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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

Date of the Report: April 20, 1994 Commission file number 1-5805

CHEMICAL BANKING CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 13-2624428 |
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification No. |
| 270 Park Avenue, New York, NY | 10172-2070 |
| (Address of principal executive Offices) | (Zip Code) |

Registrant's telephone number, including area code (212) 270-6000

## Item 5. Other Events

1. Chemical Banking Corporation ("the Corporation") announced on April 19, 1994, that 1994 first quarter net income was $319 million, compared with $374 million in the same period a year ago. Net income per common share in the first quarter of 1994 was $1.13, compared with $1.35 per share in the same period a year ago.

   A copy of the Corporation's Press Release announcing the results of operations for the 1994 first quarter is incorporated herein.

## Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

The following exhibits are filed with this Report:

| Exhibit Number | Description |
|---|---|
| 99 | Press Release - 1994 First Quarter Earnings. |

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHEMICAL BANKING CORPORATION
(Registrant)

Dated April 20, 1994

by /s/Joseph L. Sclafani

Joseph L. Sclafani
Controller
[Principal Accounting Officer]

EXHIBIT INDEX

CHEMICAL BANKING CORPORATION NEWS RELEASE

Press Contact: Ken Herz
212- 270-4621
John Stefans
212- 270-7438

Investor Contact: John Borden
212- 270-7318

New York, April 19 -- Chemical Banking Corporation said today that continued good performance in its core businesses and a sharp decline in credit costs in the first quarter led to net income of $319 million, or $1.13 per common share. These results were 16 percent higher than earnings on a comparable basis of $276 million in the first quarter of 1993, before accounting changes and tax benefits.

Reported net income in last year's first quarter was $374 million, or $1.35 per share, when the corporation benefited from $98 million in one-time gains, including a net favorable impact of $35 million from the adoption of new accounting standards and an income tax benefit of $63 million.

Results for the first quarter of 1994 included a restructuring charge of $48 million ($28 million after-tax) related to the previously reported closing of 50 New York branches and a staff reduction of 650. On an annualized basis, Chemical expects to save $44 million pre-tax through this rationalization of its branch system, part of an ongoing, corporate-wide program to improve productivity.

"The quarter was characterized by major progress in achieving key financial objectives -- growth in fee-based income, a lower risk profile, productivity initiatives and a Double A credit rating," said Walter V. Shipley, chairman and chief executive officer.

Earlier this month, Moody's Investors Service raised its rating on long-term deposits and other senior obligations of Chemical Bank to Aa3 from A1. It also raised Chemical Banking Corporation's ratings on commercial paper, senior debt, subordinated debt and preferred stock. Chemical Bank's subordinated debt rating was also upgraded.

Total stockholders' equity at March 31 was $11.0 billion, up $490 million from $10.5 billion a year ago. The corporation's estimated Tier I risk-based capital ratio was 8.2 percent at March 31, compared with 7.5 percent a year ago. At March 31, the estimated total risk-based capital ratio was 12.3 percent, up from 11.8 percent a year ago.

## NET INTEREST INCOME

Net interest income for the first quarter was $1.143 billion, compared with $1.149 billion in the same year-ago period. The net yield on interest-earning assets was 3.59 percent in the first quarter, compared with 3.82 percent in the year-ago first quarter.

Average interest-earning assets for the first quarter were $129.8 billion, compared with $122.6 billion in the year-ago period. The composition of average earning assets continued to shift in response to growth in liquid assets to support trading businesses and securities, more than offsetting declines in loans. While net interest income was only slightly below the 1993 level, the shift to lower-spread liquid assets has exerted downward pressure on the net yield on interest-earning assets.

In the latest quarter, liquid assets and securities averaged $55.3 billion, compared with $41.2 billion in 1993. Total loans averaged $74.5 billion in the first quarter versus $81.4 billion a year ago.

## NONINTEREST REVENUE

Noninterest revenue for the first quarter was $931 million, up from $925 million in the same period a year ago, despite a $67 million decline in trading revenue.

The results reflected increases in revenues from corporate finance fees, revolving credit fees, and trust and investment management fees.

Fees for revolving credit products were $75 million, up 42 percent from $53 million, reflecting the launch of the Shell MasterCard in the fourth quarter of 1993. Trust and investment management fees were $110 million, up 12 percent from $98 million a year ago, as a result of investments made in the personal trust business.

Combined revenues from all trading activities were $185 million in the first quarter, compared with $252 million in the same year-ago period. Results from foreign exchange, risk management products and securities trading were mixed in a challenging environment, while emerging markets trading was weak.

Corporate finance fees were $82 million, up from $71 million in the first quarter a year ago.

Other noninterest revenue in the first quarter was $149 million, compared with $116 million in the first quarter a year ago. The 1994 first quarter included $45 million in net gains from the sale of LDC-related past due interest and other bonds. The 1993 first quarter included $56 million in revenue from the sale of such bonds.

Venture capital revenue increased to $84 million in the first quarter of 1994 compared with $28 million a year ago. Securities gains in the first quarter were $46 million, compared with $70 million in the first quarter of 1993.

NONINTEREST EXPENSE

Noninterest expense in the first quarter, including the $48 million restructuring charge, was $1.324 billion, compared with $1.276 billion in the first quarter of 1993. The 1993 first quarter results included a one-time restructuring charge of $43 million related to the federally-assisted acquisition in February 1993 of major components of First City Bancorporation of Texas, Inc. by Chemical's affiliate, Texas Commerce Bancshares.

Excluding the one-time charges, the 3.5 percent increase in year-over-year non-interest expense is primarily attributable to approximately $26 million in additional operating expenses associated with 1993 acquisitions in Texas and approximately $32 million of operating expenses related to the Shell MasterCard.

Foreclosed property expense in the first quarter decreased 51 percent to $35 million from the 1993 first quarter period level of $71 million, reflecting significant progress in managing the corporation's real estate portfolio. Real estate owned totaled $791 million as of March 31, 1994 compared with $1.119 billion on March 31, 1993.

For the first quarter, the ratio of noninterest expense (excluding one-time charges) to total revenue was 61.5 percent, compared with 59.5 percent in the first quarter a year ago.

PROVISION AND ALLOWANCE FOR LOSSES

The provision for losses was $205 million in the first quarter, compared with $286 million in the fourth quarter of 1993 and $312 million in the first quarter of 1993.

Consumer net charge-offs were $90 million in the first quarter, compared with $89 million in the fourth quarter and $97 million in the first quarter a year ago. Commercial net charge-offs were $140 million in the first quarter, compared with $197 million in the fourth quarter and $215 million in the first quarter of 1993.

Total non-LDC net charge-offs were $230 million in the first quarter, compared with $286 million in the fourth quarter of 1993 and $312 million in the first quarter a year ago. LDC net charge-offs, including losses on sales and swaps, were $6 million in the first quarter, compared with $51 million in the same period a year ago.

The provision for losses in the first quarter of 1994 was lower than non-LDC net charge-offs as a result of management's evaluation of continuing improvement in the corporation's credit environment. As a result of the ongoing decline in nonperforming assets, reserve coverage reached 126 percent of nonperforming loans as of March 31, 1994.

At March 31, the non-LDC allowance for losses was $2.400 billion, compared with $2.220 billion on the same date a year ago.

The LDC allowance at March 31 was $591 million, compared with $768 million on the same date a year ago. Total LDC medium- and long-term outstandings at March 31 were $1.8 billion, versus $3.2 billion on the same date a year ago.

## NONPERFORMING ASSETS

At March 31, total nonperforming assets were $3.203 billion, down $322 million, or 9 percent, from $3.525 billion at December 31 and down $2.503 billion, or 44 percent, from $5.706 billion on March 31 a year ago. Nonperforming assets have declined by $3.384 billion, or 51 percent, since the peak in the third quarter of 1992. Based on the current view of the portfolio, the corporation expects that nonperforming assets will continue to decline in coming quarters.

Total non-LDC nonperforming assets at March 31 were $2.679 billion, down from $2.903 billion at December 31 and from $4.476 billion a year ago. Non-LDC nonperforming loans at March 31 were $1.845 billion, down from $1.969 billion at December 31 and down from $3.218 billion at March 31, 1993. Assets acquired as loan satisfactions were $834 million at March 31, down from $934 million at December 31 and down $424 million from $1.258 billion on March 31 a year ago.

LDC nonperforming loans were $524 million at March 31, compared with $1.230 billion on the same date a year ago.

## Nonperforming Assets

| ($ in millions) | 3/31/94 | 12/31/93 | 3/31/93 |
|---|---|---|---|
| Non-LDC nonperforming loans | $1,845 | $1,969 | $3,218 |
| Assets acquired as loan satisfactions | 834 | 934 | 1,258 |
| Total non-LDC nonperforming assets | 2,679 | 2,903 | 4,476 |
| LDC nonperforming loans: | | | |
| Brazil | 307 | 403 | 594 |
| Argentina | 6 | 7 | 316 |
| Other LDC countries | 211 | 212 | 320 |
| Total LDC nonperforming loans | 524 | 622 | 1,230 |
| Total nonperforming assets | $3,203 | $3,525 | $5,706 |

| Allowance for Losses ($ in millions) | 3/31/94 | 3/31/93 |
|---|---|---|
| Total allowance for losses | $2,991 | $2,988 |
| As a % of total loans | 4.0% | 3.7% |
| Non-LDC allowance for losses | $2,400 | $2,220 |
| As a % of non-LDC loans | 3.3% | 2.9% |
| LDC allowance for losses | $591 | $768 |
| As a % of term outstandings including previous charge-offs with claims retained | 59%* | 56% |

* 32% excluding previous charge-offs with claims retained

## Stockholders' Equity and Capital Ratios

| ($ in billions) | 3/31/94 | 3/31/93 |
|---|---|---|
| Total stockholders' equity | $11.0 | $10.5 |
| Common stockholders' equity | $9.3 | $8.4 |
| Ratios: | | |
| Total equity to assets | 6.6%(a) | 7.1% |
| Common equity to assets | 5.6%(a) | 5.7% |
| Tier I Leverage | 6.2%(a,b) | 6.7% |
| Risk-based capital: | | |
| Tier I (4.0% required) | 8.2%(b,c) | 7.5% |
| Total (8.0% required) | 12.3%(b,c) | 11.8% |

(a) On January 1, 1994, the corporation adopted FASI 39, which increased total assets approximately $14.5 billion at March 31, 1994 and total average assets by approximately $13.1 billion for the 1994 first quarter.
(b) The 1994 ratios exclude the net unfavorable impact on stockholders' equity of $192 million resulting from adoption of SFAS No. 115 on December 31, 1993.
(c) Estimated

## OTHER FINANCIAL DATA

The corporation's effective tax rate was 41.5 percent and 30.3 percent in the first quarter of 1994 and 1993, respectively. Tax expense for the first quarter of 1993 included an income tax benefit of approximately $63 million. Because the corporation recognized its remaining available Federal tax benefits in the third quarter of 1993, the corporation's earnings beginning in the fourth quarter of 1993 were reported on a fully-taxed basis.

SFAS No. 115 resulted in a net unfavorable impact of approximately $192 million after-tax on the corporation's stockholders' equity at March 31, 1994 compared with a favorable impact of $215 million at December 31, 1993. The net change from the 1993 year-end was primarily the result of the higher interest rate environment and the declining value of Brady bonds.

On January 1, 1994, the corporation adopted FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," 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. The adoption of this Interpretation has resulted in an increase in assets and liabilities of $14.5 billion at March 31, 1994, with unrealized gains reported as Trading Account-Risk Management Instruments and the unrealized losses reported in Other Liabilities.

Total assets at March 31 were $166.0 billion, versus $147.5 billion on the same date a year ago. Total loans at March 31 were $74.7 billion, compared with $81.2 billion a year ago. At the end of the first quarter, total deposits were $95.1 billion, compared with $93.2 billion at March 31, 1993.

The return on average total assets for the first quarter was .79 percent, compared with 1.06 percent in the same year-ago period. The return on average common stockholders' equity was 12.24 percent for the first quarter, compared with 16.47 percent in the first quarter of 1993.

Book value per common share was $36.74 at March 31, versus $33.50 per share on the same date a year ago.

TEXAS COMMERCE BANCSHARES

Texas Commerce Bancshares (TCB) earned $51 million in the first quarter, versus $29 million in the year-ago first quarter. Excluding the one-time restructuring charge of $43 million ($30 million after-tax) and net benefits of $14 million resulting from the previously-mentioned accounting changes, income for the first quarter of 1993 would have been $45 million.

The net yield on interest-earning assets was 3.86 percent in the first quarter, versus 4.18 percent in the 1993 first quarter.

At March 31, total assets of TCB were $21.2 billion, versus $21.0 billion a year ago.

# # #

UNAUDITED

CHEMICAL BANKING CORPORATION and Subsidiaries
(in millions, except per share and ratio data)

| | Three Months Ended March 31, 1994 | 1993 | Pro-Forma(a) 1993 |
|---|---|---|---|
| **EARNINGS:** | | | |
| Income Before Effect of Accounting Changes | $ 319 | $ 339 | $ 276 |
| Net Effect of Changes in Accounting Principles | --- | 35 | 35 |
| Net Income | $ 319 | $ 374 | $ 311 |
| Net Income Applicable to Common Stock | $ 287 | $ 335 | $ 272 |
| **PER COMMON SHARE:** | | | |
| Income Before Effect of Accounting Changes | $ 1.13 | $ 1.21 | $ .95 |
| Net Effect of Changes in Accounting Principles | --- | .14 | .14 |
| Net Income | $ 1.13 | $ 1.35 | $ 1.09 |
| Book Value at March 31, | $36.74 | $ 33.50 | |
| Market Value at March 31, | $36.38 | $ 40.38 | |
| Common Stock Dividends Declared | $ 0.38(b) | $ 0.33 | |
| **COMMON SHARES:** | | | |
| Average Outstanding | 253.2 | 248.5 | |
| Period End Outstanding | 253.3 | 251.5 | |
| **BALANCE SHEET AVERAGES:** | | | |
| Loans | $ 74,481 | $ 81,423 | |
| Securities | $ 26,406 | $ 23,307 | |
| Total Assets | $164,152(c) | $142,613 | |
| Deposits | $ 97,093 | $ 94,785 | |
| Long-Term Debt | $ 8,498 | $ 7,470 | |
| Stockholders' Equity | $ 11,166 | $ 10,113 | |
| **PERFORMANCE RATIOS: (Average Balances) (d)** | | | |
| Return on Assets | 0.79%(c) | 1.06% | |
| Return on Common Stockholders' Equity | 12.24% | 16.47% | |
| Return on Total Stockholders' Equity | 11.59% | 15.00% | |
| **CAPITAL RATIOS AT MARCH 31:** | | | |
| Total Stockholders' Equity to Assets | 6.6%(c) | 7.1% | |
| Common Stockholders' Equity to Assets | 5.6%(c) | 5.7% | |
| Tier 1 Leverage | 6.2%(c)(e) | 6.7% | |
| Risk-Based Capital: | | | |
| Tier 1 (4.0% required) | 8.2%(e)* | 7.5% | |
| Total (8.0% required) | 12.3%(e)* | 11.8% | |

(a) The Corporation recognized its remaining available Federal tax benefits in the third quarter of 1993 and as a result the Corporation's earnings beginning in the fourth quarter of 1993 are reported on a fully-taxed basis. The pro-forma column assumes that the Corporation's 1993 first quarter results are reported on a fully-taxed basis.

(b) In the fourth quarter of 1993, the Corporation increased its quarterly common stock dividend to $0.38 per share.

(c) On January 1, 1994, the Corporation adopted FASI 39, which increased total assets by approximately $14.5 billion at March 31, 1994 and total average assets by approximately $13.1 billion for the 1994 first quarter.

(d) Quarterly performance ratios are based on annualized net income amounts.

(e) The 1994 amounts exclude the net unfavorable impact on

stockholders' equity of $192 million resulting from the adoption
of SFAS No. 115.

* Estimated.

UNAUDITED
CHEMICAL BANKING CORPORATION and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
(in millions, except per share data)

| | Three Months Ended March 31, 1994 | Three Months Ended March 31, 1993 |
|---|---|---|
| INTEREST INCOME | | |
| Loans | $1,307 | $ 1,465 |
| Securities | 416 | 428 |
| Trading Assets | 173 | 94 |
| Federal Funds Sold and Securities Purchased Under Resale Agreements | 100 | 76 |
| Deposits with Banks | 94 | 61 |
| Total Interest Income | 2,090 | 2,124 |
| INTEREST EXPENSE | | |
| Deposits | 520 | 593 |
| Short-Term and Other Borrowings | 292 | 252 |
| Long-Term Debt | 135 | 130 |
| Total Interest Expense | 947 | 975 |
| NET INTEREST INCOME | 1,143 | 1,149 |
| Provision for Losses | 205 | 312 |
| NET INTEREST INCOME AFTER PROVISION FOR LOSSES | 938 | 837 |
| NONINTEREST REVENUE | | |
| Trust and Investment Management Fees | 110 | 98 |
| Corporate Finance and Syndication Fees | 82 | 71 |
| Service Charges on Deposit Accounts | 69 | 67 |
| Fees for Other Banking Services | 290 | 251 |
| Trading Account and Foreign Exchange Revenue | 185 | 252 |
| Securities Gains | 46 | 70 |
| Other Revenue | 149 | 116 |
| Total Noninterest Revenue | 931 | 925 |
| NONINTEREST EXPENSE | | |
| Salaries | 518 | 501 |
| Employee Benefits | 119 | 102 |
| Occupancy Expense | 146 | 145 |
| Equipment Expense | 84 | 75 |
| Foreclosed Property Expense | 35 | 71 |
| Restructuring Charge | 48 | 43 |
| Other Expense | 374 | 339 |
| Total Noninterest Expense | 1,324 | 1,276 |
| INCOME BEFORE INCOME TAX EXPENSE AND EFFECT OF ACCOUNTING CHANGES | 545 | 486 |
| Income Tax Expense | 226 | 147 |
| INCOME BEFORE EFFECT OF ACCOUNTING CHANGES | 319 | 339 |
| Net Effect of Changes in Accounting Principles | -- | 35(a) |
| NET INCOME | $ 319 | $ 374 |
| NET INCOME APPLICABLE TO COMMON STOCK | $ 287 | $ 335 |
| PER COMMON SHARE: | | |
| Income Before Effect of Accounting Changes | $ 1.13 | $ 1.21 |
| Net Effect of Changes in Accounting Principles | -- | .14 |
| Net Income | $ 1.13 | $ 1.35 |
| AVERAGE COMMON SHARES OUTSTANDING | 253.2 | 248.5 |

[FN]
(a) On January 1, 1993, the Corporation adopted SFAS 106 which

resulted in a charge of $415 million relating to postretirement benefits and also adopted SFAS 109 which resulted in an income tax benefit of $450 million.

UNAUDITED
CHEMICAL BANKING CORPORATION and Subsidiaries
CONSOLIDATED BALANCE SHEET
(in millions)

| | March 31, 1994 | March 31, 1993 |
|---|---|---|
| ASSETS | | |
| Cash and Due from Banks | $ 8,286 | $ 7,440 |
| Deposits with Banks | 3,886 | 4,137 |
| Federal Funds Sold and Securities Purchased Under Resale Agreements | 11,722 | 9,962 |
| Trading Assets: | | |
| Debt and Equity Instruments | 13,357 | 7,374 |
| Risk Management Instruments | 17,136(a) | --- |
| Securities: | | |
| Held-to-Maturity | 10,149 | 17,053 |
| Available-for-Sale | 17,237 | 7,234 |
| Loans (Net of Unearned Income) | 74,661 | 81,227 |
| Allowance for Losses | (2,991) | (2,988) |
| Premises and Equipment | 2,004 | 1,717 |
| Due from Customers on Acceptances | 1,109 | 1,246 |
| Accrued Interest Receivable | 986 | 1,013 |
| Assets Acquired as Loan Satisfactions | 834 | 1,258 |
| Other Assets | 7,661 | 10,822 |
| TOTAL ASSETS | $166,037 | $ 147,495 |
| LIABILITIES | | |
| Deposits: | | |
| Demand (Noninterest Bearing) | $ 21,473 | $ 20,357 |
| Time and Savings | 49,939 | 52,288 |
| Foreign | 23,709 | 20,529 |
| Total Deposits | 95,121 | 93,174 |
| Federal Funds Purchased and Securities Sold Under Repurchase Agreements | 16,016 | 16,071 |
| Other Borrowed Funds | 13,348 | 12,952 |
| Acceptances Outstanding | 1,112 | 1,297 |
| Accounts Payable and Accrued Liabilities | 2,158 | 2,832 |
| Other Liabilities | 18,874(a) | 2,960 |
| Long-Term Debt | 8,447 | 7,738 |
| TOTAL LIABILITIES | 155,076 | 137,024 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock | 1,654 | 2,048 |
| Common Stock | 254 | 252 |
| Capital Surplus | 6,565 | 6,538 |
| Retained Earnings | 2,692 | 1,645 |
| Net Unrealized Loss on Securities Available-for-Sale (Net of Taxes) | (192)(b) | --- |
| Treasury Stock, at Cost | (12) | (12) |
| TOTAL STOCKHOLDERS' EQUITY | 10,961 | 10,471 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $166,037 | $147,495 |

[FN]

(a) On January 1, 1994, the Corporation adopted FASB Interpretation No. 39. As a result, assets and liabilities increased by $14.5 billion at March 31, 1994 with unrealized gains reported as Trading Assets-Risk Management Instruments and the unrealized losses reported in Other Liabilities. Prior to adoption, unrealized gains and losses were reported net in Other Assets.

(b) On December 31, 1993, the Corporation adopted SFAS 115. Securities that are identified as available-for-sale are accounted for at fair value with the related unrealized gains and losses included in stockholders' equity.

UNAUDITED
CHEMICAL BANKING CORPORATION and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
(in millions)

| | 1994 | 1993 |
|---|---|---|
| BALANCE AT JANUARY 1, | $11,164 | $ 9,851 |
| Net Income | 319 | 374 |
| Dividends Declared: | | |
| Preferred Stock | (32) | (39) |
| Common Stock | (96) | (83) |
| Issuance of Preferred Stock | --- | 200 |
| Issuance of Common Stock | 13 | 167 |
| Net Unrealized Loss on Securities Available-for-Sale (Net of Taxes) | (407) | --- |
| Accumulated Translation Adjustment | --- | 1 |
| Net Change in Stockholders' Equity | (203) | 620 |
| BALANCE AT MARCH 31, | $10,961 | $10,471 |

UNAUDITED
CHEMICAL BANKING CORPORATION and Subsidiaries
ALLOWANCE RELATED INFORMATION
(in millions, except ratios)

| Allowance for Losses | Three Months Ended March 31, 1994 | 1993 |
|---|---|---|
| Non-LDC Allowance: | | |
| Balance at Beginning of Period | $2,423 | $ 2,206 |
| Provision for Losses | 205 | 312 |
| Net Charge-Offs | (230) | (312) |
| Allowance Related to Purchased Assets | --- | 19(a) |
| Other | 2 | (5) |
| Balance at End of Period | 2,400 | 2,220 |
| LDC Allowance: | | |
| Balance at Beginning of Period | 597 | 819 |
| Provision for Losses | -- | -- |
| Net Charge-Offs and Losses on Sales and Swaps | (6) | (51) |
| Balance at End of Period | 591 | 768 |
| Total Allowance for Losses | $2,991 | $ 2,988 |
| Allowance Coverage Ratios (at period-end): | | |
| Allowance to Total Loans | 4.0% | 3.7% |
| Allowance to Nonperforming Loans | 126 | 67 |
| Non-LDC Allowance to Non-LDC Nonperforming Loans | 130 | 69 |
| LDC Allowance to LDC Nonperforming Loans | 113 | 62 |
| LDC Allowance to: | | |
| Medium- and Long-Term LDC Outstandings | 32 | 24 |
| Total LDC Outstandings | 16 | 19 |
| LDC Allowance Adjusted for Prior Charge-Offs with Claims Retained to Medium- and Long-Term Outstandings and Claims Retained | 59 | 56 |

[FN]
(a) Related to the First City Banks acquisition.

UNAUDITED
CHEMICAL BANKING CORPORATION and Subsidiaries
Average Consolidated Balance Sheet, Interest and Rates
(Taxable-Equivalent Interest and Rates; in millions)

| | Three Months Ended March 31, 1994 | | | Three Months Ended March 31, 1993 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest | Rate (Annualized) | Average Balance | Interest | Rate (Annualized) |
| ASSETS | | | | | | |
| Deposits with Banks | $ 5,153 | $ 94 | 7.37% | $ 3,521 | $ 61 | 7.04% |
| Federal Funds Sold and Securities Purchased Under Resale Agreements | 11,887 | 100 | 3.42% | 8,711 | 76 | 3.52% |
| Trading Assets | 11,877 | 173 | 5.92% | 5,638 | 94 | 6.75% |
| Securities | 26,406 | 417 | 6.40% | 23,307 | 429 | 7.47% |
| Loans | 74,481 | 1,311 | 7.14% | 81,423 | 1,469 | 7.32% |
| Total Interest-Earning Assets | $129,804 | $2,095 | 6.54% | $ 122,600 | 2,129 | 7.04% |
| Allowance for Losses | (3,086) | | | (3,115) | | |
| Cash and Due from Banks | 8,833 | | | 8,376 | | |
| Risk Management Instruments | 15,393 | | | -- | | |
| Other Assets | 13,208 | | | 14,752 | | |
| Total Assets | $164,152 | | | $ 142,613 | | |
| LIABILITIES | | | | | | |
| Domestic Retail Time Deposits | $ 46,047 | $ 248 | 2.18% | $ 45,705 | $ 308 | 2.73% |
| Domestic Negotiable Certificates of Deposit and Other Deposits | 5,450 | 46 | 3.43% | 6,550 | 49 | 3.05% |
| Deposits in Foreign Offices | 22,971 | 226 | 3.99% | 21,519 | 236 | 4.45% |
| Total Interest-Bearing Deposits | 74,468 | 520 | 2.83% | 73,774 | 593 | 3.26% |
| Short-Term and Other Borrowings: | | | | | | |
| Federal Funds Purchased and Securities Sold Under Repurchase Agreements | 16,060 | 137 | 3.47% | 16,189 | 138 | 3.46% |
| Commercial Paper | 2,408 | 21 | 3.55% | 2,385 | 22 | 3.66% |
| Other | 9,665 | 134 | 5.61% | 5,818 | 92 | 6.45% |
| Total Short-Term and Other Borrowings | 28,133 | 292 | 4.21% | 24,392 | 252 | 4.19% |
| Long-Term Debt | 8,498 | 135 | 6.43% | 7,470 | 130 | 7.04% |
| Total Interest-Bearing Liabilities | 111,099 | 947 | 3.46% | 105,636 | 975 | 3.74% |
| Demand Deposits | 22,625 | | | 21,011 | | |
| Risk Management Instruments | 13,068 | | | -- | | |
| Other Liabilities | 6,194 | | | 5,853 | | |
| Total Liabilities | 152,986 | | | 132,500 | | |
| STOCKHOLDERS' EQUITY | | | | | | |
| Preferred Stock | 1,654 | | | 1,865 | | |
| Common Stockholders' Equity | 9,512 | | | 8,248 | | |
| Total Stockholders' Equity | 11,166 | | | 10,113 | | |
| Total Liabilities and Stockholders' Equity | $164,152 | | | $142,613 | | |
| SPREAD ON INTEREST-BEARING LIABILITIES | | | 3.08% | | | 3.30% |
| NET INTEREST INCOME AND NET YIELD ON INTEREST-EARNING ASSETS | | $1,148 | 3.59% | | $1,154 | 3.82% |

UNAUDITED

TEXAS COMMERCE BANCSHARES, INC. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions)

| | Three Months Ended March 31, 1994 | 1993 |
|---|---|---|
| NET INTEREST INCOME | $ 162 | $ 170 |
| Provision for Losses | (10) | 6 |
| Net Interest Income After Provision for Losses | 172 | 164 |
| NONINTEREST REVENUE | 106 | 93 |
| NONINTEREST EXPENSE | 197 | 240(a) |
| Income Before Income Tax Expense and Effect of Accounting Changes | 81 | 17 |
| Income Tax Expense | 30 | 2 |
| Income Before Effect of Accounting Changes | 51 | 15 |
| Net Effect of Changes in Accounting Principles | -- | 14 |
| NET INCOME | $ 51 | $ 29 |

[FN]
(a) Includes a $43 million restructuring charge associated with the First City Banks acquisition.

TEXAS COMMERCE BANCSHARES, INC. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

| | Three Months Ended March 31, 1994 | 1993 |
|---|---|---|
| ASSETS | | |
| Cash and Due from Banks | $ 2,235 | $ 1,880 |
| Deposits with Banks | 5 | 15 |
| Federal Funds Sold and Securities Purchased Under Resale Agreements | 5,093 | 4,776 |
| Trading Assets | 29(a) | 17 |
| Securities: | | |
| Held-to-Maturity | 1,391 | 1,816 |
| Available-for-Sale | 1,452 | 465 |
| Loans (Net of Unearned Income) | 9,550 | 10,721 |
| Allowance for Losses | (338) | (389) |
| Assets Acquired as Loan Satisfactions | 80 | 168 |
| All Other Assets | 1,675 | 1,575 |
| TOTAL ASSETS | $21,172 | $ 21,044 |
| LIABILITIES | | |
| Demand Deposits (Noninterest Bearing) | $ 5,872 | $ 5,415 |
| Domestic and Foreign Interest Bearing Deposits | 10,665 | 11,816 |
| All Other Liabilities | 2,857 | 2,103 |
| TOTAL LIABILITIES | 19,394 | 19,334 |
| STOCKHOLDER'S EQUITY | 1,778 | 1,710 |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | $21,172 | $ 21,044 |

[FN]
(a) Includes $23 million of risk management instruments as a result of the adoption of FASB Interpretation No. 39.