and outstanding as of the calculation date. The amount in clause (x) is referred to as "Texas Commerce Adjusted Additional Retained Earnings".

(1) Texas Commerce Earnings. "Texas Commerce Earnings" shall mean the consolidated pretax earnings or losses of Texas Commerce and its consolidated subsidiaries, determined in accordance with GAAP and the following special provisions (B) through (H), and adjusted for taxes pursuant to the following special provision (A):

(A) Adjustments in respect of Federal, state, local and foreign income and franchise taxes shall be calculated in accordance with GAAP as if such calculations were being made with respect to the Texas Commerce consolidated group (the "group") standing alone. Adjustments shall be made in accordance with the following two rules. First, any revenues or expenses pursuant to subparagraphs (g)(1)(B) through (H) shall be eliminated from consolidated pretax earnings or losses of Texas Commerce and its consolidated subsidiaries. The number resulting from the foregoing calculation and elimination shall be referred to as "pretax Texas Commerce GAAP Earnings". To the extent that tax benefits (including those arising prior to the Effective Date but unrecognized in the determination of income tax expense for financial statement purposes through the date of the balance sheet mentioned below) would be recognized in accordance with GAAP with respect to pretax Texas Commerce GAAP Earnings for the fiscal period ending on the date as of which the calculation of Texas Commerce Earnings is being made (the "calculation date"), such benefits shall be recognized in full by Texas Commerce for purposes of calculating Texas Commerce Earnings for such period: (i) To the extent that such recognition shall not as of the calculation date be permitted under GAAP and (ii) if such unrecognized benefit shall be about to expire at the calculation date (and for these purposes all unrecognized benefits shall be deemed to be about to expire if the calculation date is December 31, 1991) and (iii) if the Corporation's consolidated financial statements as of the calculation date shall reflect a net Federal deferred tax credit, then: Texas Commerce Earnings

shall be increased by one-half of the difference (if positive) between the Corporation's consolidated net Federal deferred tax credit as of the calculation date and \$25,000,000, to the extent to which such difference does not exceed one-half of such expiring unrecognized tax benefit; and such benefit to which such adjustment is attributable shall not thereafter be available for further recognition by the group for purposes of calculating Texas Commerce Earnings. With respect to the calculation to be made for purposes of the Reset Date, if the group shall, as of December 31, 1991, after giving effect to the preceding sentence, have a net debit balance in a deferred tax account which shall be maintained and adjusted in accordance with GAAP solely for purposes of effectuating the foregoing procedures (and which shall reflect an initial opening balance derived from the consolidated balance sheet mentioned in subparagraph (g)(4)), the amount of such net debit balance shall be added to the amount of tax expense for Texas Commerce Earnings for the fiscal year ended December 31, 1991. Second, with respect to the calculation to be made in respect of each of the above-mentioned taxes as of any calculation date for purposes of the component of Texas Commerce Earnings represented by the total revenues and expenses provided for in subparagraphs (g)(1)(B) through (H), adjustment shall be made by multiplying the aggregate of such revenues and expenses (whether positive or negative) by the applicable statutory rate for the applicable year and including the resulting product in the applicable tax provision.

(B) In the event that the Corporation or any of its subsidiaries (other than Texas Commerce or any of its subsidiaries) makes any loan or advance to Texas Commerce or any of its subsidiaries (whether or not such loan or advance qualifies as debt capital) (a renewal of any such loan or advance being considered a new loan or advance), the interest expense attributable to any such loan or advance shall, for purposes of calculating Texas Commerce Earnings, be deemed to be the interest expense determined pursuant to this subparagraph (g)(1)(B), notwithstanding the nominal interest rate, if any, of such loan or advance. If such loan or advance shall be for a term of one year or less (a "short-term loan"), then the interest expense from time to time attributable to such loan or advance for purposes of calculating Texas

Commerce Earnings shall be deemed to be either (x) the interest expense from time to time attributable to the funds received by the Corporation or its subsidiaries pursuant to instruments or arrangements by which the Corporation or such subsidiaries funded the loan or advance to Texas Commerce or its subsidiaries (a "match-funded rate") or (y) the interest expense from time to time attributable to that interest rate which the Corporation would pay, at the time of the making of such loan or advance, for obligations of comparable denomination and maturity sold in the public market (a "market rate"). The Corporation shall determine whether the funding was at a match-funded rate or a market rate and such determination shall be binding and conclusive and shall not be subject to review by or appeal to any court. The Corporation shall also determine the interest expense attributable to the relevant rate and shall notify Texas Commerce in writing of the same. If Texas Commerce shall disagree, the matter shall be submitted to a firm of independent certified public accountants, in the case of a match-funded rate, and to an investment banking firm, in the case of a market rate, in either case of recognized standing and mutually acceptable to the Corporation and Texas Commerce; and the determination of such firm, or of the Corporation if such firm is unable to make the determination within a reasonable time, shall be binding, conclusive, nonreviewable and nonappealable as aforesaid. If the loan or advance is not a short-term loan, the same procedures shall apply, except that if the Corporation shall have determined as aforesaid that the loan or advance was funded with market-rate funds, then the initial determination of the applicable market rate shall be made by the investment banking firm, and the Corporation shall make the determination (in each case binding, conclusive, nonreviewable and nonappealable as aforesaid) only if such firm is unable to make its determination within a reasonable time. Any determination of interest expense pursuant to this subparagraph (g)(1)(B) shall be made on an "all-in" basis, reflecting any original issue discount, costs of issuance and similar factors. The Corporation shall not require Texas Commerce to pay interest to the Corporation in respect of any loan or advance at a rate in excess of that determined pursuant to this subparagraph (g)(1)(B).

(C) In the event that the Corporation or any of its subsidiaries (other than Texas Commerce or any of its subsidiaries) provides any equity capital to Texas Commerce or any of its subsidiaries, in the event that Texas Commerce issues any capital stock to the Corporation or any of its subsidiaries other than subsidiaries of Texas Commerce or in the event of any other capital transactions not covered by subparagraph (g)(1)(B), the Corporation and Texas Commerce may charge and/or credit each other to reflect fairly and equitably the economic effect of such transactions on the parties involved. For such purposes of calculating Texas Commerce Earnings, the amount by which Deemed Dividends for any fiscal period shall exceed the fair market value of dividends actually paid to the Corporation by Texas Commerce with respect to the Corporation's ownership of capital stock of Texas Commerce may be deemed to be a provision of equity capital of which a charge may be made, and the amount by which the fair market value of dividends actually paid as aforesaid in any fiscal period shall exceed Deemed Dividends may be deemed to be a reduction of equity capital for which a charge may be made. Any such charge or credit may be stated to be determined on a pretax or aftertax basis for purposes of the tax adjustments provided for in subparagraph (g)(1)(A).

(D) Texas Commerce Earnings shall be reduced by the amount by which the Corporation or any of its subsidiaries other than Texas Commerce and its subsidiaries shall have incurred expenses relating to employees of Texas Commerce or any of its subsidiaries in connection with salaries or employee benefit plans or arrangements, except to the extent that any such expenses shall have been recorded by Texas Commerce.

(E) Texas Commerce Earnings shall not reflect any purchase accounting adjustments resulting from the merger of Texas Commerce on the Effective Date but shall continue to reflect the amortization of the goodwill and other intangibles on the books of Texas Commerce as before the Effective Date.

(F) Texas Commerce Earnings shall exclude any nonrecurring revenues and expenses, which term shall mean for purposes hereof revenues and expenses attributable to (i) extraordinary items, as defined by GAAP (excluding tax benefits realized in accordance with subparagraph (g)(1)(A)), (ii)

any one-time effect of any change in tax rates if the liability method of accounting shall be required under GAAP and (iii) sales of real estate (including leasehold) interests (other than sales of other real estate owned); provided, however, that if clause (iii) results in an exclusion from Texas Commerce Earnings of any revenue on the sale-and- leaseback of any property owned by Texas Commerce or its subsidiaries and used in their operations, the calculation of Texas Commerce Earnings shall disregard, in an amount no greater than such revenue, the pretax amount by which the resulting incremental leasehold expenses would reduce Texas Commerce Earnings.

(G) Texas Commerce Earnings shall not reflect any gains or losses recorded by Texas Commerce in connection with the distribution or disposition by Texas Commerce of shares of common stock of the Distributed Bank after the Effective Date.

(H) Texas Commerce Earnings shall be reduced by direct expenses incurred in administering the provisions of this Part II of this Article Fourth as they relate to the determination of the Applicable Ratio, including without limitation expenses relating to the performance of subparagraph (h)(2), in each case except to the extent such expenses shall have been recorded by Texas Commerce.

(2) Deemed Dividend. The "Deemed Dividend" for any period shall be equal to the amount of the dividends declared during such period (to the extent subsequently paid) by the Corporation with respect to the Class B Common Stock.

(3) Calculation of Texas Commerce Adjusted Additional Retained Earnings. Texas Commerce Adjusted Additional Retained Earnings shall be calculated at least quarterly, commencing with the first Fiscal Quarter following the Effective Date, in connection with the preparation of the notices required by paragraph (h)(3) and in connection with any conversion of shares of Class B Common Stock into shares of Common Stock. In the case of any such calculation (p) as of December 31 of any year or (q) for purposes of any actual conversion, such calculation shall be made initially by the firm of independent certified public accountants regularly employed by Texas Commerce after the Effective Date for the examination of its financial statements. A second firm of independent certified public accountants of

recognized standing retained by Texas Commerce shall review such calculation and if such second firm (x) agrees with the calculation of such first firm or (y) disagrees with the calculation of such first firm by an amount less than \$5,000,000, then (x) the amount so agreed upon or (y) the arithmetic mean of the two varying amounts, as the case may be, shall be set forth in a written statement or statements of such two firms and filed with and retained by the office of the Secretary of the Corporation. If such two firms are unable to furnish such written statement or statements, then the Corporation and Texas Commerce shall elect either to accept the higher calculation or to cause the two firms of independent certified public accountants to choose a third firm of independent certified public accountants of recognized standing to review the calculation of Texas Commerce Adjusted Additional Retained Earnings, which firm shall furnish a written statement setting forth its calculation, which shall be filed with the office of the Secretary of the Corporation, and such calculation shall thereupon be final. Such firms shall not be bound by the rules of evidence when making any calculation or estimate and shall not be required to state in writing any reasons for making any calculation. All such calculations, when final as provided above, shall be binding and conclusive on the Corporation and the holders from time to time of the shares of common stock. No such calculation shall be subject to review by or appeal to any court. No calculation of Texas Commerce Adjusted Additional Retained Earnings other than as of December 31 of any year shall have any binding effect on any calculation thereof as of any previous or subsequent date.

(4) Initial Accounting Period. The cumulation of Texas Commerce Earnings shall begin on the basis of a consolidated Texas Commerce balance sheet as of the close of the calendar month preceding the Effective Date, which balance sheet shall have been prepared (i) in the same manner (and supported by the requisite closing of the books of Texas Commerce and its consolidated subsidiaries) as if Texas Commerce had been obligated to file a Quarterly Report on Form 10-Q with the Securities and Exchange Commission for a fiscal period ending on such day but (ii) on the basis that the share exchange described in the definition of "Distributed Bank" has previously occurred.

(5) Termination of Calculations, etc. The Corporation shall not be obligated by this Part II of this Article Fourth to provide for the calculation of Texas Commerce Adjusted Additional Earnings per Share or any component thereof after the earlier of (x) the date

on which all shares of Class B Common Stock have been converted pursuant to paragraph (d) and (y) the Reset Date.

(h) Miscellaneous.

(1) Definitions. As used in this Part II of this Article Fourth, the following definitions shall apply:

"Applicable Ratio" shall have the meaning assigned such term in, and shall be calculated in accordance with, paragraph (f).

"Capital Event" shall have the meaning assigned such term in subparagraph (e)(1).

"Class B Common Stock" shall have the meaning assigned such term in the first paragraph of Part I of this Article Fourth.

"Common Stock" shall have the meaning assigned such term in the first paragraph of Part I of this Article Fourth.

"common stock" shall mean Common Stock or Class B Common Stock or both, as the context requires.

"Conversion Date" shall have the meaning assigned such term in subparagraph (d)(4)(C).

"Conversion Notice" shall have the meaning assigned such term in subparagraph (d)(4)(C).

"Deemed Dividend" shall have the meaning assigned such term in subparagraph (g)(2).

"Distributed Bank" shall mean the national bank subsidiary of Texas Commerce, shares of the common stock of which were exchanged, in connection with the Effective Date, for the shares of common stock of Texas Commerce owned by stockholders of Texas Commerce.

"Effective Date" shall mean the date on which the merger of Texas Commerce with a wholly owned subsidiary of the Corporation became effective under the General Corporation Law of the State of Delaware.

"Expert" shall have the meaning assigned such term in subparagraph (h)(2).

"Fiscal Quarter" shall mean the three-month period ended each March 31, June 30, September 30 or December 31.

"Fractional Payment" shall have the meaning assigned such term in subparagraph (d)(4)(A).

"GAAP" shall mean generally accepted accounting principles as provided in subparagraph (h)(5).

"Preferred Stock" shall have the meaning assigned such term in the first paragraph of Part I of this Article Fourth.

"Reset Date" shall mean March 1, 1992, or the first date thereafter on which the Applicable Ratio as of December 31, 1991, can be calculated.

"Texas Commerce" shall mean Texas Commerce Bancshares, Inc., a Delaware corporation, and any subsidiary, division or other business unit of the Corporation that may succeed to such corporation or substantially all the business of such corporation or such successor.

"Texas Commerce Adjusted Additional Retained Earnings" shall have the meaning assigned such term in the second sentence of paragraph (g) and shall be calculated in accordance with subparagraph (g)(3).

"Texas Commerce Adjusted Additional Retained Earnings per Share" shall have the meaning assigned such term, and shall be calculated in accordance with, the first sentence of paragraph (g).

"Texas Commerce Earnings" shall have the meaning assigned such term in subparagraph (g)(1) and shall be calculated in accordance with subparagraph (g)(1).

(2) General Provisions Relating to Independent Certified Public Accountants and Investment Banking Firms. The independent certified public accountants and investment banking firms engaged to take any action under this Part II of this Article Fourth ("Experts") shall have full access to the books and records and personnel of the Corporation and Texas Commerce and their subsidiaries to enable them to perform their responsibilities set forth herein. The Experts shall have access to the portions of meetings of directors and

officers and other employees of the Corporation and Texas Commerce and their subsidiaries at which discussions are held which are relevant to any determination. The Corporation, Texas Commerce and their subsidiaries shall provide work space and all secretarial and other services reasonably requested by the Experts to enable them to perform such responsibilities. Each of the Experts shall be entitled to adopt and amend rules and regulations from time to time governing the performance of such responsibilities. The Corporation shall pay compensation to each Expert in such amounts as shall from time to time be agreed to by the Corporation and each Expert, and such amounts shall at all times be sufficient to retain or obtain qualified firms to serve in such capacities. The Corporation shall indemnify each Expert against all losses and expenses incurred or suffered by it in the performance of its responsibilities hereunder except to the extent that such losses or expenses are attributable to such Expert's willful misconduct. The Corporation may acquire and pay for insurance for any Expert covering such losses and expenses to the extent covered by the foregoing indemnity. No Expert shall be liable to the holders from time to time of the shares of either common stock of the Corporation for the performance of their responsibilities hereunder or for any damage to any such holder except to the extent that any such damage is attributable to the willful misconduct of such Expert. Each such holder shall be bound by the provisions of the foregoing sentence.

(3) Notices to Stockholders. No later than 90 days after the close of each Fiscal Quarter ending on December 31 and 45 days after the close of each other Fiscal Quarter, ending on the earlier of the last such date preceding the conversion of shares of Class B Common Stock into Common Stock or the first such date following the Reset Date, the Corporation shall notify each holder of record of Class B Common Stock, by first-class mail, postage prepaid, of the following information, determined as of the close of the Fiscal Quarter immediately preceding such notice; provided, however, that the information set forth in (B) through (F) shall only be provided in notices delivered in respect of Fiscal Quarters ending on December 31; provided further, however, that the Corporation may comply with this subparagraph (h)(3) by including the required information in annual and quarterly reports to stockholders furnished in timely manner in accordance with the requirements of the Securities Exchange Act of 1934 or any successor Federal law; provided further, however, that the giving of any such notice may be deferred until the earliest practicable date after the date otherwise required if the

delay is caused by the inability of the Corporation to determine any information required to be furnished in such notice because of the time required to comply with the provisions of this Part II of this Article Fourth with respect to the review of, and resolution of disputes concerning, such information.

(A) Texas Commerce Adjusted Additional Retained Earnings and Texas Commerce Adjusted Additional Retained Earnings per Share as of the March 31, June 30, September 30 or December 31 on which the relevant Fiscal Quarter shall end.

(B) Texas Commerce Earnings during the applicable fiscal year.

(C) Deemed Dividends during such period.

(D) The difference between the amounts set forth in (B) and (C) during such period.

(E) The nature of any Capital Events during such period and any changes in the number corresponding to clause (y) in the first sentence of paragraph (g).

(F) Information on the range of possible Applicable Ratios, and the variables relating thereto, reasonably comparable to that provided pursuant to subparagraph (d)(3).

A copy of each such notice shall be filed with and retained at the office of the Secretary of the Corporation.

(4) Documents and Certificates. The notices sent to holders of Class B Common Stock pursuant to subparagraph (h)(3) shall be available for inspection and copying (at stockholder expense) during regular business hours by a holder of record at such time of one or more shares of either common stock of the Corporation. Except as stated in the preceding sentence, such holders will not be permitted to inspect or copy any of the certificates, opinions or other documents produced or relied upon by the Experts in making any determinations. The Corporation shall retain all documents, certificates and other writings filed at the office of the Secretary of the Corporation pursuant hereto until the expiration of three years after the earlier of (x) the date on which all shares of Class B Common Stock have been converted pursuant to paragraph (d) and (y) the Reset Date, unless otherwise required by law. The failure to file any

document, certificate or writing at such office shall not invalidate the certifications contained therein.

(5) Accounting Principles, Policies and Procedures. Any determinations to be made under this Part II of this Article Fourth with respect to Texas Commerce Adjusted Additional Retained Earnings per Share or any component thereof shall be made on the basis of generally accepted accounting principles as in effect, and as applied by (together with related accounting policies and procedures as applied by) the Corporation, from time to time, notwithstanding that prior to the Effective Date Texas Commerce may have applied generally accepted accounting principles differently or may have applied different related policies and procedures, but subject to the adjustments set forth in subparagraph (g)(1). Nothing in this Part II of this Article Fourth shall be deemed, by direct application, by implication or otherwise, to require that the Corporation or any subsidiary thereof (including Texas Commerce and its subsidiaries), with respect to any determination to be made for any purpose other than such determinations pursuant to this Part II of this Article Fourth, apply any accounting principles or adhere to any policy with respect thereto other than the principles and policies which would otherwise be applicable for all such other purposes, including without limitation financial, regulatory and tax reporting.

(6) Governance of Texas Commerce. In acting as stockholder through Texas Commerce's Board of Directors to cause Texas Commerce to act or not to act, insofar as the rights of the holders of capital stock of the Corporation shall be concerned, the Corporation and its officers, directors, employees and agents shall be fully protected in relying upon the opinions of Experts and the orders, requests or directives of any court, administrative agency or commission or other governmental authority or instrumentality as to such action or inaction and shall be entitled to assert such reliance as conclusive evidence of the reasonableness of such action or inaction in any litigation brought by a holder of capital stock of the Corporation, and each such holder by his acceptance of shares acknowledges and agrees to the provisions of this subparagraph (h)(6). Without limiting the generality of the foregoing, the Corporation (as stockholder acting as aforesaid) shall be permitted to require that Texas Commerce and its subsidiaries shall conduct securities transactions in a manner consistent with the policies and practices of the Corporation from time to time relating to interest rate risk and portfolio management.

(7) Preferred Stock Rights Unaffected. Whenever the certificate of designations of any outstanding series of Preferred Stock issued prior to the Effective Date confers upon the holders thereof a power, preference or right as against the holders of "Common Stock", the holders of shares of such series shall be entitled to exercise each such power, preference or right as against the holders of Common Stock and Class B Common Stock.

(8) Headings. Headings in the subdivisions of this Part II of this Article Fourth are included for convenience of reference only and shall not be employed in the construction or interpretation hereof.

PART III

Preferred Stock

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the Preferred Stock shall be as follows:

(1) The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited but not to exceed one vote per share, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, and as are not stated and expressed in this Certificate of Incorporation, or any amendment thereto, including (but without limiting the generality of the foregoing) the following:

(a) the designation of such series;

(b) the dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or classes or on any other series of any class or classes of capital stock, and whether such dividends shall be cumulative or non-cumulative;

(c) whether the shares of such series shall be subject to redemption by the Corporation, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;

(d) the terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series;

(e) whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange;

(f) the extent, if any, to which the holders of the shares of such series shall be entitled to vote as a class or otherwise with respect to the election of the directors or otherwise; provided, however, that in no event shall any holder of any series of Preferred Stock be entitled to more than one vote for each share of such Preferred Stock held by him;

(g) the restrictions, if any, on the issue or reissue of any additional Preferred Stock;

(h) the rights of the holders of the shares of such series upon the dissolution of, or upon the distribution of assets of, the Corporation.

(2) Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holders of any such series shall have no voting power whatsoever.

(3) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Junior Participating Preferred Stock are set forth in Appendix A hereto and are incorporated herein by reference.

(4) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Adjustable Rate Cumulative Preferred Stock, Series C are set forth in Appendix B hereto and are incorporated herein by reference.

(5) The voting powers, designations, preferences, and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of

the Corporation's 10.96% Preferred Stock are set forth in Appendix C hereto and are incorporated herein by reference.

(6) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 10% Convertible Preferred Stock are set forth in Appendix D hereto and are incorporated herein by reference.

(7) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 8-3/8% Preferred Stock are set forth in Appendix E hereto and are incorporated herein by reference.

(8) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 7.92% Cumulative Preferred Stock are set forth in Appendix F hereto and are incorporated herein by reference.

(9) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 7.58% Cumulative Preferred Stock are set forth in Appendix G hereto and are incorporated herein by reference.

(10) The voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 7-1/2% Cumulative Preferred Stock are set forth in Appendix H hereto and are incorporated herein by reference.

FIFTH. The by-laws may be made, altered, amended or repealed by the Board of Directors. The books of the Corporation (subject to the provisions of the laws of the State of Delaware) may be kept outside of the State of Delaware at such places as from time to time may be designated by the Board of Directors.

SIXTH. (1) To the fullest extent that the General Corporation Law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(2) The Corporation shall have the power to indemnify any director, officer, employee or agent of the Corporation or any other person who is serving at the request of the Corporation in any such capacity with another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) to the fullest extent permitted by the General Corporation Law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended, and any such indemnification may continue as to any person who has ceased to be a director, officer, employee or agent and may inure to the benefit of the heirs, executors and administrators of such a person.

(3) By action of its Board of Directors, notwithstanding any interest of the directors in the action, the Corporation may purchase and maintain insurance, in such amounts as the Board of Directors deems appropriate, to protect any director, officer, employee or agent of the Corporation or any other person who is serving at the request of the Corporation in any such capacity with another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such (including, without limitation, expenses, judgments, fines and amounts paid in settlement) to the fullest extent permitted by the General Corporation Law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended, and whether or not the Corporation would have the power or would be required to indemnify any such person under the terms of any agreement or by-law or the General Corporation Law of the State of Delaware. For purposes of this paragraph (3), "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan.

SEVENTH. (1) Any action required or permitted to be taken by the holders of Common Stock or Class B Common Stock of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation and may not be effected by any consent in writing.

(2) Whenever the vote of holders of shares of any class or series other than Common Stock or Class B Common Stock at a meeting thereof is required or permitted to be taken for or in connection with any corporate action by any provision of the General Corporation Law of the State of Delaware, the meeting and vote of such stockholders may be dispensed with if such action is taken with the written consent of such holders representing not less than a majority of the voting power of all the capital stock of such class or series entitled to be voted upon such action if a meeting were held; provided that in no case shall the written consent be by such holders having

less than the minimum percentage of the vote required by statute for such action, and provided that prompt notice is given in writing to all such stockholders entitled to vote thereon of the taking of corporate action without a meeting and by less than unanimous written consent.

(3) Election of directors need not be by ballot unless the by-laws so provide.

EIGHTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, we have signed this certificate and caused the corporate seal of the Corporation to be hereunto affixed this day of March, 1994.

/s/ WALTER V. SHIPLEY

Walter V. Shipley
Chairman

[Corporate Seal]

Attest:

/s/ JOHN B. WYNNE

John B. Wynne
Secretary

CERTIFICATE OF DESIGNATIONS
OF
JUNIOR PARTICIPATING PREFERRED STOCK
OF
CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted by the Board of Directors of Chemical Banking Corporation, a Delaware corporation (hereinafter called the "Corporation"), at a meeting duly convened and held on April 13, 1989, at which a quorum was present and acting throughout:

"RESOLVED that, pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation (hereinafter called the "Certificate of Incorporation"), the Board of Directors hereby provides for the issuance of a series of Preferred Stock of the Corporation to consist of 4,000,000 shares, and hereby fixes the voting powers, designation, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series, in addition to those set forth in the Certificate of Incorporation, as follows:

"(a) Designation. The designation of the series of Preferred Stock created by this resolution shall be "Junior Participating Preferred Stock" (hereinafter called this "Series") and the number of shares constituting this Series is four million (4,000,000).

"(b) Dividends.

"(1) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of this Series with respect to dividends, the holders of shares of this Series shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in

cash on March 31, June 30, September 30 and December 31 of each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of this Series, in an amount per share (rounded to the nearest cent) equal to the greater of (A) \$2.00 or (B) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all noncash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$12.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of this Series. In the event the Corporation shall at any time after April 13, 1989 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of this Series were entitled immediately prior to such event under clause (B) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

"(2) The Corporation shall declare a dividend or distribution on this Series as provided in clause (A) of the preceding paragraph (1) immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$2.00 per share on this Series shall nevertheless

be payable on such subsequent Quarterly Dividend Payment Date.

"(3) Dividends shall begin to accrue and be cumulative on outstanding shares of this Series from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of this Series unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of this Series entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of this Series in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of this Series entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

"(4) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the

shares of this Series and such other Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(5) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (4) of this Section (b)) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, the Class B Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock, Class B Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid for all past dividend payment periods.

"(c) Redemption.

"(1) The shares of this Series shall be redeemable only as expressly provided in this Section (c). The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time, at a redemption price equal to, subject to the provisions for adjustment hereinafter set forth, 100 times the "current per share market price" of the Common Stock on the date of the mailing of the notice of redemption, plus accrued and unpaid dividends to the date fixed for such redemption. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common

Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of this Series were otherwise entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. The "current per share market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the 10 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use or, if on any such date the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Corporation. If on such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors of the Corporation shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading

on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by law or executive order to close.

"(2) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method which may be determined by the Board of Directors in its sole discretion to be equitable.

"(3) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date.

"(4) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In

case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(5) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors.

"(6) Notwithstanding the foregoing provisions of this Section (c), if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"(d) Conversion or Exchange. The holders of shares of this Series shall not have any rights to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

"(e) Voting. The shares of this Series shall not have any voting powers either general or special, except that if at the time of any annual meeting of stockholders for the election of directors a default in preference dividends on the Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock and Class B Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (herein called a "Preferred Director"), shall continue to serve as such director for

the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock voting together as a single class without regard to series, at a meeting of the stockholders, or of the holders of shares of Preferred Stock called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (A) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (B)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (B) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of Directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding quarterly dividend period.

"(f) Liquidation Rights.

"(1) Upon the dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive out of the assets of the Corporation, before any payment or distribution shall be made on the Common Stock, on the Class B Common Stock, without par value, of the Corporation ("Class B Common Stock") or on any other class of stock ranking junior to the Preferred Stock upon liquidation, the amount of \$100 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares

accrued and unpaid thereon to the date of final distribution (the "Liquidation Preference").

Following the payment of the full amount of the Liquidation Preference, no additional distributions shall be made to the holders of shares of this Series unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in paragraph (2) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number") and in the case of the holders of Class B Common Stock, an amount per share equal to the quotient obtained by dividing (x) the Liquidation Preference by (y) the product of the Adjustment Number times the fraction of a liquidation unit ("Class B Liquidation Unit") to which each share of Class B Common Stock shall be entitled pursuant to Part II of Article Fourth of this Certificate of Incorporation (the "Class B Adjustment"). Following the payment of the full amount of the Liquidation Preference, the Common Adjustment and the Class B Adjustment, in respect of all outstanding shares of Junior Participating Preferred Stock, Common Stock and Class B Common Stock, respectively, holders of this Series and holders of shares of Common Stock and Class B Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Junior Participating Preferred Stock and Common Stock, on a per share basis, respectively, and with respect to the Class B Common Stock, in the ratio of the Adjustment Number to the Class B Liquidation Unit, on a per share basis.

"(2) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such

event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

"(3) The sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the property and assets of the Corporation shall be deemed a voluntary dissolution, liquidation or winding up of the Corporation for the purposes of this Section (f), but the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall not be deemed to be a dissolution, liquidation or winding up, voluntarily or involuntarily, for the purposes of this Section (f).

"(4) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section (f), the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(5) In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (f), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

"(g) For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(1) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled

to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

"(2) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(3) junior to shares of this Series, either as to dividends or upon liquidation, if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes."

CERTIFICATE OF DESIGNATIONS
OF
ADJUSTABLE RATE CUMULATIVE PREFERRED STOCK, SERIES C
OF
CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted by the Board of Directors of Chemical New York Corporation, a Delaware corporation (hereinafter called the "Corporation"), at a meeting duly convened and held on April 28, 1987, at which a quorum was present and acting throughout:

"RESOLVED that, pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation (hereinafter called the "Certificate of Incorporation"), the Board of Directors hereby provides for the issuance of a series of Preferred Stock of the Corporation to consist of 34,692,482 shares, and hereby fixes the voting powers, designation, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series, in addition to those set forth in the Certificate of Incorporation, as follows:

"(a) Designation. The designation of the series of Preferred Stock created by this resolution shall be "Adjustable Rate Cumulative Preferred Stock, Series C" (hereinafter called this "Series") and the number of shares constituting this Series is Thirty-four million six hundred ninety-two thousand four hundred eighty-two (34,692,482). Shares of this Series shall have a stated value of \$12 per share. The number of authorized shares of this Series may be reduced by further resolution duly adopted by the Board of Directors of the Corporation or the Executive Committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

"(b) Dividend Rates.

"(1) Dividend rates on the shares of this Series shall be: (i) for the period (the "Initial Dividend Period") from May 1, 1987, to and including June 30, 1987, at 7.65% per annum of the stated value thereof and (ii) for each quarterly dividend period (hereinafter referred to as a "Quarterly Dividend Period"; and the Initial Dividend Period or any Quarterly Dividend Period being hereinafter individually referred to as a "Dividend Period" and collectively referred to as "Dividend Periods") thereafter, which quarterly dividend periods shall commence on January 1, April 1, July 1 and October 1 in each year and shall end on and include the day next preceding the first day of the next quarterly dividend period, at a rate per annum of the stated value thereof equal to the Effective Rate (as defined in paragraph (2) of this Section (b)) in respect of such quarterly dividend period. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable, when and as declared by the Board of Directors or by a committee of said Board duly authorized by said Board to declare such dividends on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1987. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by a committee of said Board of Directors duly authorized to fix such date. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by a committee of said Board of Directors duly authorized to fix such date.

"(2) Except as provided below in this paragraph, the "Effective Rate" for any Quarterly Dividend Period shall be (a) 1% less than (b) the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate (each as hereinafter defined) for such Dividend Period. In the event that the

Corporation determines in good faith that for any reason

"(i) any one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate cannot be determined for any Quarterly Dividend Period, then the Effective Rate for such Dividend Period shall be 1% less than the higher of whichever two of such Rates can be so determined;

"(ii) only one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate can be determined for any Quarterly Dividend Period, then the Effective Rate for such Dividend Period shall be 1% less than whichever such Rate can be so determined; or

"(iii) none of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate can be determined for any Quarterly Dividend Period, then the rate in effect for the preceding Dividend Period (or, if the rate being so continued is for the Initial Dividend Period, a rate .5% higher than such rate) shall be continued for such Dividend Period.

Anything herein to the contrary notwithstanding, the Effective Rate for any Quarterly Dividend Period shall in no event be less than 5-1/2% per annum or greater than 11-1/2% per annum.

"(3) Except as provided below in this paragraph, the "Treasury Bill Rate" for each Quarterly Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period as provided below) for three-month U.S. Treasury bills, as published weekly by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") during the Calendar Period immediately prior to the last ten calendar days of March, June, September or December, as the case may be, prior to the Quarterly Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum market discount rate during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market

discount rate, if only one such rate shall be published during the relevant Calendar Period as provided below) for three-month U.S. Treasury bills, as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum market discount rate for three-month U.S. Treasury bills shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period as provided below) for all of the U.S. Treasury bills then having maturities of not less than 80 nor more than 100 days, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable noninterest-bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Treasury Bill Rate for any Quarterly Dividend Period as provided above in this paragraph, the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

"(4) Except as provided below in this paragraph, the "Ten Year Constant Maturity Rate" for each Quarterly Dividend Period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as provided below), as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days of March, June, September or December, as the case may be, prior to the Quarterly Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Ten Year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as provided below), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Ten Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly average yield to maturity, if only one such yield shall be published during the relevant Calendar Period as provided below) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having maturities of not less than eight nor more than twelve years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Ten Year Constant Maturity Rate for any Quarterly Dividend Period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity

date not less than eight nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

"(5) Except as provided below in this paragraph, the "Thirty Year Constant Maturity Rate" for each Quarterly Dividend Period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as provided below), as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days of March, June, September or December, as the case may be, prior to the Quarterly Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as provided below), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Thirty Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly average yield to maturity, if only one such yield shall be published during the relevant Calendar Period as provided below) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having maturities of not less than twenty-eight nor more than thirty years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the

Corporation cannot determine the Thirty Year Constant Maturity Rate for any Quarterly Dividend Period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight nor more than thirty years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

"(6) The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate shall each be rounded to the nearest five hundredths of a percentage point.

"(7) The Effective Rate with respect to each Quarterly Dividend Period will be calculated as promptly as practicable by the Corporation according to the appropriate method described herein. The mathematical accuracy of each such calculation will be confirmed in writing by independent accountants of recognized standing. The Corporation will cause each Effective Rate to be published in a newspaper of general circulation in New York City prior to the commencement of the new Quarterly Dividend Period to which it applies and will cause notice of such Effective Rate to be enclosed with the dividend payment checks next mailed to the holders of shares of this Series.

"(8) For purposes of this Section (b), the term

"(i) "Calendar Period" shall mean 14 calendar days;

"(ii) "Special Securities" shall mean securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount;

"(iii) "Ten Year Average Yield" shall mean the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and

"(iv) "Thirty Year Average Yield" shall mean the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of 30 years).

"(9) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(10) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (9) of this Section (b)) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, the Class B Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock, Class B Common Stock or any other stock of the Corporation

ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid for all past dividend payment periods.

"(11) Dividends payable on this Series for each full Quarterly Dividend Period (other than the Initial Dividend Period) shall be computed by annualizing the Effective Rate and dividing by four. Dividends payable on this Series for any period less than a full Quarterly Dividend Period, and for the Initial Dividend Period, shall be computed on the basis of a 360-day year of 30-day months and the actual number of days elapsed in the period for which payable.

"(c) Redemption

"(1) The shares of this Series shall be redeemable only as expressly provided in this Section (c). On and after May 1, 1992, the Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time, at a redemption price of (i) in the case of any redemption on a redemption date occurring on or after May 1, 1992, and prior to May 1, 1997, \$12.36 per share and (ii) in the case of any redemption on a redemption date occurring on or after May 1, 1997, \$12 per share, plus, in each case, accrued and unpaid dividends thereon to the date fixed for redemption.

"(2) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method which may be determined by the Board of Directors in its sole discretion to be equitable.

"(3) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be

redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date.

"(4) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(5) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors.

"(6) Notwithstanding the foregoing provisions of this Section (c), if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"(d) Conversion or Exchange. The holders of shares of this Series shall not have any rights to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

"(e) Voting. The shares of this Series shall not have any voting powers either general or special, except that

"(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of this Series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designation and Terms or any similar document relating to any series of Preferred Stock) so as to affect adversely the preferences, rights, powers or privileges of this Series;

"(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of this Series and all other series of Preferred Stock ranking on a parity with shares of this Series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of this Series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares;

"(3) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least a majority of all of the shares of this Series and all other series of referred Stock ranking on a parity with this Series,

either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating either of the following:

"(a) any increase of the authorized amount of the Preferred Stock, or the creation or authorization of any shares of any other class of stock of the Corporation ranking on a parity with the shares of this Series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such parity shares, or the creation or authorization of any obligation or security convertible into or evidencing the right to purchase any such parity shares; or

"(b) the sale, lease or conveyance of all or substantially all the property or business of the Corporation or the merger or consolidation of the Corporation into or with any other corporation; provided, however, that no such vote or consent of the holders of shares of this Series and such other series of Preferred Stock, voting as a class without regard to series, shall be required for the merger or consolidation of another corporation into or with the Corporation if none of the preferences, rights, powers or privileges of this Series or such other series of Preferred Stock or the holders thereof will be adversely affected thereby and there shall not be authorized or outstanding after such merger or consolidation any class of stock or other securities (except such stock or securities of the Corporation as may have been authorized or outstanding immediately preceding such merger or consolidation) ranking prior to the shares of this Series and such other series of Preferred Stock as to dividends or upon liquidation; and provided further, however, that there shall not be authorized or outstanding after such merger or consolidation more than 75,000,000 shares of Preferred Stock or any class of stock or other securities (except such stock or securities of the Corporation as may have been authorized or outstanding immediately preceding such merger or consolidation) ranking on a parity with the shares of this Series as to dividends or upon liquidation,

in which case the vote specified by this paragraph (3) shall be required;

"(4) If at the time of any annual meeting of stockholders for the election of directors a default in preference dividends on the Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock and Class B Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (herein called a "Preferred Director"), shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the stockholders, or of the holders of shares of Preferred Stock, called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (A) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (B)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (B) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the

Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding quarterly dividend period.

"(f) Liquidation Rights.

"(1) Upon the dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive out of the assets of the Corporation, before any payment or distribution shall be made on the Common Stock, on the Class B Common Stock or on any other class of stock ranking junior to the Preferred Stock upon liquidation, the amount of \$12 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

"(2) The sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the property and assets of the Corporation shall be deemed a voluntary dissolution, liquidation or winding up of the Corporation for the purposes of this Section (f), but the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section (f).

"(3) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section (f), the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(4) In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (f), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be

paid on account of the shares of this Series, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

"(5) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (f) before any payment shall be made to the holders of any class of capital stock of the Corporation ranking junior upon liquidation to this Series.

"(g) For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(1) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

"(2) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(3) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or Class B Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes."

CERTIFICATE OF DESIGNATIONS

OF

10.96% PREFERRED STOCK

OF

CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CHEMICAL BANKING CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting duly held and convened on July 14, 1991, at which a quorum was present and acting throughout:

"RESOLVED, that pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), the Board of Directors hereby provides for the issuance of 4,000,000 shares of a series of Preferred Stock, \$1 par value, of the Corporation ranking on a parity with the series of Preferred Stock designated as the Corporation's "Adjustable Rate Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series B", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series C", the Corporation's "10 3/4% Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series E", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series F," and the Corporation's "10% Convertible Preferred Stock", and the designations, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of all 4,000,000 shares of this series, in addition to those set forth in the Certificate of Incorporation of the Corporation are hereby fixed as follows:

"(a) Designation. The designation of this series shall be 10.96% Preferred Stock (hereinafter referred to as this "Series") and the number of shares constituting this Series shall be 4,000,000 shares. Shares of this Series shall have a stated value of \$25 per share. The number of authorized shares of this Series may be reduced

by further resolution duly adopted by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized (but not below the number of shares of this Series then outstanding), but the number of authorized shares of this Series shall not be increased.

"(b) Dividend Rights.

"(1) Dividends shall be payable on the shares of this Series for the Initial Dividend Period (as defined below) and each quarterly dividend period (a "Quarterly Dividend Period") thereafter (the Initial Dividend Period and each such subsequent Quarterly Dividend Period being hereinafter referred to as a "Dividend Period" and collectively referred to as "Dividend Periods"), which Quarterly Dividend Periods shall commence on March 31, June 30, September 30 and December 31 in each year, commencing with the first such date to occur after the effective time of the merger of the Corporation with Manufacturers Hanover Corporation (the "Effective Time"), and shall end on and include the day next preceding the first day of the next Quarterly Dividend Period, at a rate per annum of the stated value thereof equal to 10.96%. The Initial Dividend Period is the period commencing on the most recent date next preceding the Effective Time on which a dividend was paid on the 10.96% Preferred Stock of Manufacturers Hanover Corporation (or commencing on the date of the Effective Time if such date was such a dividend payment date) and shall end on and include the date next preceding the first day of the next Quarterly Dividend Period; provided, however, that in the event the Effective Time shall occur after the record date for the payment of a regular quarterly dividend on the 10.96% Preferred Stock of Manufacturers Hanover Corporation but prior to the payment date for such dividend, then the Initial Dividend Period shall be the first Quarterly Dividend Period as described in the preceding sentence. Dividends shall be cumulative from the date on which the Initial Dividend Period commences and shall be payable, when, as and if declared by the Board of Directors or by the Preferred Stock Committee of the Board of Directors, on March 31, June 30, September 30 and December 31 in each year, commencing with such date that next follows the end of the Initial Dividend Period. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof,

as shall be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors.

"(2) Dividends payable on this Series for any period greater or less than a Quarterly Dividend Period, including the Initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on this Series for each Quarterly Dividend Period shall be computed by annualizing the Dividend Rate and dividing by four.

"(3) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock or any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of this Series and such other series of Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stocks, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(4) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or Class B Common Stock of the Corporation (collectively, the "Common Stock") or in any other stock ranking junior to this Series as to dividends and upon

liquidation and other than as provided in Section (3) of this Section (b)) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid for all past Dividend Periods.

"(c) Redemption.

"(1) Shares of this series are not redeemable prior to June 30, 2000. On or after such date, the Corporation may elect to redeem the shares of this Series, as a whole or in part, any time or from time to time at a redemption price of \$25 per share, plus accrued and unpaid dividends thereon to the redemption date. In the event the Corporation shall elect to redeem shares of this Series, the Corporation shall give notice to the holders of record of shares of this Series being so redeemed, not less than 30 nor more than 60 days prior to such redemption, by first class mail, postage prepaid, at their addresses as shown on the stock registry books of the Corporation that said shares are being redeemed, provided that without limiting the obligation of the Corporation hereunder to give the notice provided in this Section (c)(1), the failure of the Corporation to give such notice shall not invalidate any corporate action by the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

"(2) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors

of the Corporation or the Preferred Stock Committee of the Board of Directors or by any other method as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors in its sole discretion to be equitable provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

"(3) Notice having been mailed as aforesaid, from and after the applicable redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price), dividends on the shares of this Series to be redeemed on such redemption date shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(4) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(5) Notwithstanding the foregoing provisions of this Section (c), if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"(d) Conversion. The holders of shares of this Series shall not have any rights to convert such shares

into shares of any other class or series of capital stock of the Corporation.

"(e) Voting Rights. The shares of this Series of Preferred Stock shall not have any voting powers either general or special, except that:

"(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose at which the holders of shares of this Series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designations or any similar documents relating to any series of Preferred Stock) which would adversely affect the preferences, rights, powers or privileges of this Series;

"(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series and all other series of Preferred Stock ranking on a parity with shares of this Series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose at which the holders of shares of this Series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of this Series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares;

"(3) If at the time of any annual meeting of stockholders for the election of directors a default in preference dividends on the Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion

of the holders of Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (herein called a "Preferred Director"), shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the stockholders, or of the holders of shares of Preferred Stock, called for that purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (A) any vacancy in the office of Preferred Director may be filled (except as provided in the following clause (B)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation, and (B) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to the series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding Dividend Period.

"(f) Liquidation Rights.

"(1) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common

Stock or on any other class of stock ranking junior to this Series upon liquidation, a liquidation preference in the amount of \$25 per share of this Series, plus accrued and unpaid dividends thereon.

"(2) After the payment to the holders of the shares of this Series of the full amount of the liquidating distribution to which they are entitled under this Section (f), the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(3) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the liquidation preference of the shares of this Series and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the shares of this Series are not paid in full, the holders of the shares of this Series and of such other shares will share ratably in any such distribution of assets of the Corporation in proportion to the full respective liquidation preference to which they are entitled.

"(4) Neither the sale of all or substantially all of the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section (f).

"(5) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to Section (1) of this Section (f) before any payment shall be made to the holders of any class of capital stock of the Corporation ranking junior to this Series upon liquidation.

"(g) Ranking. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(1) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case

may be, in preference or priority to the holders of shares of this Series; and

"(2) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provision, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(3) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes."

CERTIFICATE OF DESIGNATIONS
OF
10% CONVERTIBLE PREFERRED STOCK
OF
CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CHEMICAL BANKING CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Corporation") HEREBY CERTIFIES that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting duly held and convened on July 14, 1991, at which a quorum was present and acting throughout:

"RESOLVED, that pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), the Board of Directors hereby provides for the issuance of 4,000,000 shares of a series of Preferred Stock, \$1 par value, of the Corporation ranking on a parity with the series of Preferred Stock designated as the Corporation's "Adjustable Rate Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series B", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series C", the Corporation's "10 3/4% Cumulative Preferred Stock", the Corporation's "10.96% Preferred Stock", and the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series E", and the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series F", and the designations, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of all 4,000,000 shares of this series, in addition to those set forth in the Certificate of Incorporation of the Corporation, are hereby fixed as follows:

"(1) Designation. The designation of this series shall be 10% Convertible Preferred Stock (hereinafter referred to as this "Series") and the number of shares constituting this Series shall be 4,000,000 shares. Shares of this Series shall have a stated value of \$50 per share. The number of authorized shares of this

Series may be reduced by further resolution duly adopted by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized (but not below the number of shares of this Series then outstanding), but the number of authorized shares of this Series shall not be increased.

"(2) Dividend Rights.

"(a) Dividends shall be payable on the shares of this Series for the Initial Dividend Period (as defined below) and each quarterly dividend period (a "Quarterly Dividend Period") thereafter (the Initial Dividend Period and each such subsequent Quarterly Dividend Period being hereinafter referred to as a "Dividend Period" and collectively referred to as "Dividend Periods"), which Quarterly Dividend Periods shall commence on February 1, May 1, August 1 and November 1 in each year, commencing with the first such date to occur after the effective time of the merger of the Corporation with Manufacturers Hanover Corporation (the "Effective Time"), and shall end on and include the day next preceding the first day of the next Quarterly Dividend Period, at a rate per annum of the stated value thereof equal to 10%. The Initial Dividend Period is the period commencing on the most recent date next preceding the Effective Time on which a dividend was paid on the 10% Convertible Preferred Stock of Manufacturers Hanover Corporation (or commencing on the date of the Effective Time if such date was such a dividend payment date) and shall end on and include the date next preceding the first day of the next Quarterly Dividend Period; provided, however, that in the event the Effective Time shall occur after the record date for the payment of a regular quarterly dividend on the 10% Convertible Preferred Stock of Manufacturers Hanover Corporation but prior to the payment date for such dividend, then the Initial Dividend Period shall be the first Quarterly Dividend Period as described in the preceding sentence. Dividends shall be cumulative from the date on which the Initial Dividend Period commences and shall be payable, when, as and if declared by the Board of Directors or by the Preferred Stock Committee of the Board of Directors, on February 1, May 1, August 1 and November 1 in each year, commencing with such date that next follows the end of the Initial Dividend Period. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof, as

shall be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors.

"(b) Dividends payable on this Series for any period greater or less than a Quarterly Dividend Period, including the Initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on this Series for each Quarterly Dividend Period shall be computed by annualizing the Dividend Rate and dividing by four.

"(c) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid upon the shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of this Series and such other series of Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stocks, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(d) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (c) of this Section (2)) shall be

declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid or declared and set aside for payment for all past Dividend Periods.

"(3) Redemption.

"(a) The shares of this Series are not redeemable prior to May 1, 1995. At any time on or after such date, the shares of this Series are redeemable, in whole or in part, at the option of the Corporation, during the twelve-month periods commencing on May 1 of the years indicated below at the following redemption prices per share of this Series, plus accrued and unpaid dividends thereon to the date fixed for redemption.

Year	Redemption Price	Year	Redemption Price
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1995	\$53.00	1998	\$51.50
1996	52.50	1999	51.00
1997	52.00	2000	50.50
		2001 and thereafter	50.00

"(b) In the event the Corporation shall elect to redeem shares of this Series, the Corporation shall give notice to the holders of record of shares of this Series being so redeemed, not less than 30 nor more than 60 days prior to such redemption, by first class mail, postage prepaid, at their addresses as shown on the stock registry books of the Corporation that said shares are being redeemed, provided that without limiting the obligation of the Corporation hereunder to give the notice provided in this Section 3(b), the failure of the Corporation to give such notice shall not invalidate any corporate action by the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holders are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the

redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date and (vi) that such holder has the right to convert such shares into a number of shares of Common Stock prior to the close of business on such redemption date.

"(c) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors or by any other method as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors in its sole discretion to be equitable provided that such method satisfies any applicable requirements or any securities exchange on which this Series is listed.

"(d) Notice having been mailed as aforesaid, from and after the applicable redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price), dividends on the shares of this Series to be redeemed on such redemption date shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease; provided that, notwithstanding the foregoing, if notice of redemption has been given pursuant to this Section 3 and any holder of shares of this Series shall, prior to the close of business on the redemption date, surrender for conversion any or all of the shares to be redeemed held by such holder in accordance with Section 4, then the conversion of such shares to be redeemed shall become effective as provided in Section 4. Upon surrender of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(e) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once

more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(f) Notwithstanding the foregoing provisions of this Section 3, if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"(4) Conversion.

"(a) Subject to and upon compliance with the provisions of this Section 4, each holder of shares of this Series shall have the right, at such holder's option, at any time 40 days after the date of issuance of shares of this Series, to convert any or all of the shares of this Series held by such holder into the number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion, for the purpose of determining the amount of any cash payments provided for under paragraph (c) of this Section 4, to the nearest .01 of a share of Common Stock as the case may be, with one-half cent and .005 of a share, respectively, being rounded upward), obtained by dividing the stated value of a share of this Series by the Conversion Price (as defined below) and multiplying such resulting number by the number of shares of this Series to be converted, and by surrender of such shares of this Series so to be converted, such surrender to be made in the manner provided in paragraph (b) of this Section 4; provided, however, that the right to convert shares called for redemption pursuant to Section 3 hereof shall terminate at the close of business on the date fixed for such redemption unless the Corporation shall default in making payment of the amount payable upon such redemption.

The term "Applicable Price" means (i) in the event of a Fundamental Change (as defined below) in which the holders of the Common Stock receive only cash, the amount of cash received by a holder of one share of Common Stock and (ii) in the event of any other Fundamental Change, the average of the reported last sales price for one share of the Common Stock (determined as set forth in subparagraph (d)(v) of this Section 4) during the ten Trading Days (as defined in subparagraph (d)(v) of this Section 4) prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Fundamental Change, or if there is no

such record date, prior to the date upon which the holders of Common Stock shall have the right to receive such cash, securities, property or other assets.

The term "Common Stock" shall mean the Common Stock, par value \$1.00, and the Class B Common Stock, without par value, of the Corporation as the same exists at the date of this Certificate of Designations or as such stock may be constituted from time to time.

The term "Common Stock Fundamental Change" means any Fundamental Change in which more than 50% (by value as determined in good faith by the Board of Directors of the Corporation) of the consideration received by holders of Common Stock consists of common stock that for the ten Trading Days (as defined in subparagraph (d)(v) of this Section 4) prior to such Fundamental Change, has been admitted for listing on a national securities exchange or quoted on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System.

The term "Conversion Price" shall mean \$26.20, as adjusted in accordance with the provisions of this Section 4.

The term "Fundamental Change" means the occurrence of any transaction or event in connection with which all or substantially all the Common Stock shall be exchanged for, converted into, acquired for or shall constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise). In the case of a plan involving more than one such transaction or event, for purposes of adjustment of the Conversion Price, such Fundamental Change shall be deemed to have occurred when substantially all the Common Stock shall have been exchanged for, converted into, or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets, but the adjustment shall be based upon the consideration that the holders of Common Stock received in the transaction or event as a result of which more than 50% of the Common Stock shall have been exchanged for, converted into, or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets.

The term "Non-Stock Fundamental Change" means any Fundamental Change other than a Common Stock Fundamental Change.

The term "Purchaser Stock Price" means, with respect to any Common Stock Fundamental Change, the average of the reported last sales price for one share of the common stock received by holders of Common Stock in such Common Stock Fundamental

Change (determined as set forth in subparagraph (d)(v) of this Section 4 as if such subparagraph were applicable to such common stock) during the ten Trading Days (as defined in subparagraph (d)(v) of this paragraph 4) prior to the record date for the determination of the holders of Common Stock entitled to receive such common stock or, if there is no such record date, prior to the date upon which the holders of Common Stock shall have the right to receive such common stock.

The term "Reference Market Price" shall initially mean \$14.85, and, in the event of any adjustment to the Conversion Price pursuant to subparagraphs (d)(i), (d)(ii), (d)(iii) or (d)(iv) or paragraph (h) of this Section 4, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of \$14.85 to the Conversion Price set forth in this Certificate of Designations (without regard to any adjustment thereto).

"(b) In order to exercise the conversion privilege, the holder of each share of this Series to be converted shall surrender the certificate representing such share at the office of any transfer agent for the Common Stock and shall give written notice to the Corporation at said office that such holder elects to convert the same, specifying the name or names and denominations in which such holder wishes the certificate or certificates for the Common Stock to be issued (which notice may be in the form of a notice of election to convert which may be printed on the reverse of the certificates for the shares of this Series). Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of this Series is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney, and by an amount sufficient to pay any transfer or similar tax.

The holders of shares of this Series at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares (except that holders of shares called for redemption on a redemption date between such record date and the dividend payment date shall not be entitled to receive such dividend on such dividend payment date) on the corresponding dividend payment date notwithstanding the conversion thereof or the Corporation's default in payment of the dividend due on such dividend payment date. However, shares of this Series surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding dividend payment date (except shares

called for redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date. A holder of shares of this Series on a dividend payment record date who (or whose transferee) tenders any of such shares for conversion into shares of Common Stock on a dividend payment date will receive the dividend payable by the Corporation on such shares of this Series on such date, and the converting holder need not include payment in the amount of such dividend upon surrender of shares of this Series for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of the certificates for shares of this Series as aforesaid, the Corporation shall issue and shall deliver at the office of any transfer agent for the Common Stock to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this Section 4, together with a certificate or certificates representing any shares of this Series which are not to be converted but which shall have constituted part of the shares of this Series represented by the certificate or certificates so surrendered, and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in subparagraph (c) of this Section 4.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of this Series shall have been surrendered and such notice (and, if applicable, payment of an amount equal to the dividend payable on such shares) received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on such date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice (and, if applicable, payment) received by the Corporation. All shares of Common Stock delivered upon conversion of the shares of this Series will upon delivery be duly and validly issued and

fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

"(c) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of shares of this Series. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion of a share of this Series, the Corporation shall pay to the holder of such share of this Series an amount in cash (computed to the nearest cent, with one-half cent being rounded upward) equal to the reported last sales price (as defined in subparagraph (d)(v) of this Section 4) of the Common Stock on the Trading Day (as defined in subparagraph (d)(v) of this Section 4) next preceding the day of conversion multiplied by the fraction of a share of Common Stock represented by such fractional interest. If more than one share of this Series shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate stated value of the shares of this Series so surrendered.

"(d) The Conversion Price shall be adjusted from time to time as follows:

"(i) In case the Corporation shall (x) pay a dividend or make a distribution on the Common Stock in shares of Common Stock, (y) subdivide the outstanding Common Stock into a greater number of shares or (z) combine the outstanding Common Stock into a smaller number of shares, the Conversion Price shall be adjusted so that the holder of any share of this Series thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which he would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the record date in the case of a dividend or the effective date in the case of a subdivision or combination. An adjustment made pursuant to this subparagraph (i) shall become effective immediately after the record date in the case of a dividend, except as provided in subparagraph (viii) below, and shall become effective immediately after the effective date in the case of a subdivision or combination. No adjustment in the Conversion Price shall be made if, at the same time as the Corporation shall issue shares of Common Stock as a dividend or distribution on the outstanding shares of Common Stock which would otherwise call for an adjustment in the Conversion Price, the Corporation shall issue shares of Common Stock as a dividend or distribution on the outstanding shares of this Series equivalent to the number of shares distributable on the shares of Common Stock into which this Series is then convertible.

"(ii) In case the Corporation shall issue rights or warrants to all holders of shares of Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock (as defined for purposes of this subparagraph (ii) in subparagraph (v) below), at the record date for the determination of stockholders entitled to receive such rights or warrants, the Conversion Price in effect after such record date shall be determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the record date for issuance of such rights or warrants plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at such current market price, and the denominator of which shall be the number of shares of Common Stock outstanding on the record date for issuance of such rights or warrants plus the number of additional shares of Common Stock receivable upon exercise of such rights or warrants. Such adjustment shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in subparagraph (viii) below, after such record date. In determining whether any rights or warrants entitled the holders of the shares of this Series to subscribe for or purchase shares of Common Stock at less than such current market price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Corporation for such rights or warrants plus the exercise price thereof, the value of such consideration or exercise price, as the case may be, if other than cash, to be determined by the Board.

"(iii) In case the Corporation shall distribute to all holders of Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or assets (excluding cash dividends or distributions paid from retained earnings of the Corporation or dividends payable in Common Stock) or rights or warrants to subscribe for or purchase any of its securities (excluding those rights or warrants referred to in subparagraph (ii) above) (any of the foregoing being hereinafter in this subparagraph (iii) called the "Securities"), then, in each such case, unless the Corporation elects to reserve such Securities for distribution to the holders of the shares of this Series upon the conversion of the shares of this Series so that any such holder converting shares of this Series will receive upon such conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount and kind of such securities which such holder would have received

if such holder had, immediately prior to the record date for the distribution of the Securities, converted its shares of this Series into Common Stock, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction, the numerator of which shall be the current market price per share (as defined for purposes of this subparagraph (iii) in subparagraph (v) below) of the Common Stock on the record date mentioned above less the then fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) or the portion of the Securities so distributed applicable to one share of Common Stock, and the denominator of which shall be the current market price per share (as defined in subparagraph (v) below) of the Common Stock; provided, however, that in the event the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the current market price per share (as defined in subparagraph (v) below) of the Common Stock on the record date mentioned above, in lieu of the forgoing adjustment, adequate provision shall be made so that each holder of shares of this Series shall have the right to receive the amount and kind of Securities such holder would have received had he converted each such share of this Series immediately prior to the record date for the distribution of the Securities. Such adjustment shall become effective immediately, except as provided in subparagraph (viii) below, after the record date for the determination of shareholders entitled to receive such distribution.

"(iv) If, pursuant to subparagraph (ii) or (iii) above, the number of shares of Common Stock into which a share of this Series is convertible shall have been adjusted because the Corporation has declared a dividend, or made a distribution, on the outstanding shares of Common Stock in the form of any right or warrant to purchase securities of the Corporation, or the Corporation has issued any such right or warrant, then, upon the expiration of any such unexercised right or unexercised warrant, the Conversion Price shall forthwith be adjusted to equal the Conversion Price that would have applied had such right or warrant never been declared, distributed or issued.

"(v) For the purpose of any computation under subparagraph (ii) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the reported last sales prices for the thirty consecutive Trading Days (as defined below) commencing forty-five Trading Days before the date in question. For the purpose of any computation under subparagraph (iii) above, the current market price per share of Common Stock on any date shall be deemed to

be the average of the reported last sales prices for the ten consecutive Trading Days before the date in question. The reported last sales price for each day (whether for purposes of subparagraph (ii) or subparagraph (iii)) shall be the reported last sales price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange at such time, on the principal national securities exchange on which the Common Stock is listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such date as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board of Directors of the Corporation or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board of Directors of the Corporation or a committee thereof. As used herein, the Term "Trading Day" with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of the NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"(vi) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subparagraph (vi) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest cent or to the nearest .01 of a share, as the case may be, with one-half cent and .005 of a share, respectively, being rounded upward. Anything in this paragraph (d) to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Conversion Price, in addition to those

required by this paragraph (d), as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable.

"(vii) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall file with the transfer agent a certificate, signed by the Treasurer, chief financial officer, principal accounting officer or Controller of the Corporation, setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment; provided, however, that the failure of the Corporation to file such officers' certificate shall not invalidate any corporate action by the Corporation.

"(viii) In any case in which this paragraph (d) provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (y) issuing to the holder of any share of this Series converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (z) paying to such holder any amount of cash in lieu of any fractional share of Common Stock pursuant to paragraph (c) of this Section 4.

"(e) Whenever the Conversion Price is adjusted as provided in paragraph (d), the Corporation shall cause to be mailed to each holder of shares of this Series at its then registered address by first-class mail, postage prepaid, a notice of such adjustment of the Conversion Price setting forth such adjusted Conversion Price and the effective date of such adjusted Conversion Price; provided, however, that the failure of the Corporation to give such notice shall not invalidate any corporate action by the Corporation.

"(f) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of shares of this Series, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of this Series not theretofore converted. For purposes of this paragraph (f), the number of shares of Common Stock which shall be deliverable upon conversion of all outstanding

shares of this Series shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

"(g) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of shares of this Series pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of shares of this Series to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

"(h) Notwithstanding any other provision herein to the contrary, if any of the following events occurs, namely (w) any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), (x) any consolidation, merger or combination of the Corporation with or into another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, (y) any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (z) any Fundamental Change (including any event referred to in the foregoing clauses (w), (x) or (y) that constitutes a Fundamental Change), then appropriate provision shall be made so that the holder of each share of this Series then outstanding shall have the right to convert such share into the kind and amount of the shares of stock and securities or other property or assets (including cash) that would have been receivable upon such reclassification, change, consolidation, merger, combination, sale, conveyance or Fundamental Change by a holder of the number of shares of Common Stock issuable upon conversion of such share of this Series immediately prior to such reclassification, change, consolidation, merger, combination, sale, conveyance or Fundamental Change; provided, however, that, if the event referred to in clauses (w) through (z) above constitutes a Non-Stock Fundamental Change, each holder of shares of this Series shall be entitled, upon conversion thereof, to receive such amount of shares of stock and securities or other

property or assets (including cash) as is determined by the number of shares of Common Stock receivable upon conversion at the Conversion Price as adjusted in accordance with subparagraph (i) of this paragraph (h); and provided, further, that, if the event referred to in clauses (w) through (z) above constitutes a Common Stock Fundamental Change, the foregoing provisions of this paragraph (h) shall not apply, but each holder of shares of this Series shall be entitled, upon conversion thereof at any time following such Common Stock Fundamental Change, to receive such number of shares of common stock of the successor or acquiring entity as is determined by use of the Conversion Price as adjusted in accordance with subparagraph (ii) of this paragraph (h). The adjustments described in this paragraph (h) shall be subject to further adjustments as appropriate that shall be as nearly equivalent as may be practicable to the relevant adjustment provided for in this paragraph (h). If, in the case of any such consolidation, merger, combination, sale, conveyance or Fundamental Change, the stock or other securities and property receivable thereupon by a holder of shares of Common Stock includes shares of stock, securities or other property or assets (including cash) of an entity other than the successor or acquiring entity, as the case may be, in such consolidation, merger, combination, sale, conveyance or Fundamental Change, then the Corporation shall enter into an agreement with such other entity for the benefit of the holders of this Series that shall contain such provisions to protect the interests of such holders as the Board of Directors of the Corporation shall reasonably consider necessary by reason of the foregoing.

For purposes of calculating any adjustment to be made in connection with the occurrence of a Fundamental Change:

"(i) in the case of a Non-Stock Fundamental Change, the Conversion Price shall be deemed to be the lower of (1) the Conversion Price in effect immediately prior to such Non-Stock Fundamental Change and (2) the product of (a) the greater of the Applicable Price and the Reference Market Price and (b) a fraction, the numerator of which is \$50.00 and the denominator of which is the amount at which one share of this Series would be redeemed by the Corporation if the redemption date were the date of such Non-Stock Fundamental Change (such denominator being the sum of (y) the amount set forth in the table in Section 3 hereof or, at any time prior to May 1, 1992, \$55.00, or for the 12-month periods commencing May 1, 1992, May 1, 1993 and May 1, 1994, the amount of \$54.50, \$54.00 and \$53.50, respectively, and (z) any accrued and unpaid dividends on this Series); provided, however, that if there were accrued and unpaid dividends with respect to this Series at the time of such Non-Stock Fundamental

Change ("Passed Dividends"), and if , thereafter, all (or any portion) of such Passed Dividends are paid by the Corporation, then the Conversion Price to be used in determining the amount of consideration to which a holder of shares of this Series who has not converted his shares of this Series shall be entitled upon conversion thereof shall be deemed to be the conversion price that would have been used in making such determination if all (or such portion) of such Passed Dividends had not been accrued and unpaid at such time; and

"(ii) in the case of a Common Stock Fundamental Change, the Conversion Price of the shares of this Series immediately following such Common Stock Fundamental Change shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change multiplied by a fraction, the numerator of which is the Purchaser Stock Price and the denominator of which is the Applicable Price.

"(i) Upon any conversion of shares of this Series, the shares of this Series so converted shall have the status of authorized and unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(5) Voting Rights. The shares of this Series of Preferred Stock shall not have any voting powers either general or special, except that:

"(a) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose at which the holders of shares of this Series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designations or any similar document relating to any series of Preferred Stock) which would adversely affect the preferences, rights, powers or privileges of this Series;

"(b) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series and all other series of Preferred Stock ranking on a parity with shares of this Series, either as to

dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose at which the holders of shares of this Series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of this Series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares;

"(c) If at the time of any annual meeting of stockholders for the election of directors a default in preference dividends on the Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (herein called a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the stockholders, or of the holders of shares of Preferred Stock, called for that purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (A) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (B)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation, and (B) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to the series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof,

a "default in Preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and having so occurred such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding Dividend Period.

"(6) Liquidation Rights.

"(a) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to this Series upon liquidation, a stated value in the amount of \$50 per share of this Series, plus accrued and unpaid dividends thereon.

"(b) After the payment to the holders of shares of this Series of the full amount of the liquidating distribution to which they are entitled under this Section 6, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(c) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the stated value of the shares of this Series and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the shares of this Series are not paid in full, the holders of the shares of this Series and of such other shares will share ratably in any such distribution of assets of the Corporation in proportion to the full respective stated values to which they are entitled.

"(d) Neither the sale of all or substantially all of the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 6.

"(e) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to

paragraph (a) of this Section 6 before any payment shall be made to the holders of any class of capital stock of the Corporation ranking junior to this Series upon liquidation.

"(7) Ranking. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(a) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series; and

"(b) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provision, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(c) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

"(8) Transfer Restrictions. The shares of this Series have not been registered under the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, in connection with any resale or other transfer of shares of this Series prior to May 9, 1994, a holder of shares of this Series will be required to furnish to the transfer agent certifications, legal opinions and/or other information to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The certificates evidencing the shares of this Series shall, during the period referred to in the immediately preceding sentence, contain a legend and other notations to the effect of the two preceding sentences with such additions, changes or modifications as the Corporation and the transfer agent shall, in their sole discretion, deem necessary or appropriate."

CERTIFICATE OF DESIGNATIONS

OF

8-3/8% PREFERRED STOCK

OF

CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CHEMICAL BANKING CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation on March 17, 1992 and by the Preferred Stock Committee of the Board of Directors on May 20, 1992, respectively, pursuant to authority conferred upon the Board of Directors by the provisions of the Certificate of Incorporation of the Corporation which authorize the issuance of up to 200,000,000 shares of preferred stock, \$1 par value (the "Preferred Stock"), and pursuant to authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by the By-Laws of the Corporation and by the resolutions of the Board of Directors adopted at a meeting duly convened and held on March 17, 1992:

1. The Board of Directors on March 17, 1992 adopted the following resolutions authorizing a Preferred Stock Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the issuance of the Preferred Stock:

"RESOLVED that the Board of Directors of Chemical Banking Corporation (the "Board of Directors") deems it advisable and in the best interests of Chemical Banking Corporation (the "Corporation") to provide for the issuance and sale by the Corporation from time to time of shares of preferred stock (\$1 par value), in one or more series, having an aggregate liquidation preference over the Corporation's common stock, \$1 par value (the "Common Stock"), not in excess of \$800,000, 000, with such voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as are set forth in, or are determined in accordance with, these resolutions (the "Preferred Shares");

"RESOLVED that the Board of Directors deems it in the best interests of the Corporation to delegate to the Preferred Stock Committee those powers and duties set forth below;

"RESOLVED that the Preferred Stock Committee may, without the further action of the Board of Directors, from time to time authorize the issuance and sale from time to time of one or more series of Preferred Shares for cash or other property, as shall be determined by the Preferred Stock Committee, subject to the limitations above, and any such Preferred Shares may be sold through agents, through underwriters, through dealers and directly to purchasers, in one or more offerings registered under the Securities Act of 1933 (the "Act") or in transactions not required to be registered under the Act, all as shall be determined by the Preferred Stock Committee; and any such issuance and sale of Preferred Shares, including the issuance from time to time of any warrants for such Preferred Shares, common or preferred stock of the Corporation into which any series of Preferred Shares may be convertible or exchangeable and the issuance and sale from time to time of Depositary Shares (as hereinafter defined; it being intended that, unless the context shall otherwise require, when used in these resolutions the term "Preferred Shares" shall also include any warrants or Depositary Shares related thereto) related to the Preferred Shares, be and hereby is authorized and approved;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to act on behalf and in the stead of the Board of Directors in connection with the issuance of one or more series of the Preferred Shares and any common or preferred stock into which such Preferred Shares may be convertible or exchangeable and, in connection therewith, is hereby authorized, to the fullest extent permitted by the Delaware General Corporation Law as it now exists or is hereafter amended, to determine the price at which the Preferred Shares of each such series will be sold by the Corporation, to declare dividends payable on the Preferred Shares, to reserve for issuance on the books of the Corporation or otherwise a sufficient number of shares of any common or preferred stock of the Corporation into which any series of the Preferred Shares may be convertible or exchangeable and to determine the designation, preferences and privileges, the relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof;

"RESOLVED that, without limiting the generality of the preceding resolution, the Preferred Stock Committee is hereby expressly authorized:

"(i) to determine whether the Preferred Shares will be issued in one or more series and the number of shares of any such series;

"(ii) to fix the dividend rate or rates of such shares and/or the methods of determining dividends and the dates on which dividends shall be payable;

"(iii) to determine whether dividends of any series of Preferred Shares shall be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to cumulate;

"(iv) to determine the conversion or exchange provisions, if any, of the shares of any series of the Preferred Shares, including without limitation, the class and series of capital stock of the Corporation into which such shares shall be convertible or exchangeable;

"(v) to determine whether the Corporation shall elect to offer (a) warrants for such Preferred Shares ("Warrants") or (b) depository shares evidenced by depository receipts, each representing a fraction (to be determined by the Preferred Stock Committee) of a share of a particular series of the Preferred Shares ("Depository Shares"), which Preferred Shares will be issued and deposited with a depository, in each case, in lieu of offering full shares of such series of the Preferred Shares;

"(vi) to fix the liquidation preference of the shares of any series of the Preferred Shares, subject to the limitation that the aggregate liquidation preference of all the Preferred Shares issued shall not exceed \$800,000,000;

"(vii) to determine whether the shares of any series of the Preferred Shares shall be subject to redemption, optional or mandatory or pursuant to a sinking fund, and, if such series shall be subject to redemption, the redemption provisions of such series; and

"(viii) to fix or determine any additional dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions thereof;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to authorize, approve and take such other action as is deemed advisable in connection with the issuance of one or more series of the Preferred Shares, including, without limitation, the following:

"(i) selecting the underwriters, dealers and agents, if any, to or through which the Preferred Shares will be sold and offered;

"(ii) approving the form and substance, and the execution and delivery, of any underwriting agreement, agency agreement, placement agreement or other agreement to be entered into by the Corporation in connection with the issuance and sale of the Preferred Shares, including, without limitation, setting the amount of any underwriting discounts and other items constituting underwriters' compensation and any discounts and commissions allowed or paid to dealers or agents;

"(iii) selecting the bank or trust company which will act as depository if Depositary Shares are offered and approving the form and substance, and the execution and delivery, of any deposit agreement to be entered into by the Corporation with such depository; and

"(iv) appointing a registrar and transfer agent for the registration, transfer and exchange of the Preferred Shares and appointing a dividend disbursing agent for the Preferred Shares;

"RESOLVED that for each series of Preferred Shares a certificate shall be prepared and filed on behalf of the Corporation with the Secretary of State of the State of Delaware pursuant to Section 151 of the General Corporation Law of the State of Delaware (a "Certificate of Designations"); that each such Certificate of Designations be in such form as is approved by action of the Board of Directors or the Preferred Stock Committee; and that the proper officers of the Corporation be and hereby are authorized to execute and file each such Certificate of Designations pursuant to the General Corporation Law of the State of Delaware;"

2. The Board of Directors on March 17, 1992 adopted the following resolution fixing the voting rights of the Preferred Stock authorized by the preceding resolutions:

"RESOLVED that the Certificate of Designations for each series of the Preferred Shares shall provide that the shares of such series shall not have any voting powers either general or special, except that:

"(i) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any series at the time outstanding, given in person or by proxy, either in writing or by a vote at

a meeting called for the purpose at which the holders of shares of such series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designations or any similar document relating to any series of Preferred Stock) so as to affect adversely the preferences, rights, powers or privileges of such series;

"(ii) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any such series and all other series of Preferred Stock ranking on a parity with shares of such series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of such series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of such series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares; and

"(iii) If at the time of any annual meeting of the Corporation's stockholders for the election of directors there is a default in preference dividends on the Preferred Stock, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock and Class B Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (a "Preferred Director"), shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a

default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the Corporation's stockholders, or of the holders of shares of Preferred Stock, called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (a) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (b)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (b) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding dividend period."

3. The Preferred Stock Committee of the Board of Directors on May 20, 1992, pursuant to the authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by Section 3.03 of the By-Laws of the Corporation and by the resolutions of the Board of Directors set forth above, adopted the following resolution:

"RESOLVED that the issue of up to 14,000,000 shares of 8-3/8% Preferred Stock, \$1 par value, of the Corporation ranking on a parity with the series of Preferred Stock of the Corporation designated as the Corporation's "Adjustable Rate Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series B", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series C", the Corporation's "10-3/4% Cumulative Preferred Stock", the

Corporation's "Adjustable Rate Cumulative Preferred Stock, Series E", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series F", the Corporation's "10.96% Preferred Stock" and the Corporation's "10% Convertible Preferred Stock" is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of all 14,000,000 shares of this Series, in addition to those set forth in the Certificate of Incorporation of the Corporation and, with respect to voting rights, in the resolutions of the Board of the Directors of the Corporation adopted on March 17, 1992, are hereby fixed as follows:

"1. Designation. The designation of this Series shall be 8-3/8% Preferred Stock (hereinafter referred to as the "Series") and the number of shares constituting this Series shall be Fourteen Million (14,000,000). Shares of this Series shall have a stated value of \$25. The number of authorized shares of this Series may be reduced by further resolution duly adopted by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

"2. Dividends. (a) Dividends shall be payable on the shares of this Series: (i) for the period (the "Initial Dividend Period") from the date of original issue of shares of this Series to and including September 30, 1992, and (ii) for each quarterly dividend period thereafter (the Initial Dividend Period and each quarterly dividend period thereafter being hereinafter individually referred to as a "Dividend Period" and collectively referred to as "Dividend Periods"), which quarterly Dividend Periods shall commence on January 1, April 1, July 1 and October 1 in each year, commencing October 1, 1992 and shall end on and include the day next preceding the first day of the next Dividend Period, at a rate per annum of the stated value thereof equal to 8-3/8% (the "Dividend Rate"). Dividends shall be cumulative from such date of original issue and shall be payable, when and as declared by the Board of Directors or by the Preferred Stock Committee of the Board of Directors, on March 31, June 30, September 30 and December 31 of each year, commencing on September 30, 1992. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof,

as shall be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors.

"(b) Dividends payable on this Series for any period greater or less than a full Dividend Period, including the Initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed in the period. Dividends payable on this Series for each full Dividend Period shall be computed by annualizing the Dividend Rate and dividing by four.

"(c) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stocks, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(d) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (c) of this Section 2) shall be

declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid or declared and set aside for payment for all past Dividend Periods.

"3. Redemption. (a) The shares of this Series are not redeemable prior to June 1, 1997. The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time on or after June 1, 1997, at a redemption price of \$25 per share, plus accrued and unpaid dividends thereon to the date fixed for redemption.

"(b) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors or by any other method as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

"(c) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 or more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be

redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

"(d) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(e) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(f) Notwithstanding the foregoing provisions of this Section 3, if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"4. Conversion. The holders of shares of this Series shall not have any rights to convert such shares

into shares of any other class or series of capital stock of the Corporation.

"5. Liquidation Rights.

"(a) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to this Series upon liquidation, the amount of \$25 per share, plus accrued and unpaid dividends thereon.

"(b) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section 5, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(c) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the stated value of the shares of this Series and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the shares of this Series are not paid in full, the holders of the shares of this Series and of such other shares will share ratably in any such distribution of assets of the Corporation in proportion to the full respective stated values to which they are entitled.

"(d) Neither the sale of all or substantially all the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 5.

"(e) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 5 before any payment shall be made to the holder of any class of capital stock of the Corporation ranking junior to this Series upon liquidation.

"6. Ranking. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(a) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

"(b) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(c) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

"7. Voting Rights. The shares of this Series shall have the voting rights set forth in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992."

CERTIFICATE OF DESIGNATIONS
OF
7.92% CUMULATIVE PREFERRED STOCK
OF
CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CHEMICAL BANKING CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation on March 17, 1992 and by the Preferred Stock Committee of the Board of Directors on September 10, 1992, respectively, pursuant to authority conferred upon the Board of Directors by the provisions of the Certificate of Incorporation of the Corporation which authorize the issuance of up to 200,000,000 shares of preferred stock, \$1 par value (the "Preferred Stock"), and pursuant to authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by the By-Laws of the Corporation and by the resolutions of the Board of Directors adopted at a meeting duly convened and held on March 17, 1992:

1. The Board of Directors, on March 17, 1992 adopted the following resolutions authorizing a Preferred Stock Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the issuance of the Preferred Stock:

"RESOLVED that the Board of Directors of Chemical Banking Corporation (the "Board of Directors") deems it advisable and in the best interests of Chemical Banking Corporation (the "Corporation") to provide for the issuance and sale by the Corporation from time to time of shares of preferred stock (\$1 par value), in one or more series, having an aggregate liquidation preference over the Corporation's common stock, \$1 par value (the "Common Stock"), not in excess of \$800,000,000, with such voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as are set forth in, or are determined in accordance with, these resolutions (the "Preferred Shares");

"RESOLVED that the Board of Directors deems it in the best interests of the Corporation to delegate to the Preferred Stock Committee those powers and duties set forth below;

"RESOLVED that the Preferred Stock Committee may, without the further action of the Board of Directors, from time to time authorize the issuance and sale from time to time of one or more series of Preferred Shares for cash or other property, as shall be determined by the Preferred Stock Committee, subject to the limitations above, and any such Preferred Shares may be sold through agents, through underwriters, through dealers and directly to purchasers, in one or more offerings registered under the Securities Act of 1933 (the "Act") or in transactions not required to be registered under the Act, all as shall be determined by the Preferred Stock Committee; and any such issuance and sale of Preferred Shares, including the issuance from time to time of any warrants for such Preferred Shares, common or preferred stock of the Corporation into which any series of Preferred Shares may be convertible or exchangeable and the issuance and sale from time to time of Depositary Shares (as hereinafter defined; it being intended that, unless the context shall otherwise require, when used in these resolutions the term "Preferred Shares" shall also include any warrants or Depositary Shares related thereto) related to the Preferred Shares, be and hereby is authorized and approved;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to act on behalf and in the stead of the Board of Directors in connection with the issuance of one or more series of the Preferred Shares and any common or preferred stock into which such Preferred Shares may be convertible or exchangeable and, in connection therewith, is hereby authorized, to the fullest extent permitted by the Delaware General Corporation Law as it now exists or is hereafter amended, to determine the price at which the Preferred Shares of each such series will be sold by the Corporation, to declare dividends payable on the Preferred Shares, to reserve for issuance on the books of the Corporation or otherwise a sufficient number of shares of any common or preferred stock of the Corporation into which any series of the Preferred Shares may be convertible or exchangeable and to determine the designation, preferences and privileges, the relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof;

"RESOLVED that, without limiting the generality of the preceding resolution, the Preferred Stock Committee is hereby expressly authorized:

"(i) to determine whether the Preferred Shares will be issued in one or more series and the number of shares of any such series;

"(ii) to fix the dividend rate or rates of such shares and/or the methods of determining dividends and the dates on which dividends shall be payable;

"(iii) to determine whether dividends of any series of Preferred Shares shall be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to cumulate;

"(iv) to determine the conversion or exchange provisions, if any, of the shares of any series of the Preferred Shares, including without limitation, the class and series of capital stock of the Corporation into which such shares shall be convertible or exchangeable;

"(v) to determine whether the Corporation shall elect to offer (a) warrants for such Preferred Shares ("Warrants") or (b) depository shares evidenced by depository receipts, each representing a fraction (to be determined by the Preferred Stock Committee) of a share of a particular series of the Preferred Shares ("Depository Shares"), which Preferred Shares will be issued and deposited with a depository, in each case, in lieu of offering full shares of such series of the Preferred Shares;

"(vi) to fix the liquidation preference of the shares of any series of the Preferred Shares, subject to the limitation that the aggregate liquidation preference of all the Preferred Shares issued shall not exceed \$800,000,000;

"(vii) to determine whether the shares of any series of the Preferred Shares shall be subject to redemption, optional or mandatory or pursuant to a sinking fund, and, if such series shall be subject to redemption, the redemption provisions of such series; and

"(viii) to fix or determine any additional dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions thereof;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to authorize, approve and take such other action as is deemed advisable in connection with the issuance of one or more series of the Preferred Shares, including, without limitation, the following:

"(i) selecting the underwriters, dealers and agents, if any, to or through which the Preferred Shares will be sold and offered;

"(ii) approving the form and substance, and the execution and delivery, of any underwriting agreement, agency agreement, placement agreement or other agreement to be entered into by the Corporation in connection with the issuance and sale of the Preferred Shares, including, without limitation, setting the amount of any underwriting discounts and other items constituting underwriters' compensation and any discounts and commissions allowed or paid to dealers or agents;

"(iii) selecting the bank or trust company which will act as depository if Depositary Shares are offered and approving the form and substance, and the execution and delivery, of any deposit agreement to be entered into by the Corporation with such depository; and

"(iv) appointing a registrar and transfer agent for the registration, transfer and exchange of the Preferred Shares and appointing a dividend disbursing agent for the Preferred Shares;

"RESOLVED that for each series of Preferred Shares a certificate shall be prepared and filed on behalf of the Corporation with the Secretary of State of the State of Delaware pursuant to Section 151 of the General Corporation Law of the State of Delaware (a "Certificate of Designations"); that each such Certificate of Designations be in such form as is approved by action of the Board of Directors or the Preferred Stock Committee; and that the proper officers of the Corporation be and hereby are authorized to execute and file each such Certificate of Designations pursuant to the General Corporation Law of the State of Delaware".

2. The Board of Directors on March 17, 1992 adopted the following resolution fixing the voting rights of the Preferred Stock authorized by the preceding resolutions:

"RESOLVED that the Certificate of Designations for each series of the Preferred Shares shall provide that the shares of such series shall not have any voting powers either general or special, except that:

"(i) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any series at the time outstanding, given in person or by proxy, either in writing or by a vote at

a meeting called for the purpose at which the holders of shares of such series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designations or any similar document relating to any series of Preferred Stock) so as to affect adversely the preferences, rights, powers or privileges of such series;

"(ii) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any such series and all other series of Preferred Stock ranking on a parity with shares of such series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of such series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of such series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares; and

"(iii) If at the time of any annual meeting of the Corporation's stockholders for the election of directors there is a default in preference dividends on the Preferred Stock, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock and Class B Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a

default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the Corporation's stockholders, or of the holders of shares of Preferred Stock, called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (a) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (b)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (b) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding dividend period."

3. The Preferred Stock Committee of the Board of Directors on September 10, 1992, pursuant to the authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by Section 3.03 of the By-Laws of the Corporation and by the resolutions of the Board of Directors set forth above, adopted the following resolution:

"RESOLVED that, pursuant to resolutions of the Board of Directors of Chemical Banking Corporation (the "Corporation") adopted on March 17, 1992, the issue of up to 2,000,000 shares of 7.92% Cumulative Preferred Stock, \$100 stated value per share (\$1 par value), of the Corporation ranking on a parity with the series of Preferred Stock of the Corporation designated as the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series B", the Corporation's "Adjustable Rate

Cumulative Preferred Stock, Series C", the Corporation's "10-3/4% Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series E", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series F", the Corporation's "10.96% Preferred Stock", the Corporation's "10% Convertible Preferred Stock" and the Corporation's "8-3/8% Preferred Stock" is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of all 2,000,000 shares of this Series, in addition to those set forth in the Certificate of Incorporation of the Corporation and, with respect to voting rights, in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992, are hereby fixed as follows:

"1. Designation. The designation of this Series shall be 7.92% Cumulative Preferred Stock (hereinafter referred to as the "Series") and the number of shares constituting this Series shall be Two Million (2,000,000). Shares of this Series shall have a stated value of \$100. The number of authorized shares of this Series may be reduced by further resolution duly adopted by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

"2. Dividends. (a) Dividends shall be payable on the shares of this Series: (i) for the period (the "Initial Dividend Period") from the date of original issue of shares of this Series to and including December 31, 1992, and (ii) for each quarterly dividend period thereafter (the Initial Dividend Period and each quarterly dividend period thereafter being hereinafter individually referred to as a "Dividend Period" and collectively referred to as "Dividend Periods"), which quarterly Dividend Periods shall commence on January 1, April 1, July 1 and October 1 in each year, commencing January 1, 1993, and shall end on and include the day next preceding the first day of the next Dividend Period, at a rate per annum of the stated value thereof equal to 7.92% (the "Dividend Rate"). Dividends shall be cumulative from such date of original issue and shall be payable, when and as declared by the Board of Directors or by the Preferred Stock Committee of the Board of Directors, on March 31, June 30, September 30 and December 31 of each year, commencing on December 31, 1992. Each such dividend shall be paid to the holders of

record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors.

"(b) Dividends payable on this Series for any period greater or less than a full Dividend Period, including the Initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed in the period. Dividends payable on this Series for each full Dividend Period shall be computed by annualizing the Dividend Rate and dividing by four.

"(c) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stocks, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(d) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common

Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (c) of this Section 2) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid or declared and set aside for payment for all past Dividend Periods.

"3. Redemption. (a) The shares of this Series are not redeemable prior to October 1, 1997. The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time on or after October 1, 1997, at a redemption price of \$100 per share, plus accrued and unpaid dividends thereon to the date fixed for redemption.

"(b) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors or by any other method as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

"(c) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 or more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice

shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

"(d) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(e) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(f) Notwithstanding the foregoing provisions of this Section 3, if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"4. Conversion. The holders of shares of this Series shall not have any rights to convert such shares into shares of any other class or series of capital stock of the Corporation.

"5. Liquidation Rights.

"(a) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to this Series upon liquidation, the amount of \$100 per share, plus accrued and unpaid dividends thereon.

"(b) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section 5, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(c) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the stated value of the shares of this Series and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the shares of this Series are not paid in full, the holders of the shares of this Series and of such other shares will share ratably in any such distribution of assets of the Corporation in proportion to the full respective stated values to which they are entitled.

"(d) Neither the sale of all or substantially all the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 5.

"(e) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 5 before any payment shall be made to the holder of any

class of capital stock of the Corporation ranking junior to this Series upon liquidation.

"6. Ranking. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(a) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

"(b) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(c) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

"7. Voting Rights. The shares of this Series shall have the voting rights set forth in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992."

CERTIFICATE OF DESIGNATIONS
OF
7.58% CUMULATIVE PREFERRED STOCK
OF
CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CHEMICAL BANKING CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation on "March 17, 1992 and September 15, 1992, and by the Preferred Stock Committee of the Board of Directors on March 16, 1993, respectively, pursuant to authority conferred upon the Board of Directors by the provisions of the Certificate of Incorporation of the Corporation which authorize the issuance of up to 200,000,000 shares of preferred stock, \$1 par value (the "Preferred Stock"), and pursuant to authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by the By-Laws of the Corporation and by the resolutions of the Board of Directors adopted at meetings duly convened and held on March 17, 1992 and September 15, 1992:

1. The Board of Directors on March 17, 1992 adopted the following resolutions authorizing a Preferred Stock Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the issuance of the Preferred Stock:

"RESOLVED that the Board of Directors of Chemical Banking Corporation (the "Board of Directors") deems it advisable and in the best interests of Chemical Banking Corporation (the "Corporation") to provide for the issuance and sale by the Corporation from time to time of shares of preferred stock (\$1 par value), in one or more series, having an aggregate liquidation preference over the Corporation's common stock, \$1 par value (the "Common Stock"), not in excess of \$800,000,000, with such voting powers, designations, preferences, and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as are set forth

in, or are determined in accordance with, these resolutions (the "Preferred Shares");

"RESOLVED that the Board of Directors deems it in the best interest of the Corporation to delegate to the Preferred Stock Committee those powers and duties set forth below;

"RESOLVED that the Preferred Stock Committee may, without the further action of the Board of Directors, from time to time authorize the issuance and sale from time to time of one or more series of Preferred Shares for cash or other property, as shall be determined by the Preferred Stock Committee, subject to the limitations above, and any such Preferred Shares may be sold through agents, through underwriters, through dealers and directly to purchasers, in one or more offerings registered under the Securities Act of 1933 (the "Act") or in transactions not required to be registered under the Act, all as shall be determined by the Preferred Stock Committee; and any such issuance and sale of Preferred Shares, including the issuance from time to time of any warrants for such Preferred Shares, common or preferred stock of the Corporation into which any series of Preferred Shares may be convertible or exchangeable and the issuance and sale from time to time of Depositary Shares (as hereinafter defined; it being intended that, unless the context shall otherwise require, when used in these resolutions the term "Preferred Shares" shall also include any warrants or Depositary Shares related thereto) related to the Preferred Shares, be and hereby is authorized and approved;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to act on behalf and in the stead of the Board of Directors in connection with the issuance of one or more series of the Preferred Shares and any common or preferred stock into which such Preferred Shares may be convertible or exchangeable and, in connection therewith, is hereby authorized, to the fullest extent permitted by the Delaware General Corporation Law as it now exists or is hereafter amended, to determine the price at which the Preferred Shares of each such series will be sold by the Corporation, to declare dividends payable on the Preferred Shares, to reserve for issuance on the books of the Corporation or otherwise a sufficient number of shares of any common or preferred stock of the Corporation into which any series of the Preferred Shares may be convertible or exchangeable and to determine the designation, preferences and privileges, the relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof;

"RESOLVED that, without limiting the generality of the preceding resolution, the Preferred Stock Committee is hereby expressly authorized:

"(i) to determine whether the Preferred Shares will be issued in one or more series and the number of shares of any such series;

"(ii) to fix the dividend rate or rates of such shares and/or the methods of determining dividends and the dates on which dividends shall be payable;

"(iii) to determine whether dividends of any series of Preferred Shares shall be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to cumulate;

"(iv) to determine the conversion or exchange provisions, if any, of the shares of any series of the Preferred Shares, including without limitation, the class and series of capital stock of the Corporation into which such shares shall be convertible or exchangeable;

"(v) to determine whether the Corporation shall elect to offer (a) warrants for such Preferred Shares ("warrants") or (b) depositary shares evidenced by depositary receipts, each representing a fraction (to be determined by the Preferred Stock Committee) of a share of a particular series of the Preferred Shares ("Depositary Shares"), which Preferred Shares will be issued and deposited with a depositary, in each case, in lieu of offering full shares of such series of the Preferred Shares;

"(vi) to fix the liquidation preference of the shares of any series of the Preferred Shares, subject to the limitation that the aggregate liquidation preference of all the Preferred Shares issued shall not exceed \$800,000,000;

"(vii) to determine whether the shares of any series of the Preferred Shares shall be subject to redemption, optional or mandatory or pursuant to a sinking fund, and, if such series shall be subject to redemption, the redemption provisions of such series; and

"(viii) to fix or determine any additional dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions thereof;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to authorize, approve and take such other action as is deemed advisable in connection with the issuance of one or more series of the Preferred Shares, including without limitation, the following:

"(i) selecting the underwriters, dealers and agents, if any, to or through which the Preferred Shares will be sold and offered;

"(ii) approving the form and substance, and the execution and delivery, of any underwriting agreement, agency agreement, placement agreement or other agreement to be entered into by the Corporation in connection with the issuance and sale of the Preferred Shares, including, without limitation, setting the amount of any underwriting discounts and other items constituting underwriters' compensation and any discounts and commissions allowed or paid to dealers or agents;

"(iii) selecting the bank or trust company which will act as depository if Depositary Shares are offered and approving the form and substance, and the execution and delivery, of any deposit agreement to be entered into by the Corporation with such depository; and

"(iv) appointing a registrar and transfer agent for the registration, transfer and exchange of the Preferred Shares and appointing a dividend disbursing agent for the Preferred Shares;

"RESOLVED that for each series of Preferred Shares a certificate shall be prepared and filed on behalf of the Corporation with the Secretary of State of the State of Delaware pursuant to Section 151 of the General Corporation Law of the State of Delaware (a "Certificate of Designations"); that each such Certificate of Designations be in such form as is approved by action of the Board of Directors or the Preferred Stock Committee; and that the proper officers of the Corporation be and hereby are authorized to execute and file each such Certificate of Designations pursuant to the General Corporation Law of the State of Delaware."

2. The Board of Directors on September 15, 1992 adopted the following resolution authorizing a Preferred Stock Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the issuance of additional shares of the Preferred Stock:

"RESOLVED that the Board of Directors of Chemical Banking Corporation (the "Board of Directors") deems it advisable and

in the best interests of Chemical Banking Corporation (the "Corporation") to amend certain resolutions adopted by the Board of Directors on March 17, 1992 pertaining to the authority of the Preferred Stock Committee of the Board (the "March 17, 1992 Resolutions") to authorize the Preferred Stock Committee of the Board of Directors to approve the issuance and sale by the Corporation from time to time of Preferred Shares as defined in the March 17, 1992 Resolutions, in one or more series, having an additional aggregate liquidation preference over the Corporation's common stock, \$1 par value, not in excess of \$1,300,000,000 (an increase of \$500,000,000 from the \$800,000,000 authorized under the March 17, 1992 Resolutions), with such voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as are set forth in, or are determined in accordance with the March 17, 1992 Resolutions which shall in all other respects remain in full force and effect and are hereby ratified and affirmed."

3. The Board of Directors on March 17, 1992 adopted the following resolution fixing the voting rights of the Preferred Stock authorized by the preceding resolutions:

"RESOLVED that the Certificate of Designations for each series of the Preferred Shares shall provide that the shares of such series shall not have any voting powers either general or special except that:

"(i) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of such series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designations or any similar document relating to any series of Preferred Stock) so as to affect adversely the preferences, rights, powers or privileges of such series;

"(ii) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any such series and all other series of Preferred Stock ranking on a parity with shares of such series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either

in writing or by a vote at a meeting called for the purpose at which the holders of shares of such series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of such series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares; and

"(iii) If at the time of any annual meeting of the Corporation's stockholders for the election of directors there is a default in preference dividends on the Preferred Stock, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock and Class B Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (a "Preferred Director"), shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the Corporation's stockholders, or of the holders of shares of Preferred Stock, called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (a) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (b)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (b) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each

director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding dividend period."

4. The Preferred Stock Committee of the Board of Directors on March 16, 1993, pursuant to the authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by Section 3.03 of the By-Laws of the Corporation and by the resolutions of the Board of Directors set forth above, adopted the following resolution:

"RESOLVED that, pursuant to resolutions of the Board of Directors of Chemical Banking Corporation (the "Corporation") adopted on March 17, 1992 and September 15, 1992, the issue of up to 2,300,000 shares of 7.58% Cumulative Preferred Stock, \$100 stated value per share (\$1 par value) of the Corporation ranking on a parity with the series of Preferred Stock of the Corporation designated as the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series C", the Corporation's "10-3/4% Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series E", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series F", the Corporation's "10.96% Preferred Stock", the Corporation's "10% Convertible Preferred Stock", the Corporation's "8-3/8% Preferred Stock" and the Corporation's "7.92% Cumulative Preferred Stock" is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of all 2,300,000 shares of this Series, in addition to those set forth in the Certificate of Incorporation of the Corporation and, with respect to voting rights, in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992 and September 15, 1992, are hereby fixed as follows:

"1. Designation. The designation of this Series shall be 7.58% Cumulative Preferred Stock (hereinafter

referred to as the "Series") and the number of shares constituting this Series shall be 2,300,000. Shares of this Series shall have a stated value of \$100. The number of authorized shares of this Series may be reduced by further resolution duly adopted by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

"2. Dividends. (a) Dividends shall be payable on the shares of this Series: (i) for the period (the "Initial Dividend Period") from the date of original issue of shares of this Series to and including June 30, 1993, and (ii) for each quarterly dividend period thereafter (the Initial Dividend Period and each quarterly dividend period thereafter being hereinafter individually referred to as a "Dividend Period" and collectively referred to as "Dividend Periods"), which quarterly Dividend Periods shall commence on January 1, April 1, July 1 and October 1 in each year, commencing July 1, 1993, and shall end on and include the day next preceding the first day of the next Dividend Period, at a rate per annum of the stated value thereof equal to 7.58% (the "Dividend Rate"). Dividends shall be cumulative from such date of original issue and shall be payable, when and as declared by the Board of Directors or by the Preferred Stock Committee of the Board of Directors, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1993. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors.

"(b) Dividends payable on this Series for any period greater or less than a full Dividend Period, including the Initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed in the period. Dividends payable on this Series for each full

Dividend Period shall be computed by annualizing the Dividend Rate and dividing by four.

"(c) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(d) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (c) of this Section 2) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid or

declared and set aside for payment for all past Dividend Periods.

"3. Redemption. (a) The shares of this Series are not redeemable prior to April 1, 1998. The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time on or after April 1, 1998, at a redemption price of \$100 per share plus accrued and unpaid dividends thereon to the date fixed for redemption.

"(b) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors or by any other method as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

"(c) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 or more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

"(d) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to

receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(e) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(f) Notwithstanding the foregoing provisions of this Section 3, if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"4. Conversion. The holders of shares of this Series shall not have any rights to convert such shares into shares of any other class or series of capital stock of the Corporation.

"5. Liquidation Rights. (a) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to this Series upon liquidation, the amount of \$100 per share, plus accrued and unpaid dividends thereon.

"(b) After the payment to the holders of the shares of this Series of the full preferential amounts provided

for in this Section 5, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(c) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the stated value of the shares of this Series and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the shares of this Series are not paid in full, the holders of the shares of this Series and of such other shares will share ratably in any such distribution of assets of the Corporation in proportion to the full respective stated values to which they are entitled.

"(d) Neither the sale of all or substantially all the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 5.

"(e) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 5 before any payment shall be made to the holder of any class of capital stock of the Corporation ranking junior to this Series upon liquidation.

"6. Ranking. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(a) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

"(b) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the

holders of such shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(c) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

"7. Voting Rights. The shares of this Series shall have the voting rights set forth in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992."

CERTIFICATE OF DESIGNATIONS
OF
7-1/2% CUMULATIVE PREFERRED STOCK
OF

CHEMICAL BANKING CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

CHEMICAL BANKING CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation on March 17, 1992 and September 15, 1992, and by the Preferred Stock Committee of the Board of Directors on March 16, 1993, respectively, pursuant to authority conferred upon the Board of Directors by the provisions of the Certificate of Incorporation of the Corporation which authorize the issuance of up to 200,000,000 shares of preferred stock, \$1 par value (the "Preferred Stock"), and pursuant to authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by the By-Laws of the Corporation and by the resolutions of the Board of Directors adopted at meetings duly convened and held on March 17, 1992 and September 15, 1992:

1. The Board of Directors on March 17, 1992 adopted the following resolutions authorizing a Preferred Stock Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the issuance of the Preferred Stock:

"RESOLVED that the Board of Directors of Chemical Banking Corporation (the "Board of Directors") deems it advisable and in the best interests of Chemical Banking Corporation (the "Corporation") to provide for the issuance and sale by the Corporation from time to time of shares of preferred stock (\$1 par value), in one or more series, having an aggregate liquidation preference over the Corporation's common stock, \$1 par value (the "Common Stock"), not in excess of \$800,000,000, with such voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as are set forth in, or are determined in accordance with, these resolutions (the "Preferred Shares");

"RESOLVED that the Board of Directors deems it in the best interests of the Corporation to delegate to the Preferred Stock Committee those powers and duties set forth below;

"RESOLVED that the Preferred Stock Committee may, without the further action of the Board of Directors, from time to time authorize the issuance and sale from time to time of one or more series of Preferred Shares for cash or other property, as shall be determined by the Preferred Stock Committee, subject to the limitations above, and any such Preferred Shares may be sold through agents, through underwriters, through dealers and directly to purchasers, in one or more offerings registered under the Securities Act of 1933 (the "Act") or in transactions not required to be registered under the Act, all as shall be determined by the Preferred Stock Committee; and any such issuance and sale of Preferred Shares, including the issuance from time to time of any warrants for such Preferred Shares, common or preferred stock of the Corporation into which any series of Preferred Shares may be convertible or exchangeable and the issuance and sale from time to time of Depositary Shares (as hereinafter defined; it being intended that, unless the context shall otherwise require, when used in these resolutions the term "Preferred Shares" shall also include any warrants or Depositary Shares related thereto) related to the Preferred Shares, be and hereby is authorized and approved;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to act on behalf and in the stead of the Board of Directors in connection with the issuance of one or more series of the Preferred Shares and any common or preferred stock into which such Preferred Shares may be convertible or exchangeable and, in connection therewith, is hereby authorized, to the fullest extent permitted by the Delaware General Corporation Law as it now exists or is hereafter amended, to determine the price at which the Preferred Shares of each such series will be sold by the Corporation, to declare dividends payable on the Preferred Shares, to reserve for issuance on the books of the Corporation or otherwise a sufficient number of shares of any common or preferred stock of the Corporation into which any series of the Preferred Shares may be convertible or exchangeable and to determine the designation, preferences and privileges, the relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof;

"RESOLVED that, without limiting the generality of the preceding resolution, the Preferred Stock Committee is hereby expressly authorized:

"(i) to determine whether the Preferred Shares will be issued in one or more series and the number of shares of any such series;

"(ii) to fix the dividend rate or rates of such shares and/or the methods of determining dividends and the dates on which dividends shall be payable;

"(iii) to determine whether dividends of any series of Preferred Shares shall be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to cumulate;

"(iv) to determine the conversion or exchange provisions, if any, of the shares of any series of the Preferred Shares, including without limitation, the class and series of capital stock of the Corporation into which such shares shall be convertible or exchangeable;

"(v) to determine whether the Corporation shall elect to offer (a) warrants for such Preferred Shares ("warrants") or (b) depositary shares evidenced by depositary receipts, each representing a fraction (to be determined by the Preferred Stock Committee) of a share of a particular series of the Preferred Shares ("Depositary Shares"), which Preferred Shares will be issued and deposited with a depositary, in each case, in lieu of offering full shares of such series of the Preferred Shares;

"(vi) to fix the liquidation preference of the shares of any series of the Preferred Shares, subject to the limitation that the aggregate liquidation preference of all the Preferred Shares issued shall not exceed \$800,000,000;

"(vii) to determine whether the shares of any series of the Preferred Shares shall be subject to redemption, optional or mandatory or pursuant to a sinking fund, and, if such series shall be subject to redemption, the redemption provisions of such series; and

"(viii) to fix or determine any additional dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions thereof;

"RESOLVED that the Preferred Stock Committee be and hereby is authorized and empowered to authorize, approve and take such other action as is deemed advisable in connection with the issuance of one or more series of the Preferred Shares, including, without limitation, the following:

"(i) selecting the underwriters, dealers and agents, if any, to or through which the Preferred Shares will be sold and offered;

"(ii) approving the form and substance, and the execution and delivery, of any underwriting agreement, agency agreement, placement agreement or other agreement to be entered into by the Corporation in connection with the issuance and sale of the Preferred Shares, including, without limitation, setting the amount of any underwriting discounts and other items constituting underwriters' compensation and any discounts and commissions allowed or paid to dealers or agents;

"(iii) selecting the bank or trust company which will act as depositary if Depositary Shares are offered and approving the form and substance, and the execution and delivery, of any deposit agreement to be entered into by the Corporation with such depositary; and

"(iv) appointing a registrar and transfer agent for the registration, transfer and exchange of the Preferred Shares and appointing a dividend disbursing agent for the Preferred Shares;

"RESOLVED that for each series of Preferred Shares a certificate shall be prepared and filed on behalf of the Corporation with the Secretary of State of the State of Delaware pursuant to Section 151 of the General Corporation Law of the State of Delaware (a "Certificate of Designations"); that each such Certificate of Designations be in such form as is approved by action of the Board of Directors or the Preferred Stock Committee; and that the proper officers of the Corporation be and hereby are authorized to execute and file each such Certificate of Designations pursuant to the General Corporation Law of the State of Delaware."

2. The Board of Directors on September 15, 1992 adopted the following resolution authorizing a Preferred Stock Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the issuance of additional shares of the Preferred Stock:

"RESOLVED that the Board of Directors of Chemical Banking Corporation (the "Board of Directors") deems it advisable and in the best interests of Chemical Banking Corporation (the "Corporation") to amend certain resolutions adopted by the Board of Directors on March 17, 1992 pertaining to the authority of the Preferred Stock Committee of the Board (the "March 17, 1992 Resolutions") to authorize the Preferred Stock Committee of the Board of Directors to approve the issuance

and sale by the Corporation from time to time of Preferred Shares as defined in the March 17, 1992 Resolutions, in one or more series, having an additional aggregate liquidation preference over the Corporation's common stock, \$1 par value, not in excess of \$1,300,000,000 (an increase of \$500,000,000 from the \$800,000,000 authorized under the March 17, 1992 Resolutions), with such voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as are set forth in, or are determined in accordance with the March 17, 1992 Resolutions which shall in all other respects remain in full force and effect and are hereby ratified and affirmed."

3. The Board of Directors on March 17, 1992 adopted the following resolution fixing the voting rights of the Preferred Stock authorized by the preceding resolutions:

"RESOLVED that the Certificate of Designations for each series of the Preferred Shares shall provide that the shares of such series shall not have any voting powers either general or special, except that:

"(i) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of such series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designations or any similar document relating to any series of Preferred Stock) so as to affect adversely the preferences, rights, powers or privileges of such series;

"(ii) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of any such series and all other series of Preferred Stock ranking on a parity with shares of such series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of such series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any

class of stock of the Corporation ranking prior to the shares of such series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares; and

"(iii) If at the time of any annual meeting of the Corporation's stockholders for the election of directors there is a default in preference dividends on the Preferred Stock, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock and Class B Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of shares of Preferred Stock (a "Preferred Director"), shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the Corporation's stockholders, or of the holders of shares of Preferred Stock, called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (a) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (b)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (b) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the

Corporation shall be reduced by two. For the purposes hereof, a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding dividend period."

4. The Preferred Stock Committee of the Board of Directors on May 17, 1993, pursuant to the authority conferred upon the Preferred Stock Committee of the Board of Directors by Section 141(c) of the General Corporation Law of the State of Delaware, by Section 3.03 of the By-Laws of the Corporation and by the resolutions of the Board of Directors set forth above, adopted the following resolution:

"RESOLVED that, pursuant to resolutions of the Board of Directors of Chemical Banking Corporation (the "Corporation") adopted on March 17, 1992 and September 15, 1992, the issue of up to 2,300,000 shares of 7-1/2% Cumulative Preferred Stock, \$100 stated value per share (\$1 par value), of the Corporation ranking on a parity with the series of Preferred Stock of the Corporation designated as the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series C", the Corporation's "10-3/4% Cumulative Preferred Stock", the Corporation's "Adjustable Rate Cumulative Preferred Stock, Series F", the Corporation's "10.96% Preferred Stock", the Corporation's "10% Convertible Preferred Stock", the Corporation's "8-3/8% Preferred Stock", the Corporation's "7.92% Cumulative Preferred Stock" and the Corporation's "7.58% Cumulative Preferred Stock" is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions of all 2,300,000 shares of this Series, in addition to those set forth in the Certificate of Incorporation of the Corporation and, with respect to voting rights, in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992 and September 15, 1992, are hereby fixed as follows:

"1. Designation. The designation of this Series shall be 7-1/2% Cumulative Preferred Stock (hereinafter referred to as the "Series") and the number of shares constituting this Series shall be 2,300,000. Shares of this Series shall have a stated value of \$100. The number of authorized shares of this Series may be reduced by further resolution duly adopted by the Board of Directors of the Corporation or the Preferred Stock

Committee of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

"2. Dividends. (a) Dividends shall be payable on the shares of this Series: (i) for the period (the "Initial Dividend Period") from the date of original issue of shares of this Series to and including June 30, 1993, and (ii) for each quarterly dividend period thereafter (the "Initial Dividend Period" and each quarterly dividend period thereafter being hereinafter individually referred to as a "Dividend Period" and collectively referred to as "Dividend Periods"), which quarterly Dividend Periods shall commence on January 1, April 1, July 1 and October 1 in each year, commencing June 30, 1993, and shall end on and include the day next preceding the first day of the next Dividend Period, at a rate per annum of the stated value thereof equal to 7-1/2% (the "Dividend Rate"). Dividends shall be cumulative from such date of original issue and shall be payable, when and as declared by the Board of Directors or by the Preferred Stock Committee of the Board of Directors, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1993. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 45 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by the Preferred Stock Committee of the Board of Directors.

"(b) Dividends payable on this Series for any period greater or less than a full Dividend Period, including the Initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed in the period. Dividends payable on this Series for each full Dividend Period shall be computed by annualizing the Dividend Rate and dividing by four.

"(c) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or

junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other series of Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

"(d) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in paragraph (c) of this Section 2) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid or declared and set aside for payment for all past Dividend Periods.

"3. Redemption. (a) The shares of this Series are not redeemable prior to June 1, 1998. The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time, on or

after June 1, 1998, at a redemption price of \$100 per share plus accrued and unpaid dividends thereon to the date fixed for redemption.

"(b) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors or by any other method as may be determined by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

"(c) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 or more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

"(d) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed

by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

"(e) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or the Preferred Stock Committee of the Board of Directors.

"(f) Notwithstanding the foregoing provisions of this Section 3, if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

"4. Conversion. The holders of shares of this Series shall not have any rights to convert such shares into shares of any other class or series of capital stock of the Corporation.

"5. Liquidation Rights. (a) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to this Series upon liquidation, the amount of \$100 per share, plus accrued and unpaid dividends thereon.

"(b) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section 5, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

"(c) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the

stated value of the shares of this Series and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the shares of this Series are not paid in full, the holders of the shares of this Series and of such other shares will share ratably in any such distribution of assets of the Corporation in proportion to the full respective stated values to which they are entitled.

"(d) Neither the sale of all or substantially all the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 5.

"(e) Upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 5 before any payment shall be made to the holder of any class of capital stock of the Corporation ranking junior to this Series upon liquidation.

"6. Ranking. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

"(a) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

"(b) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

"(c) junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

"7. Voting Rights. The shares of this Series shall have the voting rights set forth in the resolutions of the Board of Directors of the Corporation adopted on March 17, 1992."

BY-LAWS
OF
CHEMICAL BANKING CORPORATION

ARTICLE I

Meetings of Stockholders

Section 1.01. Annual Meeting. The annual meeting of the stockholders of Chemical Banking Corporation (the "Corporation") shall be held on the third Tuesday in May in each year (or, if that day shall be a legal holiday then on the next preceding business day) at such time and place within or without the State of Delaware, as may be specified in the notice thereof, as shall be fixed by the Board of Directors (the "Board"), for the purpose of electing directors and for the transaction of such other business as may properly be brought before such meeting. If any annual meeting shall not be held on the day designated or the directors shall not have been elected thereat or at any adjournment thereof, thereafter the Board shall cause a special meeting of the stockholders to be held as soon as practicable for the election of directors. At such special meeting the stockholders may elect directors and transact other business with the same force and effect as at an annual meeting of the stockholders duly called and held.

Section 1.02. Special Meetings. A special meeting of the stockholders may be called at any time by the Board, the Chairman of the Board (herein called the Chairman), the President or a Vice Chairman of the Board or otherwise as provided by the General Corporation Law of the State of Delaware (herein called Delaware General Corporation Law). Such meetings shall be held at such places, within or without the State of Delaware, as may from time to time be designated by the Board or in the respective notices or waivers of notice thereof.

Section 1.03. Notice of Meetings. Except as may otherwise expressly be required by law, notice of the place, date and hour of holding each annual and special meeting of the stockholders and the purpose or purposes thereof shall be delivered personally or mailed in a postage prepaid envelope, not less than ten (10) nor more than sixty (60) days before the date of such meeting, to each person who appears on the stock books and records of the Corporation as a stockholder entitled to vote at such meeting, and, if mailed, it shall be directed to such stockholder at his address as it appears on such records unless he shall have filed with the Secretary of the Corporation a written request that notice intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting has not been lawfully called or convened, or who shall, either before or after the meeting, submit a signed waiver of notice, in person or by proxy. Unless the Board shall fix a new record date for an adjourned meeting, notice of such adjourned

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meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment was taken, provided that the adjournment is not for more than thirty (30) days.

Section 1.04. Quorum. At each meeting of the stockholders, stockholders holding of record shares of common stock constituting a majority of the voting power of stock of the Corporation having general voting power (shares having such general voting power being hereinafter sometimes referred to as a "voting interest of the stockholders") shall be present in person or by proxy to constitute a quorum for the transaction of business. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat, or in the absence thereof of all the stockholders, any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called. The absence from any meeting of stockholders holding the number of shares of stock of the Corporation required by the laws of the State of Delaware or by the Certificate of Incorporation of the Corporation or by these By-laws for action upon any given matter shall not prevent action at such meeting upon any other matter or matters which may properly come before the meeting, if there shall be present thereat in person or by proxy stockholders holding the number of shares of stock of the Corporation required in respect of such other matter or matters.

Section 1.05. Organization. At each meeting of the stockholders, the Chairman, or, if he shall be absent therefrom, the President, or a Vice Chairman of the Board, or, if they also shall be absent therefrom, another officer of the Corporation chosen as chairman of such meeting by a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat, or, if all the officers of the Corporation shall be absent therefrom, a stockholder holding of record shares of stock of the Corporation so chosen, shall act as chairman of the meeting and preside thereat; and the Secretary, or, if he shall be absent from such meeting or shall be required pursuant to the provisions of this Section to act as chairman of such meeting, the person (who shall be an Assistant Corporate Secretary, if an Assistant Corporate Secretary shall be present thereat) whom the chairman of such meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

Section 1.06. Voting. Except as otherwise provided in the Certificate of Incorporation, each stockholder shall, at each meeting of the stockholders, be entitled to one vote in person or by proxy for each share of stock of the Corporation held by him and registered in his name on the stock books and records of the Corporation:

(a) on the date fixed pursuant to the provisions of Article VI of these By-laws as the record date for the determination of stockholders who shall be entitled to notice of and to vote at such meeting, or

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(b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice of the meeting shall be given.

Persons holding in a fiduciary capacity stock of the Corporation shall be entitled to vote such stock so held, and persons whose stock is pledged shall be entitled to vote such stock, unless in the transfer by the pledgor on the books of the Corporation he shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. If shares of stock of the Corporation shall stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons shall have the same fiduciary relationship respecting the same shares of stock of the Corporation, unless the Secretary shall have been given written notice to the contrary and have been furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(a) if only one shall vote, his act shall bind all;

(b) if more than one shall vote, the act of the majority so voting shall bind all; and

(c) if more than one shall vote, but the vote shall be evenly split on any particular matter, then, except as otherwise required by the Delaware General Corporation Law, each faction may vote the shares in question proportionally.

If the instrument so filed shall show that any such tenancy is held in unequal interests, the majority or even-split for the purpose of the next foregoing sentence shall be a majority or even-split in interest. Any vote on stock of the Corporation may be given at any meeting of the stockholders by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing subscribed by such stockholder or by his attorney thereunto authorized and delivered to the Secretary of the Corporation or to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three (3) years from its date, unless said proxy shall provide for a longer period. At all meetings of the stockholders all matters, except those otherwise specified in these By-laws, and except also those the manner of deciding upon which is otherwise expressly regulated by law or by the Certificate of Incorporation of the Corporation, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. Except in the case of votes for the election of directors, unless demanded by a stockholder of the Corporation present in person or by proxy at any meeting of the stockholders and entitled to vote thereat or so directed by the chairman of the meeting, the vote thereat need not be by ballot. Upon a demand of any such stockholder for a vote by ballot on any question or at the direction of such chairman that a vote by ballot be taken on any question, such vote shall be taken. On a vote by ballot

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each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted.

Section 1.07. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock books and records, either directly or through another officer of the Corporation designated by him or through a transfer agent appointed by the Board, to prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to said meeting, either at a place within the city where said meeting is to be held, which place shall be specified in the notice of said meeting, or, if not so specified, at the place where said meeting is to be held. The list shall also be produced and kept at the time and place of said meeting during the whole time thereof, and may be inspected by any stockholder who shall be present thereat. Upon the willful neglect or refusal of the directors to produce such list at any meeting for the election of directors, they shall be ineligible for election to any office at such meeting. The stock books and records shall be the only evidence as to who are the stockholders entitled to examine the stock books and records of the Corporation, or such list, or to vote in person or by proxy at any meeting of stockholders.

Section 1.08. Inspectors of Election. At each meeting of the stockholders, the chairman of such meeting may appoint two or more Inspectors of Election to act thereat. Each Inspector of Election so appointed shall first subscribe an oath or affirmation faithfully to execute the duties of an Inspector of Election at such meeting with strict impartiality and according to the best of his ability. Such Inspectors of Election, if any, shall take charge of the ballots at such meeting and after the balloting thereat on any question shall count the ballots cast thereon and shall make a report in writing to the secretary of such meeting of the results thereof. An Inspector of Election need not be a stockholder of the Corporation, and any officer of the Corporation may be an Inspector of Election on any question other than a vote for or against his election to any position with the Corporation or on any other question in which he may be directly interested.

ARTICLE II

Board of Directors

Section 2.01. Number. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, of such number as may be fixed from time to time by resolution adopted by the Board or by the stockholders, selected, organized and continued in accordance with the provisions of the laws of the State of Delaware. Each director hereafter elected shall hold office until the annual meeting of stockholders and until his successor is elected

and has qualified, or until his death or until he shall resign or shall have been removed.

Section 2.02. Vacancies. In case of any increase in the number of directors, the additional director or directors, and in case of any vacancy in the Board due to death, resignation, removal, disqualification or any other cause, the successors to fill the vacancies shall be elected by a majority of the directors then in office, for a term expiring at the next annual meeting of stockholders.

Section 2.03. Annual Meeting. An annual meeting of the directors shall be held each year, without notice, immediately following the annual meeting of stockholders. The time and place of such meeting shall be designated by the Board. At such meeting, the directors shall, after qualifying, elect from their own number a Chairman of the Board, a President and one or more Vice Chairmen of the Board, and shall elect or appoint such other officers authorized by these By-laws as they may deem desirable, and appoint the Committees specified in Article III hereof. The directors may also elect to serve at the pleasure of the Board, one or more Honorary Directors, not members of the Board. Honorary Directors of the Board shall be paid such compensation or such fees for attendance at meetings of the Board, and meetings of other committees of the Board, as the Board shall determine from time to time.

Section 2.04. Regular Meetings. The Board shall hold a regular meeting without notice at the principal office of the Corporation on the third Tuesday in each month, with the exception of the month of August, at such time as shall be determined by the Board, unless another time or place, within or without the State of Delaware, shall be fixed by resolution of the Board. Should the day appointed for a regular meeting fall on a legal holiday, the meeting shall be held at the same time on the preceding day or on such other day as the Board may order.

Section 2.05. Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman, the President, a Vice Chairman of the Board, the Secretary or a majority of the directors at the time in office. A notice shall be given as hereinafter in this Section provided of each such special meeting, in which shall be stated the time and place of such meeting, but, except as otherwise expressly provided by law or by these By-laws, the purposes thereof need not be stated in such notice. Except as otherwise provided by law, notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least two (2) days before the day on which such meeting is to be held, or shall be sent addressed to him at such place by telegraph, cable, wireless or other form of recorded communication or be delivered personally or by telephone not later than noon of the calendar day before the day on which such meeting is to be held. At any regular or special meeting of the Board, or any committee thereof, one or more Board or committee members may participate in such meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. This type of participation shall constitute

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presence in person at the meeting. Notice of any meeting of the Board shall not, however, be required to be given to any director who submits a signed waiver of notice whether before or after the meeting, or if he shall be present at such meeting; and any meeting of the Board shall be a legal meeting without any notice thereof having been given if all the directors of the Corporation then in office shall be present thereat.

Section 2.06. Quorum. One-third of the members of the entire Board, or the next highest integer in the event of a fraction, shall constitute a quorum, but if less than a quorum be present, a majority of those present may adjourn any meeting from time to time and the meeting may be held as adjourned without further notice.

Section 2.07. Rules and Regulations. The Board may adopt such rules and regulations for the conduct of its meetings and the management of the affairs of the Corporation as it may deem proper, not inconsistent with the laws of the State of Delaware or these By-laws.

Section 2.08. Compensation. Directors shall be entitled to receive from the Corporation such amount per annum and in addition, or in lieu thereof, such fees for attendance at meetings of the Board or of any committee, or both, as the Board from time to time shall determine. The Board may also likewise provide that the Corporation shall reimburse each such director or member of such committee for any expenses paid by him on account of his attendance at any such meeting. Nothing in this Section contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE III

Committees

Section 3.01. Executive Committee. The Board, by resolution adopted by a majority of the entire Board, shall appoint an Executive Committee which, when the Board is not in session, shall have and may exercise all the powers of the Board that lawfully may be delegated, including without limitation the power and authority to declare dividends. The Executive Committee shall consist of such number of directors as the Board shall from time to time determine, but not less than five and one of whom shall be designated by the Board as Chairman thereof, as follows: (a) the Chairman of the Board, the President, the Vice Chairmen of the Board; and (b) such other directors, none of whom shall be an officer of the Corporation, as shall be appointed to serve at the pleasure of the Board. The Board, by resolution adopted by a majority of the entire Board, may (a) designate one or more directors as alternate members of the Executive Committee or (b) specify that the member or members of the Executive Committee present and not disqualified from voting at a meeting of the Executive Committee, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at such meeting in place of any absent or disqualified member. The attendance of one-third of the members of the Committee or their substitutes, or the next highest integer in the event of a fraction, at any meeting shall constitute a quorum, and the act of a

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majority of those present at a meeting thereof at which a quorum is present shall be the act of the Committee. All acts done and powers conferred by the Committee from time to time shall be deemed to be, and may be certified as being done or conferred under authority of the Board. The Committee shall fix its own rules and procedures, and the minutes of the meetings of the Committee shall be submitted at the next regular meeting of the Board at which a quorum is present, or if impracticable, at the next such subsequent meeting. The Committee shall hold meetings "On Call" and such meetings may be called by the Chairman of the Executive Committee, the Chairman of the Board, the President, a Vice Chairman of the Board, or the Secretary. Notice of each such meeting of the Committee shall be given by mail, telegraph, cable, wireless or other form of recorded communication or be delivered personally or by telephone to each member of the Committee not later than the day before the day on which such meeting is to be held. Notice of any such meeting need not be given to any member of the Committee who submits a signed waiver of notice whether before or after the meeting, or if he shall be present at such meeting; and any meeting of the Committee shall be a legal meeting without any notice thereof having been given, if all the members of the Committee shall be present thereat. In the case of any meeting, in the absence of the Chairman of the Executive Committee, such member as shall be designated by the Chairman of the Executive Committee or the Executive Committee shall act as Chairman of the meeting.

Section 3.02. Audit Committee. The Board, by resolution adopted by a majority of the entire Board, shall appoint an Audit Committee composed of not less than three of its members, none of whom shall be an officer of the Corporation, to hold office at its pleasure and one of whom shall be designated by the Board as Chairman thereof. The Committee shall make such examination into the affairs of the Corporation and make such reports in writing thereof as may be directed by the Board. The attendance of one-third of the members of the Committee, or the next highest integer in the event of a fraction, at any meeting shall constitute a quorum, and the act of a majority of those present at a meeting thereof at which a quorum is present shall be the act of the Committee.

Section 3.03. Other Committees. The Board, by resolution adopted by a majority of the entire Board, may appoint, from time to time, such other committees composed of not less than two of its members for such purposes and with such duties and powers as the Board may determine. The attendance of one-third of the members of such other committees, or the next highest integer in the event of a fraction, at any meeting shall constitute a quorum, and the act of a majority of those present at a meeting thereof at which a quorum is present shall be the act of such other committees.

ARTICLE IV

Officers and Agents

Section 4.01. Officers. The officers of the Corporation shall be (a) a Chairman of the Board, a President and one or more Vice

Chairmen of the Board, each of whom must be a director and shall be elected by the Board; (b) a Chief Financial Officer, a Controller, a Secretary, and a General Auditor, each of whom shall be elected by the Board; and (c) such other officers as may from time to time be elected by the Board or under its authority, or appointed by the Chairman or the President or a Vice Chairman of the Board.

Section 4.02. Clerks and Agents. The Board may elect and dismiss, or the Chairman or the President or a Vice Chairman of the Board may appoint and dismiss, or delegate to any other officers authority to appoint and dismiss, such clerks, agents and employees as may be deemed advisable for the prompt and orderly transaction of the Corporation's business, and may prescribe, or authorize the appointing officers to prescribe, their respective duties, subject to the provisions of these By-laws.

Section 4.03. Term of Office. The officers designated in Section 4.01(a) shall be elected by the Board at its annual meeting. The officers designated in Section 4.01(b) may be elected at the annual or any other meeting of the Board. The officers designated in Section 4.01(c) may be elected at the annual or any other meeting of the Board or appointed at any time by the designated proper officers. Any vacancy occurring in any office designated in Section 4.01(a) may be filled at any regular or special meeting of the Board. The officers elected pursuant to Section 4.01(a) shall each hold office for the term of one year and until their successors are elected, unless sooner disqualified or removed by a vote of two-thirds of the whole Board. All other officers, clerks, agents and employees elected by the Board, or appointed by the Chairman, the President, or a Vice Chairman of the Board, or under their authority, shall hold their respective offices at the pleasure of the Board or officers elected pursuant to Sections 4.01(a).

Section 4.04. Chairman of the Board. The Chairman shall be the chief executive officer of the Corporation and shall have, subject to the control of the Board, general supervision and direction of the business and affairs of the Corporation and of its several officers. He shall preside at all meetings of the stockholders and at all meetings of the Board. He shall have the right to execute any document or perform any act which could be or is required to be executed or performed by the President of the Corporation. He shall have the power to sign checks, orders, contracts, leases, notes, drafts and other documents and instruments in connection with the business of the Corporation, and together with the Secretary or an Assistant Corporate Secretary execute conveyances of real estate and other documents and instruments to which the seal of the Corporation is affixed. He shall perform such other duties as from time to time may be prescribed by the Board.

Section 4.05. President. The President shall, subject to the direction and control of the Board and the Chairman, participate in the supervision of the business and affairs of the Corporation. In general, the President shall perform all duties incident to the office of President, and such other duties as from time to time may be prescribed by the Board or the Chairman. In the absence of the Chairman, the President, shall preside at meetings of stockholders and of the Board. The

President shall have the same power to sign for the Corporation as is prescribed in these By-laws for the Chairman.

Section 4.06. Vice Chairman of the Board. The Vice Chairman of the Board, or if there be more than one, then each of them, shall, subject to the direction and control of the Board and the Chairman, participate in the supervision of the business and affairs of the Corporation, and shall have such other duties as may be prescribed from time to time by the Board or the Chairman. In the absence of the Chairman and the President, a Vice Chairman, as designated by the Chairman or the Board, shall preside at meetings of the stockholders and of the Board. Each Vice Chairman shall have the same power to sign for the Corporation as is prescribed in these By-laws for the Chairman.

Section 4.07. Chief Financial Officer. The Chief Financial Officer shall have such powers and perform such duties as the Board, the Chairman, the President or a Vice Chairman of the Board may from time to time prescribe which may include, without limitation, responsibility for strategic planning, corporate finance, control, tax and auditing and shall perform such other duties as may be prescribed by these By-laws.

Section 4.08. Controller. The Controller shall exercise general supervision of the accounting departments of the Corporation. He shall be responsible to the Chief Financial Officer and shall render reports from time to time relating to the general financial condition of the Corporation. He shall render such other reports and perform such other duties as from time to time may be prescribed by the Chief Financial Officer, a Vice Chairman of the Board, the President or the Chairman.

Section 4.09. Secretary. The Secretary shall:

- (a) record all the proceedings of the meetings of the stockholders, the Board and the Executive Committee in one or more books kept for that purpose;
- (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law;
- (c) be custodian of the seal of the Corporation; and he may see that such seal or a facsimile thereof is affixed to any documents the execution of which on behalf of the Corporation is duly authorized and may attest such seal when so affixed; and
- (d) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be prescribed by the Board and the Chairman.

Section 4.10. Assistant Corporate Secretary. At the request of the Secretary, or in case of his absence or inability to act, the Assistant Corporate Secretary, or if there be more than one, any of the Assistant Corporate Secretaries, shall perform the duties of the Secretary and, when so acting, shall have all the powers of, and be subject to all the

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restrictions upon, the Secretary. Each Assistant Corporate Secretary shall perform such other duties as from time to time may be prescribed by the Secretary, a Vice Chairman of the Board, the President or the Chairman.

Section 4.11. General Auditor. The General Auditor shall continuously examine the affairs of the Corporation. He shall have and may exercise such powers and duties as from time to time may be prescribed by the Board, the Chairman, a Vice Chairman of the Board, the President or the Chief Financial Officer.

Section 4.12. Powers and Duties of Other Officers. The powers and duties of all other officers of the Corporation shall be those usually pertaining to their respective offices, subject to the direction and control of the Board and as otherwise provided in these By-laws.

ARTICLE V

Proxies re Stock or Other Securities of Other Corporations

Unless otherwise provided by the Board, the Chairman, the President, a Vice Chairman of the Board, the Chief Financial Officer or the Secretary may from time to time (a) appoint an attorney or attorneys or an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities in any other corporation to vote or consent in respect of such stock or other securities; (b) instruct the person or persons so appointed as to the manner of exercising such powers and rights; and (c) execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in order that the Corporation may exercise its said powers and rights.

ARTICLE VI

Shares and Their Transfer

Section 6.01. Certificates for Stock. Every owner of stock of the Corporation of any class (or, if stock of any class shall be issuable in series, any series of such class) shall be entitled to have a certificate, in such form as the Board shall prescribe, certifying the number of shares of stock of the Corporation of such class, or such class and series, owned by him. The certificates representing shares of stock of each class (or, if there shall be more than one series of any class, each series of such class) shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the Chairman, the President, or a Vice Chairman of the Board, and by the Secretary or an Assistant Corporate Secretary; provided, however, that if any such certificate is countersigned by a registrar and the Board shall by resolution so authorize, the signatures of such Chairman, President, Vice Chairman of the Board, Secretary or Assistant Corporate Secretary or any transfer agent may be facsimiles. In case any officer or officers or

transfer agent of the Corporation who shall have signed, or whose facsimile signature or signatures shall have been placed upon any such certificate shall cease to be such officer or officers or transfer agent before such certificate shall have been issued, such certificate may be issued by the Corporation with the same effect as though the person or persons who signed such certificate, or whose facsimile signature or signatures shall have been placed thereupon were such officer and officers or transfer agent at the date of issue. A stock ledger shall be kept of the respective names of the persons, firms or corporations owning stock represented by certificates for stock of the Corporation, the number, class and series of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be cancelled and a new certificate or certificates shall not be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in Section 6.04 or otherwise required by law.

Section 6.02. Transfers of Stock. Transfers of shares of the stock of the Corporation shall be made on the stock books and records of the Corporation only by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, or with a transfer agent duly appointed, and upon surrender of the certificate or certificates for such shares properly endorsed and payment of all taxes thereon. The person in whose name shares of stock stand on the stock books and records of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

Section 6.03. Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates for stock of the Corporation. The Board may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

Section 6.04. Lost, Stolen, Destroyed and Mutilated Certificates. The owner of any stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of the certificate therefor, and the Corporation may issue a new certificate for stock in the place of any certificate theretofore issued by it and alleged to have been lost, stolen or destroyed, and the Board may, in its discretion, require the owner of the lost, stolen or destroyed certificate or his legal representatives to give the Corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties, as the Board shall in its uncontrolled discretion determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate, or the issuance of such new certificate. The Board may, however, in its discretion refuse to issue any such new certificate except pursuant to legal proceedings under the laws of the State of Delaware in such case made and provided.

Section 6.05. Fixing Date for Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by Delaware General Corporation Law, shall be the first date on which signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required by Delaware General Corporation Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record

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date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be the close of business on the day on which the Board adopts the resolution relating thereto.

ARTICLE VII

Corporate Seal

The corporate seal of the Corporation shall be in the form of a circle and shall bear the full name of the Corporation and the words and figures "Corporate Seal 1968 Delaware".

ARTICLE VIII

Fiscal Year

The fiscal year of the Corporation shall be the calendar year.

ARTICLE IX

Indemnification

Section 9.01. Right to Indemnification. The Corporation shall to the fullest extent permitted by applicable law as then in effect indemnify any person (the "Indemnitee") who was or is involved in any manner (including, without limitation, as a party or a witness), or is threatened to be made so involved, in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, administrative or investigative (including without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving as the request of the Corporation as a director, officer or employee or agent of another corporation, partnership, joint venture, trust or other enterprise against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such Proceeding. Such indemnification shall be a contract right and shall include the right to receive payment in advance of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

Section 9.02 Contracts and Funding. The Corporation may enter into contracts with any director, officer, employee or agent of the Corporation in furtherance of the provisions of this article IX and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article IX.

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Section 9.03. Employee Benefit Plans. For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee, or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner not opposed to the best interest of a corporation.

Section 9.04. Indemnification Not Exclusive Right. The right of indemnification and advancement of expenses provided in this Article IX shall not be exclusive of any other rights to which a person seeking indemnification may otherwise be entitled, under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. The provisions of this Article IX shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnity under this Article IX and shall be applicable to Proceedings commenced or continuing after the adoption of this Article IX, whether arising from acts or omissions occurring before or after such adoption.

Section 9.05. Advancement of Expenses; Procedures. In furtherance, but not in limitation, of the foregoing provisions, the following procedures and remedies shall apply with respect to advancement of expenses and the right to indemnification under this Article IX:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses.

(b) Written Request for Indemnification. To obtain indemnification under this Article IX, an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made within a reasonable time after receipt by the Corporation of the written request for indemnification together with

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the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnatee has requested indemnification.

(c) Procedure for Determination. The Indemnatee's entitlement to indemnification under this Article IX shall be determined (i) by the Board by a majority vote of a quorum (as defined in Article II of these By-laws) consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders, but only if a majority of the disinterested directors, if they constitute a quorum of the board, presents the issue of entitlement to indemnification to the stockholders for their determination.

ARTICLE X

By-laws

Section 10.01. Inspection. A copy of the By-laws shall at all times be kept in a convenient place at the principal office of the Corporation, and shall be open for inspection by stockholders during business hours.

Section 10.02. Amendments. Except as otherwise specifically provided by statute, these By-laws may be added to, amended, altered or repealed at any meeting of the Board by vote of a majority of the entire Board, provided that written notice of any such proposed action shall be given to each director prior to such meeting, or that notice of such addition, amendment, alteration or repeal shall have been given at the preceding meeting of the Board.

Section 10.03. Construction. The masculine gender, where appearing in these By-laws, shall be deemed to include the feminine gender.

I, JOHN B. WYNNE, Secretary of CHEMICAL BANKING CORPORATION, New York, New York, hereby certify that the foregoing is a correct copy of the By-laws of said Corporation now in force.

Dated:

Secretary

CHEMICAL BANKING CORPORATION
AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER COMMON SHARE

Net income per common share is computed by dividing net income after deducting dividends on preferred stock, by the weighted average number of common shares and common stock equivalents outstanding during the period. Other common stock equivalents such as stock options are not required to be included in the calculation since the applicable dilution tests are not met.

YEAR ENDED DECEMBER 31	AVERAGE COMMON SHARES AND COMMON STOCK EQUIVALENTS OUTSTANDING	NET INCOME APPLICABLE TO COMMON SHARES (a)	NET INCOME PER SHARE

(IN MILLIONS)			
1993	251,207,178	\$ 1,449	\$5.77 (b)
1992	240,402,159	936	3.90
1991	181,372,000	20	.11 (c)

(a) After dividends on preferred stock of \$155 million in 1993, \$153 million in 1992 and \$134 million in 1991.

(b) On January 1, 1993, the Corporation adopted SFAS 106 which resulted in a charge of \$415 million, or \$1.67 per common share, relating to postretirement benefits and also adopted SFAS 109 which resulted in an income tax benefit of \$450 million, or \$1.81 per common share. Net income before the effect of accounting changes was \$5.63 per common share. The net effect of changes in accounting principles increased net income per common share by \$0.14.

(c) For 1991 (due to the existence of Class B Common Stock), the earnings per share using the two-class basis was \$0.06.

CHEMICAL BANKING CORPORATION
AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN MILLIONS, EXCEPT RATIOS)

EXCLUDING INTEREST ON DEPOSITS	YEAR ENDED DECEMBER 31, 1993
Income before Income Taxes and Effect of Accounting Changes	\$ 2,108
Fixed charges:	
Interest expense	1,526
One third of rents, net of income from subleases (a)	108
Total fixed charges	1,634
Less: Equity in undistributed income from subleases	(84)
Earnings before taxes, fixed charges, and effect of accounting changes, excluding capitalized interest	\$ 3,658
Fixed charges, as above	\$ 1,634
Ratio of earnings to fixed charges	2.24
INCLUDING INTEREST ON DEPOSITS	
Fixed charges, as above	\$ 1,634
Add: Interest on Deposits	2,241
Total fixed charges and interest on deposits	\$ 3,875
Earnings before taxes, fixed charges, and effect of accounting changes excluding capitalized interest, as above	\$ 3,658
Add: Interest on deposits	2,241
Total earnings before taxes, fixed charges, effect of accounting changes and interest on deposits	\$ 5,899
Ratio of earnings to fixed charges	1.52

(a) The proportion deemed representative of the interest factor.

CHEMICAL BANKING CORPORATION
AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDEND REQUIREMENTS
(IN MILLIONS, EXCEPT RATIOS)

EXCLUDING INTEREST ON DEPOSITS -----	YEAR ENDED DECEMBER 31, 1993 -----
Income before Income Taxes and Effect of Accounting Changes	\$ 2,108 -----
Fixed charges:	
Interest expense	1,526
One third of rents, net of income from subleases (a)	108 -----
Total fixed charges	1,634 -----
Less: Equity in undistributed income of affiliates	(84) -----
Earnings before taxes, fixed charges, and effect of accounting changes, excluding capitalized interest	\$ 3,658 =====
Fixed charges, as above	\$ 1,634 =====
Preferred stock dividends	155 -----
Fixed charges including preferred stock dividends	\$ 1,789 =====
Ratio of earnings to fixed charges and preferred stock dividend requirements	2.04 =====
INCLUDING INTEREST ON DEPOSITS -----	
Fixed charges including preferred stock dividends	\$ 1,789
Add: Interest on Deposits	2,241 -----
Total fixed charges including preferred stock dividends and interest on deposits	\$ 4,030 =====
Earnings before taxes, fixed charges, and effect of accounting changes excluding capitalized interest, as above	\$ 3,658
Add: Interest on deposits	2,241 -----
Total earnings before taxes, fixed charges, effect of accounting changes and interest on deposits	\$ 5,899 =====
Ratio of earnings to fixed charges and preferred stock dividend requirements	1.46 =====

(a) The proportion deemed representative of the interest factor.

CHEMICAL BANKING CORPORATION

LIST OF SUBSIDIARIES

The Corporation has the following subsidiaries, all of which are included in the Corporation's Consolidated Financial Statements:

NAME -----	ORGANIZED UNDER THE LAWS OF -----	PERCENTAGE OF VOTING SECURITIES OWNED BY IMMEDIATE PARENT -----
Chemical Bank	New York	100 %
CB Capital Investors Inc.	New York	100
ChemLease Worldwide, Inc.	New York	100
Chemco International, Inc.	United States	100
Chemical International Finance, Ltd.	United States	100
CB Beteiligungs und Verwaltungs GmbH	Germany	100
Chemical Bank A.G.	Germany	100
Chemical Bank (Guernsey) Limited	Channel Islands	100
Chemical Bank (U.K.) Holdings Limited	United Kingdom	100
Chemical Investment Bank Limited	United Kingdom	100
Chemical Bank & Trust (Bahamas) Limited	Bahamas	100
Chemical Bank - France	France	100
Chemical Ireland Limited	Ireland	100
Chemical Trust and Banking Company Limited	Japan	100
Banco Chemical (Portugal) S.A.	Portugal	73
Chemical Bank of Canada	Canada	30
Chemical Bank of Canada	Canada	70
Chemical Mortgage Company	Ohio	100
ChemCredit, Inc.	New York	100
Chemical Acceptance Corporation	Delaware	100
Chemical Acceptance Corporation I	Delaware	100
Chemical Mortgage Acceptance Corp.	Delaware	100
Chemical Commercial Mortgage Securities Corp.	New York	100
Chemical Community Development Inc.	Delaware	100
Manufacturers Hanover Leasing Corporation	Delaware	100
Texas Commerce Bancshares, Inc.	Delaware	100
Texas Commerce Equity Holdings, Inc.	Delaware	100
Texas Commerce Bank, N.A.	United States	100
Chemical New Jersey Holdings, Inc.	New Jersey	100
Chemical Bank New Jersey, N.A.	United States	100
Princeton Bank and Trust Company	United States	100
Chemical Investors Services, Inc.	New Jersey	100
Chemical Pennsylvania Corporation	Delaware	100

LIST OF SUBSIDIARIES (CONTINUED)

NAME -----	ORGANIZED UNDER THE LAWS OF -----	PERCENTAGE OF VOTING SECURITIES OWNED BY IMMEDIATE PARENT -----
Brown & Company Securities Corporation	Massachusetts	100 %
CBC-USA, Inc.	Delaware	100
CBC Capital Partners, Inc.	Delaware	100
CBC Holding (Delaware) Inc.	Delaware	100
Chemical Bank Delaware	Delaware	100
Chemical Insurance Agency, Inc.	Delaware	100
The CIT Group Holdings, Inc.	Delaware	40
Chatham Ventures, Inc.	New York	100
Chemical Venture Capital Associates	California	80
Chemical Equity Associates	California	80
Chemical European Equity Associates L.P.	Delaware	80
Chemical Business Credit Corp.	Delaware	100
Chemical Capital Corporation	New York	100
Chemical Connecticut Corporation	Connecticut	100
Chemical Holding Delaware, Inc.	Delaware	100
Chemical Thrift Holdings Inc.	Delaware	100
Chemical Bank Florida (Savings Bank)	Florida	100
Chemical Trust Company of California	California	100
CBC Holding (California) Inc.	California	100
Van Deventer & Hoch	California	50
Chemical Educational Services Corporation	Delaware	100
Chemical Equity Incorporated	New York	100
Chemical Financial Management Corporation	Ohio	100
Chemical Financial Services Corp., Ltd.	Delaware	100
Chemical Futures & Options, Inc.	New York	100
Chemical Investments, Inc.	Delaware	100
Chemical Mortgage Securities, Inc.	New York	100
Chemical New York, N.V.	Netherlands	100
Antilles		100
Chemical Realty Corporation	New York	100
Chemical Securities Inc.	Delaware	100
Chemical Technologies Corporation	New York	100
BankLink, Inc.	New York	100
Manufacturers Hanover Wheelease, Inc.	Delaware	100
Offshore Equities, Inc.	New York	100
The Portfolio Group, Inc.	New York	100

The names of certain other direct and indirect subsidiaries of the Corporation have been omitted from the list above because such unnamed subsidiaries considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-18640, 33-21488, 33-24224, 33-24654, 33-33220, 33-45228, 33-47105, 33-53306, 33-57104, 33-58634, 33-49965, 33-67742 and 33-68724) and in the Registration Statements on Form S-8 (Nos. 33-01776, 33-13457, 33-14997, 33-19852, 33-26523, 33-40675, 33-40272, 33-45017, 33-45018, 33-49911 and 33-49909) of Chemical Banking Corporation of our report dated January 18, 1994 appearing on page 52 of Section B of this Form 10-K.

PRICE WATERHOUSE

New York, New York
March 25, 1994