J P MORGAN CHASE & CO

FORM 10-Q
(Quarterly Report)

Filed 5/15/1995 For Period Ending 3/31/1995

Address	270 PARK AVE 39TH FL
	NEW YORK, New York 10017
Telephone	212-270-6000
CIK	0000019617
Industry	Money Center Banks
Sector	Financial
Fiscal Year	12/31

Generated by **EDGAR Online Pro**
http://pro.edgar-online.com

EDGAR Online

Contact **EDGAR Online**
Customer Service: 203-852-5666
Corporate Sales: 212-457-8200

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1995

Commission file number 1-5805

CHEMICAL BANKING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2624428
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
270 Park Avenue, New York, New York	10017
(Address of principal executive offices)	(Zip Code)

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

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....

Common Stock, $1 Par Value	240,881,338

Number of shares outstanding of each of the issuer's classes of common stock on April 30, 1995.

FORM 10-Q INDEX

Part I		Page
Item 1	Financial Statements - Chemical Banking Corporation and Subsidiaries:	
	Consolidated Balance Sheet at March 31, 1995 and December 31, 1994.	3
	Consolidated Statement of Income for the three months ended March 31, 1995 and March 31, 1994.	4
	Consolidated Statement of Cash Flows for the three months ended March 31, 1995 and March 31, 1994.	5

Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 1995 and March 31, 1994. 6

Notes to Financial Statements. 6-16

Item 2 Management's Discussion and Analysis of Financial
Condition and Results of Operations. 17-49

Part II

Item 1 Legal Proceedings 50

Item 6 Exhibits and Reports on Form 8-K. 50

Part I

Item 1.
CHEMICAL BANKING CORPORATION and Subsidiaries

CONSOLIDATED BALANCE SHEET
(in millions)

	March 31, 1995	December 31, 1994
ASSETS		
Cash and Due from Banks	$ 7,819	$ 8,832
Deposits with Banks	2,718	5,649
Federal Funds Sold and Securities Purchased Under Resale Agreements	15,044	12,797
Trading Assets:		
Debt and Equity Instruments	10,900	11,093
Risk Management Instruments	29,977	17,709
Securities:		
Held-to-Maturity (Market Value: $8,230 and $8,106)	8,442	8,566
Available-for-Sale	19,407	18,431
Loans (Net of Unearned Income: $615 and $460)	80,369	78,767
Allowance for Credit Losses	(2,455)	(2,480)
Premises and Equipment	2,140	2,134
Due from Customers on Acceptances	1,083	1,088
Accrued Interest Receivable	1,224	1,190
Assets Acquired as Loan Satisfactions	61	210
Assets Held for Accelerated Disposition	402	526
Other Assets	8,150	6,911
TOTAL ASSETS	$185,281	$171,423
LIABILITIES		
Deposits:		
Demand (Noninterest Bearing)	$ 19,515	$ 21,399
Time and Savings	45,945	46,799
Foreign	29,961	28,308
Total Deposits	95,421	96,506
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	23,362	23,098
Other Borrowed Funds	11,981	11,843
Acceptances Outstanding	1,086	1,104
Accounts Payable and Accrued Liabilities	2,323	2,361
Other Liabilities	32,608	17,808
Long-Term Debt	7,709	7,991
TOTAL LIABILITIES	174,490	160,711
COMMITMENTS AND CONTINGENCIES (See Note 8)		
STOCKHOLDERS' EQUITY		
Preferred Stock	1,450	1,450
Common Stock (Issued 254,931,474 and 254,009,187 Shares)	255	254
Capital Surplus	6,578	6,544
Retained Earnings	3,523	3,263
Net Unrealized Loss on Securities Available-for-Sale, Net of Taxes	(472)	(438)
Treasury Stock, at Cost	(543)	(361)
TOTAL STOCKHOLDERS' EQUITY	10,791	10,712
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$185,281	$171,423

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

Item 1. (continued)

CHEMICAL BANKING CORPORATION and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
Three Months Ended March 31,
(in millions, except per share data)

	1995	1994
Interest Income		
Loans	$ 1,661	$ 1,307
Securities	505	416
Trading Assets	199	173
Federal Funds Sold and Securities Purchased Under Resale Agreements	219	100
Deposits with Banks	82	94
Total Interest Income	2,666	2,090
Interest Expense		
Deposits	851	520
Short-Term and Other Borrowings	519	292
Long-Term Debt	140	135
Total Interest Expense	1,510	947
Net Interest Income	1,156	1,143
Provision for Losses	120	205
Net Interest Income After Provision For Losses	1,036	938
Noninterest Revenue		
Trust and Investment Management Fees	91	110
Corporate Finance and Syndication Fees	119	82
Service Charges on Deposit Accounts	74	69
Fees for Other Banking Services	294	290
Trading Revenue	56	185
Securities Gains (Losses)	(18)	46
Other Revenue	254	149
Total Noninterest Revenue	870	931
Noninterest Expense		
Salaries	546	518
Employee Benefits	107	119
Occupancy Expense	135	146
Equipment Expense	101	84
Foreclosed Property Expense	(7)	35
Restructuring Charge	---	48
Other Expense	364	374
Total Noninterest Expense	1,246	1,324
Income Before Income Tax Expense and Effect of Accounting Change	660	545
Income Tax Expense	264	226
Income Before Effect of Accounting Change	396	319
Effect of Change in Accounting Principle	(11)	---
Net Income	$ 385	$ 319
Net Income Applicable To Common Stock	$ 355	$ 287
Per Common Share:		
Income Before Effect of Accounting Change	$ 1.51	$ 1.13
Effect of Change in Accounting Principle	(0.05)	---
Net Income	$ 1.46	$ 1.13
Average Common Shares Outstanding	243.2	253.2

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

Item 1. (continued)

CHEMICAL BANKING CORPORATION and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

Three Months Ended March 31, (in millions)	1995	1994
Operating Activities		
Net Income	$ 385	$ 319
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Losses	120	205
Restructuring Charge	---	48
Depreciation and Amortization	98	89
Net Change In:		
Trading-Related Assets	3,083	(1,066)
Accrued Interest Receivable	(34)	120
Accrued Interest Payable	(3)	26
Other, Net	(22)	592
Net Cash Provided by Operating Activities	3,627	333
Investing Activities		
Net Change In:		
Deposits with Banks	2,931	2,142
Federal Funds Sold and Securities Purchased Under Resale Agreements	(2,247)	(1,166)
Loans Due to Sales and Securitizations	1,280	2,942
Other Loans, Net	(3,405)	(2,669)
Other, Net	(1,645)	607
Proceeds from the Maturity of Held-to-Maturity Securities	280	1,033
Purchases of Held-to-Maturity Securities	(150)	(396)
Proceeds from the Maturity of Available-for-Sale Securities	769	5,507
Proceeds from the Sale of Available-for-Sale Securities	9,309	1,008
Purchases of Available-for-Sale Securities	(10,711)	(8,209)
Net Cash Provided (Used) by Investing Activities	(3,589)	799
Financing Activities		
Net Change In:		
Noninterest-Bearing Domestic Demand Deposits	(1,884)	(1,967)
Domestic Time and Savings Deposits	(854)	(1,984)
Foreign Deposits	1,653	815
Federal Funds Purchased, Securities Sold Under Repurchase Agreements and Other Borrowed Funds	694	4,529
Other Liabilities	(57)	(1,222)
Other, Net	(14)	13
Proceeds from the Issuance of Long-Term Debt	291	1,000
Redemption and Maturity of Long-Term Debt	(578)	(749)
Proceeds from the Issuance of Stock	34	13
Treasury Stock, Net	(182)	---
Cash Dividends Paid	(137)	(128)
Net Cash Provided (Used) by Financing Activities	(1,034)	320
Effect of Exchange Rate Changes on Cash and Due from Banks	(17)	(18)
Net Increase (Decrease) in Cash and Due from Banks	(1,013)	1,434
Cash and Due from Banks at January 1,	8,832	6,852
Cash and Due from Banks at March 31,	$7,819	$8,286
Cash Interest Paid	$2,669	$ 921

Taxes Paid	$ 76	$ 226

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

Item 1. (continued)

CHEMICAL BANKING CORPORATION and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
Three Months Ended March 31,
(in millions)

	1995	1994
BALANCE AT JANUARY 1,	$10,712	$11,164
Net Income	385	319
Dividends Declared:		
Preferred Stock	(30)	(32)
Common Stock	(105)	(96)
Issuance of Common Stock	34	13
Restricted Stock Granted, Net of Amortization	1	---
Net Changes in Treasury Stock	(182)	---
Net Change in Fair Value of Available-for-Sale Securities, Net of Taxes	(34)	(407)
Accumulated Translation Adjustment	10	---
Net Change in Stockholders' Equity	79	(203)
BALANCE AT MARCH 31,	$10,791	$10,961

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The unaudited financial statements of Chemical Banking Corporation and subsidiaries (the "Corporation") are prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position and the results of operations for the interim periods presented have been included.

On January 1, 1995, the Corporation adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS 114"), and Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures" ("SFAS 118"), an amendment to SFAS 114. The adoption of SFAS 114 and SFAS 118 did not have an effect on the Corporation's earnings, liquidity, or capital resources. See Note 4 - Loans on page 10 of this Form 10-Q for further discussion of the Corporation's impaired loans as of and for the three months ended March 31, 1995.

NOTE 2 - TRADING ACTIVITIES

The Corporation uses its trading assets, such as debt and equity instruments and risk management instruments, to meet the financing needs of its customers and to generate revenues through its trading activities.

Item 1. (continued)

DEBT AND EQUITY INSTRUMENTS

Trading assets-debt and equity instruments, which are carried at fair value, are presented in the following table for the dates indicated:

(in millions)	March 31, 1995	December 31, 1994
U.S. Government and Federal Agencies	$ 3,269	$ 2,548
Obligations of State and Political Subdivisions	228	327
Certificates of Deposit, Bankers' Acceptances, and Commercial Paper	1,193	1,644
Debt Securities Issued by Foreign Governments	2,761	1,983
Foreign Financial Institutions	2,136	3,119
Other, primarily includes corporate debt and eurodollar bonds	1,313	1,472
Total Trading Assets - Debt and Equity Instruments (a)	$10,900	$11,093

[FN]
(a) Includes emerging markets instruments of $161 million at March 31, 1995 and $544 million at December 31, 1994.

RISK MANAGEMENT INSTRUMENTS

Trading assets-risk management instruments, which totaled $30.0 billion at March 31, 1995, represent unrealized gains on interest rate contracts of $8.3 billion, foreign exchange contracts of $21.4 billion, and stock index options and commodity contracts of $0.3 billion. At December 31, 1994, trading assets-risk management instruments totaled $17.7 billion and represented unrealized gains on interest rate contracts of $7.9 billion, foreign exchange contracts of $9.5 billion, and stock index options and commodity contracts of $0.3 billion.

Trading liabilities-risk management instruments, which totaled $31.1 billion at March 31, 1995, represent unrealized losses on interest rate contracts of $9.3 billion, foreign exchange contracts of $21.5 billion, and stock index options and commodity contracts of $0.3 billion. At December 31, 1994 trading liabilities-risk management instruments totaled $16.0 billion and represented unrealized losses on interest rate contracts of $7.0 billion, foreign exchange contracts of $8.9 billion, and stock index options and commodity contracts of $0.1 billion.

The increase in the Corporation's risk management instruments at March 31, 1995, when compared with December 31, 1994, was primarily due to an increase in foreign exchange related unrealized gains and losses as a result of the recent decline in the value of the U.S. dollar against foreign currencies, in particular the Deutsche mark and Japanese yen.

A description of the classes of derivative and foreign exchange instruments used in the Corporation's trading activities as well as the related accounting policies and the credit risk and market risk factors involved in such activities are disclosed in Note One on page B48 and in Note Nineteen on pages B64-B66 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994. For a discussion of the Corporation's risk management instrument activity and related trading revenue for the 1995 first quarter, see Management's Discussion and Analysis on page 23 and pages 37-40 of this Form 10-Q.

NOTE 3 - SECURITIES

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. Securities that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost.

Item 1. (continued)

The fair valuation of the securities classified as available-for- sale (including loans classified as available-for-sale) resulted in a net after-tax unfavorable impact of $472 million on the Corporation's stockholders' equity at March 31, 1995, compared with a net after-tax unfavorable impact of $438 million at December 31, 1994. The net change from the 1994 year- end was the result of the declining value of Brady Bonds partially offset by the effect of lower interest rate levels at March 31, 1995 compared with December 31, 1994. See Note 4 for further discussion.

Net losses from available-for-sale securities sold in the first quarter of 1995 amounted to $18 million (gross gains of $38 million and gross losses of $56 million). Net gains on such sales for the same period in 1994 amounted to $46 million (gross gains of $73 million and gross losses of $27 million). There were no sales of held-to-maturity securities in either first quarter period.

HELD-TO-MATURITY SECURITIES

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

March 31, 1995 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value(a)
U.S. Government and Federal Agency/Corporation Obligations:				
Mortgage-backed Securities	$ 3,556	$ 2	$ 91	$ 3,467
Collateralized Mortgage Obligations	3,761	---	120	3,641
Other, primarily U.S. Treasuries	179	---	---	179
Obligations of State and Political Subdivisions	189	---	---	189
Collateralized Mortgage Obligations (b)	137	2	3	136
Other, primarily Asset-Backed Securities	620	2	4	618
Total Held-to-Maturity Securities (c)	$ 8,442	$ 6	$ 218	$ 8,230

December 31, 1994 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value(a)
U.S. Government and Federal Agency/Corporation Obligations:				
Mortgage-backed Securities	$ 3,615	$ ---	$ 209	$ 3,406
Collateralized Mortgage Obligations	3,871	---	237	3,634
Other, primarily U.S. Treasuries	130	---	2	128
Obligations of State and Political Subdivisions	118	1	---	119
Collateralized Mortgage Obligations (b)	140	1	4	137
Other, primarily Asset Backed Securities	692	2	12	682
Total Held-to-Maturity Securities (c)	$ 8,566	$ 4	$ 464	$ 8,106

(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.

(c) See Note 4 for loans accounted for pursuant to Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115").

Item 1. (continued)

AVAILABLE-FOR-SALE SECURITIES

The amortized cost and estimated fair value of available-for-sale securities for the dates indicated were as follows:

March 31, 1995 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value(a)
U.S. Government and Federal Agency/Corporation Obligations:				
Mortgage-backed Securities	$ 8,407	$ 370	$ 320	$ 8,457
Collateralized Mortgage Obligations	186	---	7	179
Other, primarily U.S. Treasuries	6,003	33	223	5,813
Debt Securities Issued by Foreign Governments	3,703	7	216	3,494
Corporate Debt Securities	368	8	10	366
Collateralized Mortgage Obligations (b)	237	---	1	236
Other (c)	876	1	15	862
Total Available-for-Sale Securities Carried at Fair Value (d)	$19,780	$ 419	$ 792	$19,407

December 31, 1994 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value(a)
U.S. Government and Federal Agency/Corporation Obligations:				
Mortgage-backed Securities	$ 8,151	$ 554	$ 593	$ 8,112
Collateralized Mortgage Obligations	354	1	28	327
Other, primarily U.S. Treasuries	6,414	8	359	6,063
Debt Securities Issued by Foreign Governments	2,736	16	134	2,618
Corporate Debt Securities	358	6	5	359
Collateralized Mortgage Obligations (b)	262	1	3	260
Other (c)	702	1	11	692
Total Available-for-Sale Securities Carried at Fair Value (d)	$18,977	$ 587	$ 1,133	$18,431

(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.
(c) Comprised of all other debt, asset-backed and equity securities.
(d) See Note 4 for loans accounted for pursuant to SFAS 115.

Item 1. (continued)

NOTE 4 - LOANS

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, Venezuela and Brazil) to financial institutions, including the Corporation, as part of a debt renegotiation (i.e., "Brady Bonds") are subject to the provisions of SFAS 115. The amortized cost and estimated fair value of loans measured pursuant to SFAS 115 for the dates indicated were as follows:

March 31, 1995 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity	$ 1,998	$ 6	$ 989	$ 1,015
Available-for-Sale	1,635	71	523	1,183
Total	$ 3,633	$ 77	$ 1,512	$ 2,198

December 31, 1994 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity	$ 1,998	$ 10	$ 848	$ 1,160
Available-for-Sale	1,635	150	369	1,416
Total	$ 3,633	$ 160	$ 1,217	$ 2,576

There were no sales of available-for-sale loans in the first quarter of 1995. Cash proceeds from the sales of such loans in the first quarter of 1994 were $318 million.

As discussed in Note 1 - Basis of Presentation, the Corporation adopted SFAS 114 and SFAS 118 on January 1, 1995 which 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 SFAS 114, 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 applies to all loans except smaller-balance homogeneous consumer loans, loans carried at fair value or the lower of cost or fair value, debt securities and leases.

The Corporation's impaired loans are those non-consumer loans currently reported as nonperforming. The Corporation recognizes interest income on those loans 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 applied to reduce the carrying value of the loan. For a further description of the Corporation's accounting policies for recognition of interest income on nonperforming loans, see Note One of the Notes to the Consolidated Financial Statements on pages B48-B51 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

Item 1. (continued)

The following table sets forth impaired loan disclosures as of and for the three months ended March 31, 1995.

(in millions)	March 31, 1995
Impaired Loans with an Allowance	$ 665
Impaired Loans without an Allowance (a)	277
Total Impaired Loans	$ 942
Allowance for Impaired Loans under SFAS 114 (b)	$ 217
Average Balance of Impaired Loans during the Period	$ 945
Interest Income Recognized on Impaired Loans during the Period	$ 4

[FN]

(a) Impaired loans for which the discounted cash flows, collateral value or market price equals or exceeds the carrying value of the loan. Such loans do not require an allowance under SFAS 114.
(b) The Allowance for Impaired Loans under SFAS 114 is a part of the Corporation's overall Allowance for Credit Losses.

NOTE 5 - COMMON STOCK REPURCHASE
During the 1995 first quarter, the Corporation repurchased 3.9 million shares of its common stock on the open market under a previously announced plan to repurchase up to 6 million shares in 1995. This follows a stock buyback program of 10 million shares completed in 1994.

NOTE 6 - POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS
For a discussion of the Corporation's postretirement medical and life insurance benefits provided to domestic employees, reference is made to page B60 of the Corporation's Annual Report filed on Form 10-K for the year ended December 31, 1994.

On January 1, 1995, the Corporation adopted Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"), for postretirement medical benefits related to the Corporation's foreign employees. SFAS 106 requires recognition, during the years of the employees' active service, of the employer's expected cost and obligation of providing postretirement benefits other than pensions to employees and eligible dependents. The Corporation has not prefunded these benefits. Consistent with the January 1, 1993 adoption of SFAS 106 for its domestic employees, the Corporation elected to expense the entire unrecognized accumulated obligation related to its foreign employees via a one-time pre-tax charge of $17 million ($11 million after-tax or $0.05 per common share) on January 1, 1995.

During the first quarter of 1995, the Corporation accrued $1 million of periodic expense related to its foreign employees, which is primarily comprised of interest on the accumulated obligation, and also included service cost-benefits earned during the quarter. Prior to January 1, 1995, the Corporation recognized the costs of providing postretirement medical benefits related to its foreign employees on a cash basis.

Item 1. (continued)

NOTE 7 - RESTRUCTURING CHARGES

In December 1994, the Corporation announced a two-year program to improve earnings per share and return on equity and, as a result, recorded a pre-tax restructuring charge of $260 million. The charge (which is primarily comprised of cash charges) is related to severance and other termination-related costs of $138 million associated with the elimination of 3,700 positions and costs of $122 million for the disposition of certain facilities, premises and equipment, and the termination of leases. The staff reductions are tied to specific expense reduction initiatives such as commercial lending re-engineering, branch network rationalization and the process improvement program at Texas Commerce and will occur within the Global Bank, Regional Bank, Texas Commerce and Corporate sectors. At March 31, 1995 the reserve balance associated with this charge was approximately $227 million of which $112 million related to severance and other termination-related costs and $115 million related to the disposition of certain facilities, premises and equipment and termination of leases.

During 1994, the Corporation also included in noninterest expense a restructuring charge of $48 million related to the closing of 50 New York branches and a staff reduction of 650. This restructuring charge primarily comprises real estate costs and severance costs associated with the closing of the 50 New York branches. Also included in the restructuring charge are severance costs involved in optimizing the branch staff at existing branches. This rationalization of the branch system is part of an ongoing Corporate-wide program to improve productivity. At March 31, 1995, the reserve balance associated with this restructuring charge was approximately $23 million (of which $22 million related to the pending disposition of certain facilities).

At March 31, 1995, remaining reserve balances (associated with the pending disposition of facilities) related to 1993 restructuring charges were immaterial.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

For a discussion of certain legal proceedings, see Part II, Item 1 of this Form 10-Q. The Corporation and its subsidiaries are defendants in a number of legal proceedings. After reviewing with counsel all 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.

NOTE 9 - DERIVATIVE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS

The Corporation utilizes various derivative and foreign exchange financial instruments for trading purposes and for purposes other than trading, such as asset/liability management. These financial instruments 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. Such derivative and foreign exchange transactions involve, to varying degrees, credit risk and market risk. A discussion of the credit and market risks involved with derivative and foreign exchange financial instruments is provided on pages B31-B34 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

DERIVATIVE AND FOREIGN EXCHANGE INSTRUMENTS USED FOR TRADING PURPOSES: The financial instruments used for the Corporation's trading activities are disclosed in Note 2 of this Form 10-Q.

The amount of credit risk regarding the Corporation's trading activities is disclosed on the balance sheet in accordance with Financial Accounting Standards Board Interpretation No. 39 ("FASI 39"). These amounts are disclosed in Note 2 of this Form 10-Q. The effects of market risk (gains or losses) on the Corporation's trading activities have been reflected in trading revenue, as the trading instruments are marked-to-market on a daily basis.

DERIVATIVE AND FOREIGN EXCHANGE INSTRUMENTS USED FOR PURPOSES OTHER THAN TRADING: The Corporation's principal objective in using off- balance sheet instruments for purposes other than trading is for its asset/liability management. The majority of the Corporation's derivatives used for such activities are transacted through its trading units. A discussion of the Corporation's objectives and strategies for employing derivative and foreign exchange instruments for asset/liability management activities is included on page B34 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

Item 1. (continued)

At March 31, 1995, gross deferred gains and gross deferred losses relating to closed financial futures contracts used in asset/liability management activities were $24 million and $63 million, respectively. Deferred gains and losses on closed financial futures contracts are generally amortized over periods ranging up to twelve months. The amortization periods are dependent upon when the contract is closed and the period of time over which the asset or liability is being hedged.

The Corporation does not generally terminate its interest rate swaps; however, during the 1995 first quarter, certain swaps were terminated. As of March 31, 1995, gross deferred gains and gross deferred losses related to terminated interest rate swap contracts were $2 million and $35 million, respectively.

The Corporation generally does not use derivative financial instruments to hedge anticipated transactions. Accordingly, at March 31, 1995, deferred gains and losses associated with such transactions were immaterial.

Part I

Item 1. (continued)

The following table summarizes the aggregate notional amounts of interest rate and foreign exchange contracts as well as the credit exposure related to these instruments (after taking into account the effects of master netting agreements) for the dates indicated below. The table should be read in conjunction with the preceding narrative as well as the descriptions of these products and their risks included on pages B65-B66 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

	Notional Amounts		Credit Exposure	
(in billions)	March 31, 1995	December 31, 1994	March 31, 1995	December 31, 1994
INTEREST RATE CONTRACTS				
Futures and Forward Rate Agreements				
Trading	$1,025.9	$ 938.1	$ 1.2	$ 0.8
Asset and Liability Management	52.9	32.8	---	---
Interest Rate Swaps				
Trading	1,345.6	1,107.9	7.0	6.9
Asset and Liability Management	55.5	50.7	0.2	0.2
Purchased Options				
Trading	112.5	60.5	0.1	0.2
Asset and Liability Management	13.1	13.7	---	---
Written Options				
Trading	108.4	69.5	---	---
Asset and Liability Management	7.7	3.3	---	---
Total Interest Rate Contracts	$2,721.6	$2,276.5	$ 8.5	$ 8.1
FOREIGN EXCHANGE CONTRACTS				
Spot, Forward and Futures Contracts				
Trading	$ 924.6	$ 794.0	$ 18.0	$ 7.3
Asset and Liability Management	11.9	12.3	---	---
Other Foreign Exchange Contracts (a)				
Trading	122.0	94.5	3.4	2.2
Asset and Liability Management	0.2	0.3	---	---
Total Foreign Exchange Contracts	$1,058.7	$ 901.1	$ 21.4	$ 9.5
STOCK INDEX OPTIONS AND COMMODITY CONTRACTS				
Trading	$ 6.4	$ 4.5	$ 0.3	$ 0.3
Total Credit Exposure Recorded on the Balance Sheet			$ 30.2	$ 17.9

(a) Includes purchased options, written options and cross-currency interest rate swaps of $46.5 billion, $48.8 billion and $26.9 billion, respectively at March 31, 1995, compared with $34.2 billion, $38.4 billion and $22.2 billion, respectively, at December 31, 1994.

In addition to the financial instruments presented in the preceding notional table, the Corporation also enters into transactions involving "when-issued securities" primarily as part of its trading activities. 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 March 31, 1995 and December 31, 1994, commitments to purchase when-issued securities were $5,440 million and $6,289 million, respectively, and commitments to sell when-issued securities were $5,484 million and $6,658 million, respectively.

Item 1. (continued)

Derivatives and foreign exchange products are generally either negotiated over-the-counter ("OTC") contracts or standardized contracts executed on a recognized exchange (such as the Chicago Board of Options Exchange). Standardized exchange-traded derivatives primarily include futures and options. Negotiated over-the-counter derivatives are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise price and maturity.

All of the Corporation's interest rate swaps and forward rate agreements are OTC-traded and all of the Corporation's financial futures contracts are exchange-traded. As of March 31, 1995, approximately 33% of the Corporation's options activity was exchange-traded, with the balance being OTC-traded. As of December 31, 1994, approximately 19% of the Corporation's options activity was exchange-traded, with the balance being OTC-traded. The percentage of options activity that is exchange-traded versus OTC- traded will vary depending upon conditions in the market place.

NOTE 10 - OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS

The following table summarizes the Corporation's credit risk which is represented by contract amounts relating to lending-related financial instruments at March 31, 1995 and December 31, 1994. The table should be read in conjunction with the description of these products and their risks included on pages B66-B67 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS

(in millions)	March 31, 1995	December 31, 1994
Commitments to Extend Credit	$ 52,431(a)	$ 49,266(a)
Standby Letters of Credit (Net of Risk Participations of $5,014 and $5,218)	12,222	12,451
Other Letters of Credit	3,099	2,860
Customers' Securities Lent	18,565	18,979

(a) Excludes credit card commitments of $19.6 billion and $19.0 billion at March 31, 1995 and December 31, 1994, respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

For a discussion of the Corporation's fair value methodologies, see pages B67-B69 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994. At March 31, 1995, the carrying value and estimated fair value of financial assets required to be valued for purposes of SFAS 107 were $180.0 billion and $181.0 billion, respectively, compared with $166.0 billion and $166.8 billion, respectively, at December 31, 1994. At March 31, 1995, the carrying value and estimated fair value of financial liabilities required to be valued for purposes of SFAS 107 were $173.9 billion and $174.4 billion, respectively, compared with $160.2 billion and $160.8 billion at December 31, 1994.

Item 1. (continued)

The following table presents the carrying value and estimated fair value at March 31, 1995 of financial assets and liabilities valued under SFAS 107 and certain derivatives contracts (which are primarily interest rate swaps) used for asset/liability management ("ALM") activities related to such financial assets and liabilities.

	Financial Assets/ Financial Liabilities		Derivative Contracts Used for ALM Activities			
(in millions)	Carrying Value(a)	Estimated Fair Value(a)	Carrying Value(b)	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
FINANCIAL ASSETS:						
Assets for Which Fair Value Approximates Book Value	$ 31,496	$ 31,496	$ ---	$ ---	$ ---	$ ---
Trading Assets:						
Debt and Equity Instruments	10,900	10,900	---	---	---	---
Risk Management Instruments	29,977	29,977	---	---	---	---
Securities Held-to-Maturity	8,442	8,230	---	---	---	---
Securities Available-for-Sale	19,407	19,407	287	---	---	287
Loans, Net	77,914	78,628	29	123	(237)	(85)
Derivatives in Lieu of Cash Market Instruments	15	87	15	213	(141)	87
Other Assets	1,876	2,242	---	---	---	---
Total Financial Assets	$180,027	$180,967				
FINANCIAL LIABILITIES:						
Liabilities for Which Fair Value Approximates Book Value	$119,354	$119,354	1	3	(6)	(2)
Domestic Time Deposits	15,771	16,179	71	21	(395)	(303)
Long-Term Debt	7,709	7,785	5	14	(124)	(105)
Trading Liabilities - Risk Management Instruments	31,050	31,050	---	---	---	---
Total Financial Liabilities	$173,884	$174,368				

(a) The carrying value and estimated fair value of financial assets/liabilities include the carrying value and estimated fair value of derivative contracts used in asset/liability management activities.

(b) The carrying value of derivatives used for asset/liability management is recorded as receivables and payables and is primarily included in Other Assets on the balance sheet, except derivatives used in connection with available-for-sale securities which are carried at fair value and are included in Securities: Available-for-Sale on the balance sheet.

Certain financial instruments and all nonfinancial instruments are excluded from the scope of SFAS 107. Therefore, in addition to the derivative contracts in the above table, the Corporation also uses derivative contracts (primarily interest rate floors) to hedge its purchased mortgage servicing rights which are not required to be fair valued under SFAS 107. At March 31, 1995, the notional amount of such derivatives was $2.4 billion, the carrying value was $4.8 million, and the gross unrecognized gains and losses of such derivatives were $0.2 million and $1.8 million, respectively, resulting in an estimated fair value of $3.2 million.

The above table does not include futures contracts which the Corporation uses in its ALM activities to modify the interest rate characteristics of balance sheet instruments such as securities, loans and deposits. Gross deferred gains and losses from daily margin settlements on open futures contracts were $1 million and $56 million, respectively, at March 31, 1995. The deferred gains and losses from open futures contracts are amortized to income after the contracts close. See page 13 of this Form 10-Q for a discussion of closed futures contracts related to ALM activities.

Part I

Item 2.

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

CHEMICAL BANKING CORPORATION
QUARTERLY FINANCIAL HIGHLIGHTS
(in millions, except per share and ratio data)

	1995	1994			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
EARNINGS:					
Income Before Effect of Accounting Change	$ 396	$ 179	$ 439	$ 357	$ 319
Net Effect of Change in Accounting Principle	(11)(a)	---	---	---	---
Net Income	$ 385	$ 179	$ 439	$ 357	$ 319
Net Income Applicable to Common Stock	$ 355	$ 149	$ 396	$ 324	$ 287
Per Common Share:					
Income Before Effect of Accounting Change	$ 1.51	$ .63	$ 1.60	$ 1.28	$ 1.13
Net Effect of Change in Accounting Principle	(0.05)(a)	---	---	---	---
Net Income	$ 1.46	$ .63	$ 1.60	$ 1.28	$ 1.13
Book Value	$ 38.79	$ 37.88	$ 38.29	$ 37.17	$36.74
Market Value	$ 37.75	$ 35.88	$ 35.00	$ 38.50	$36.38
Common Dividends Declared	$ .44	$ .44	$ .44(b)	$ .38	$ .38
COMMON SHARES OUTSTANDING:					
Average	243.2	244.5	246.6	253.1	253.2
Period End	240.8	244.5	244.4	250.9	253.3
PERFORMANCE RATIOS:					
Return on Average Assets (c)	.89%	.42%	1.03%	.87%	.79%
Return on Average Common Equity (c)	15.50%	6.29%	16.92%	13.90%	12.24%
Return on Average Stockholders' Equity (c)	14.54%	6.54%	16.14%	12.96%	11.59%
Efficiency Ratio (d)	64.6%	67.2%	62.9%	62.3%	61.2%
CAPITAL RATIOS:					
Common Stockholders' Equity to Assets	5.0%	6.2%	5.5%	5.5%	5.6%
Total Stockholders' Equity to Assets	5.8%	5.4%	6.4%	6.6%	6.6%
Tier 1 Leverage (e)	5.8%	5.9%	5.9%	6.4%	6.2%
Risk-Based Capital Ratios:					
Tier I (4.0% required) (e)	8.1%	8.2%	8.2%	8.7%	8.3%
Total (8.0% required) (e)	12.1%	12.3%	12.3%	12.8%	12.5%

(a) On January 1, 1995, the Corporation adopted Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") for the accounting for other postretirement benefits relating to the Corporation's foreign employees.

(b) In the third quarter of 1994, the Corporation increased its quarterly common stock dividend to $0.44 per share.

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

(d) Excludes restructuring charges, foreclosed property expense, emerging markets past-due interest bond sales and gain on the sale of the Corporation's investment in Far East Bank and Trust Company.

(e) In accordance with current regulatory guidelines, these ratios exclude the impact on stockholders' equity resulting from the adoption of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115").

OVERVIEW

Chemical Banking Corporation reported net income for the first quarter of $385 million, an increase of 21% from net income of $319 million in the comparable period of 1994. On a per share basis, earnings for the 1995 first quarter increased 29% to $1.46 per common share, compared with $1.13 in the first quarter of 1994.

The Corporation's 1995 first quarter results reflected a solid performance in several core businesses and good progress on the expense and capital initiatives that were announced by the Corporation in the 1994 fourth quarter. Operating expenses declined significantly from the 1994 fourth quarter and were essentially flat when compared with the same period a year ago. Additionally, the Corporation announced the proposed sale of Chemical New Jersey Holdings Inc., divested an overseas equity investment and launched the second phase of a common stock buyback program. For a further discussion of the expense and capital initiatives announced by the Corporation in the 1994 fourth quarter, see the Actions to Improve Earnings Per Share section on pages B16-B17 of the Corporation's Annual Report on Form 10-K for the year ended December 31 1994.

During the 1995 first quarter, the Corporation announced a definitive agreement to sell its wholly-owned subsidiary, Chemical New Jersey Holdings, Inc., to PNC Bank Corp. ("PNC") for approximately $504 million. The sale, which is expected to close by year-end, does not include the Corporation's franchise in northeastern New Jersey, where the Corporation is retaining 40 branches and commercial banking operations. Also during the 1995 first quarter, the Corporation sold its interest in Far East Bank and Trust Company in the Philippines, resulting in an $85 million gain ($51 million after-tax). This transaction was part of the previously-announced program of selling minority interests in overseas entities that are not considered strategic. As of March 31, 1995, the Corporation had repurchased 3.9 million shares of its common stock as part of a plan to repurchase up to 6 million shares by the 1995 year-end.

The Corporation's nonperforming assets at March 31, 1995 were $1,130 million, a decline of $9 million from $1,139 million at December 31, 1994 and a decline of $2,073 million from $3,203 million at March 31, 1994. Nonperforming assets have declined by $5,457 million, or 83%, from their peak level of $6,587 million in September 1992.

At March 31, 1995, the Corporation's ratios of Tier 1 Capital to risk-weighted assets and Total Capital to risk-weighted assets were 8.13% and 12.13%, respectively, well in excess of the minimum ratios specified by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). At March 31, 1995, the Corporation was "well capitalized" as defined by the Federal Reserve Board. These ratios were slightly below the reported 8.20% and 12.35%, respectively, at December 31, 1994 reflecting a $2.9 billion increase in risk-weighted assets primarily due to an increase in risk management instruments at March 31, 1995.

In the first quarter of 1995, the Corporation adopted SFAS 106 for its foreign employees and, as a result, recorded a $17 million charge ($11 million after-tax or $0.05 per common share). The treatment of the 1995 adoption of SFAS 106 as an accounting change is consistent with the Corporation's adoption of SFAS 106 for domestic employees in 1993.

RESULTS OF OPERATIONS

NET INTEREST INCOME

(in millions)	First Quarter 1995	First Quarter 1994
Total Interest Income	$2,666	$2,090
Total Interest Expense	1,510	947
Net Interest Income	1,156	1,143
Taxable Equivalent Adjustment (a)	8	5
Net Interest Income - Taxable Equivalent Basis	$1,164	$1,148

[FN]
(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 for the first quarter was $1,156 million in 1995, compared with $1,143 million in the first quarter of last year. The year-over-year increase is attributable to a higher level of average interest-earning assets. Average interest-earning assets were $135.8 billion in the 1995 first quarter, an increase of $6.0 billion from the prior year's comparable quarter, principally reflecting a 16% increase in average consumer loans outstanding.

In the 1995 first quarter, the composition of average interest- earning asset mix was relatively unchanged from both the 1994 fourth quarter and the prior year's comparable quarter. The following table reflects the composition of interest-earning assets as a percentage of total earning assets and the net yield on interest-earning assets for the periods indicated.

AVERAGE EARNING ASSET MIX

(Taxable equivalent rates; in millions)	First Quarter 1995 Average Balance	1995 % of Total Interest-Earning Assets	1994 Average Balance	1994 % of Total Interest-Earning Assets
Consumer Loans	$ 30,269	22%	$ 25,989	20%
Commercial Loans	47,685	35	48,492	37
Securities	27,736	21	26,406	21
Liquid Interest-Earning Assets	30,087	22	28,917	22
Total Interest-Earning Assets	$135,777	100%	$129,804	100%
Interest-Rate Spread		2.80%		3.08%
Net Yield on Interest-Earning Assets		3.48%		3.59%

The Corporation's average total loans were $78.0 billion in the 1995 first quarter, an increase of $3.5 billion from the comparable 1994 period. The increase reflected the continued growth in consumer loans (principally from residential mortgage and credit card activities), partially offset by a reduction in the commercial real estate portfolio and a slight decline in commercial loans. Although average commercial loan outstandings were lower in the first quarter of 1995 than the comparable 1994 period, commercial loans at March 31, 1995 represented the third consecutive quarterly increase since the June 30, 1994 level. This increase reflected an upward trend in commercial lending activity experienced during the latter half of 1994 and into the first quarter of 1995. For the remainder of 1995, the Corporation expects continued growth in its loan portfolio, with its consumer loans continuing to grow faster than its commercial loans. For a further discussion of the Corporation's loans, see the loan portfolio section on page 30 of this Form 10-Q.

The $6.0 billion growth in interest-earning assets was funded by a $6.8 billion increase in interest-bearing liabilities. For the 1995 first quarter, average interest-bearing liabilities were $117.9 billion, compared with $111.1 billion for the same period in 1994, principally due to a higher level of Federal funds purchased and securities sold under repurchase agreements. The Corporation utilizes repurchase agreements as a source of short-term funding for trading-related positions as well as a source of financing for the securities portfolio.

The negative impact on net interest income from nonperforming loans (excluding nonperforming loans held for accelerated disposition) in the first quarter of 1995 was $20 million, compared with $19 million in the first quarter of 1994. Although the level of nonperforming loans declined significantly from the March 31, 1994 level, interest that was recognized in income decreased significantly in the first quarter of 1995, compared with the first quarter of 1994, as a result of lower cash collections. This caused the negative impact on net interest income from nonperforming loans to be relatively flat for the 1995 first quarter versus the 1994 first quarter.

The favorable impact on net interest income from the Corporation's asset/liability derivative activities, whereby certain of the Corporation's assets and liabilities are hedged with derivative instruments in order to alter the yield on such assets and liabilities, was approximately $16 million for the first quarter of 1995, compared with $60 million for the first quarter of 1994.

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 2.80% for the first quarter of 1995, compared with 3.08% for the same period a year ago. 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 3.48% in the 1995 first quarter, compared with 3.59% in the same period a year ago. The decreases in the interest rate spread and net yield reflected narrower loan spreads and the impact of higher interest rates, partially offset by wider deposit spreads and an increased contribution from noninterest-bearing funds. The contribution from interest-free funds to the net yield was 68 basis points in the 1995 period, an increase from a 51 basis point contribution in the comparable 1994 period. The improvement from the prior year is due to the higher interest rate environment during 1995, despite a decrease of $800 million in interest-free funds.

Despite its outlook for loan growth in 1995, management anticipates that net interest income for 1995 will approximate or be somewhat lower than the 1994 full year level.

For additional information on average balances and net interest income, see Average Consolidated Balance Sheet, Interest and Rates on page 48.

PROVISION FOR LOSSES

The provision for losses for the first quarter of 1995 was $120 million, down significantly from $205 million in the first quarter of 1994, but was up from the 1994 fourth quarter level of $85 million. The increase in the provision from the prior quarter was primarily due to an unusually high level of loan recoveries in the fourth quarter of 1994. The gross recoveries in the 1995 first quarter were $30 million, down from $82 million in the 1994 fourth quarter and down from $53 million in the prior year period.

As a result of management's evaluation of the continuing improvement in the Corporation's credit profile, the quarterly provision for losses during the remainder of 1995 is expected to be generally consistent with the 1995 first quarter level.

NONINTEREST REVENUE

Noninterest revenue for the 1995 first quarter was $870 million, compared with the $931 million recorded in the same period last year. The decrease in 1995 was largely due to lower trading revenue, lower securities results and the absence of gains on emerging markets-related bond sales. Partially offsetting these declines are higher corporate finance and syndication fees and gains on the sale of certain assets included in other revenue (primarily, the Far East Bank and Trust Company). The following table reflects the composition of total noninterest revenue for the periods indicated:

(in millions)	First Quarter 1995	First Quarter 1994
Trust and Investment Management Fees	$ 91	$ 110
Corporate Finance and Syndication Fees	119	82
Service Charges on Deposit Accounts	74	69
Fees for Other Banking Services	294	290
Trading Revenue	56	185
Securities Gains (Losses)	(18)	46
Other Revenue	254	149
Total Noninterest Revenue	$ 870	$ 931

Trust and investment management fees decreased $19 million during the first quarter of 1995 compared with the previous year's first quarter. The following table reflects the components of trust and investment management fees for the periods indicated.

(in millions)	First Quarter 1995	First Quarter 1994
Trust and Investment Management Fees:		
Personal Trust and Investment Management Fees	$ 50	$ 53
Corporate and Institutional Trust Fees	31	46
Other, primarily Foreign Asset Management	10	11
Total Trust and Investment Management Fees	$ 91	$ 110

The decline of $15 million in corporate and institutional trust fees was due to the absence of $10 million in fees in 1995 related to the joint venture with Mellon Bank Corporation. As a result of the definitive agreement between the Corporation and Mellon Bank Corporation relating to the shareholder services joint venture, effective January 1, 1995 revenues and expenses of the affected business units were reflected on an equity basis within other revenue. Also contributing to the reduction within this category was the sale of certain units of Ameritrust Texas Corporation ("Ameritrust"), the effect of attrition of certain Ameritrust and First City Bancorp of Texas ("First City") customers experienced during 1994, and continued pricing pressures affecting the corporate and institutional trust business.

Corporate finance and syndication fees were $119 million in the 1995 first quarter, an increase of 45% from the previous year's first quarter. The increase from last year reflects continued strong growth in loan syndications and high-yield public debt underwritings. During the 1995 first quarter, the Corporation acted as agent or co-agent for approximately $63 billion of syndicated credit facilities, a reflection of the Corporation's large client base and strong emphasis on distribution. Management expects the strong activity level in the marketplace to continue throughout the remainder of 1995.

Fees for other banking services for the first quarter of 1995 were $294 million, a slight increase from the comparable 1994 period, reflecting higher credit card and mortgage servicing revenue, offset partially by lower fees in lieu of compensating balances. The following table sets forth the components of fees for other banking services for the first quarters of 1995 and 1994.

	First Quarter	
(in millions)	1995	1994
Fees for Other Banking Services:		
Credit Card Services Revenue	$ 80	$ 75
Fees in Lieu of Compensating Balances	47	58
Commissions on Letters of Credit and Acceptances	41	37
Loan Commitment Fees	24	22
Mortgage Servicing Fees	23	16
Other	79	82
Total Fees for Other Banking Services	$ 294	$ 290

The higher level of credit card services revenue in the first quarter of 1995 reflected an increased volume of retail credit cards from a growing cardholder base, primarily as a result of the Corporation's co-branded Shell MasterCard program. Outstandings in the credit card lending portfolio were $9.5 billion at March 31, 1995, compared with $7.3 billion at the same date a year ago, almost all of which related to the Shell MasterCard.

Mortgage servicing fees increased $7 million in the first quarter of 1995, reflecting a higher level of mortgage servicing volume from the acquisition of Margaretten Financial Corporation ("Margaretten") on July 1, 1994, as well as additions to the portfolio from mortgage originations.

Fees in lieu of compensating balances decreased by $11 million in the 1995 first quarter to $47 million. Customers often pay for cash management or other banking services by maintaining noninterest-bearing deposits. As interest rates increase, the required compensating balance for a given level of service will decrease. As a result, during the 1995 first quarter, when interest rates were higher than in the 1994 first quarter, a greater volume of customers maintained a compensating balance in lieu of paying a fee.

The following table sets forth the components of trading revenue for the first quarters of 1995 and 1994.

(in millions)	First Quarter 1995	First Quarter 1994
Trading Revenue:		
Interest Rate Contracts (a)	$ 19	$ 88
Foreign Exchange Revenue (b)	75	45
Debt Instruments and Other (c)	(38)	52
Total Trading Revenue	$ 56	$ 185

[FN]
(a) Includes interest rate swaps, currency swaps, forward contracts, interest rate futures, and forward rate agreements and related hedges.
(b) Includes foreign exchange spot and option contracts.
(c) Includes U.S. government 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 on behalf of its customers, the Corporation's success in proprietary positioning, the improvements in its credit ratings, and the steps taken by central banks and governments which affect financial markets. The Corporation believes that its trading business is a significant core business and that its improved credit standing will benefit the Corporation's trading revenues by enabling the Corporation to utilize a wider array of products with additional counterparties. However, the Corporation expects that its trading revenues will fluctuate as factors, such as market volatility, governmental actions, or success in proprietary positioning, vary from period to period.

The trading environment continued to be difficult during the first quarter of 1995 when compared with the same period in 1994, primarily due to conditions in the emerging markets and European markets. The decrease in revenue from interest rate contracts for the 1995 first quarter was primarily due to unexpected increases in certain European interest rates, while foreign exchange revenues benefited from volatility in the currency markets. The decrease in debt instrument revenue was primarily due to major declines in the prices of emerging markets debt instruments during the 1995 first quarter.

The Corporation recorded net losses on the sales of its securities of $18 million in the 1995 first quarter, compared with net gains of $46 million in the same period in 1994. The 1995 loss reflected a $13 million permanent impairment on Barings Bank PLC securities held by the Corporation and an $11 million loss on available-for- sale securities sales at Chemical Bank New Jersey as part of the repositioning of the remaining bank in anticipation of the sale of the central and southern branches. For further discussion of the Corporation's securities, see Note 3 - Securities of the Notes to Financial Statements of this Form 10-Q.

The following table presents the composition of other noninterest revenue for the periods indicated.

(in millions)	First Quarter 1995	First Quarter 1994
Other Revenue:		
Revenue from Equity-Related Investments	$ 107	$ 83
Net Gains on Emerging Markets-Related Interest Bond Sales	--	45
All Other Revenue	147(a)	21
Total Other Revenue	$ 254	$ 149

[FN]
(a) Includes $85 million gain on the sale of the Corporation's investment in Far East Bank and Trust Company.

Revenue from equity-related investments, which includes income from venture capital activities and emerging markets investments, was $107 million in the 1995 first quarter, compared with $83 million in the comparable 1994 period. Average revenue from equity-related investments was approximately $94 million per quarter, based on revenues during the last five quarters. At March 31, 1995, the Corporation had equity-related investments with a carrying value of $1.9 billion. The Corporation believes that equity-related investments 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.

In the first quarter of 1995, the Corporation had no emerging markets-related past-due interest bond sales, compared with $45 million of gains from the sale of such bonds in the 1994 first quarter. As of March 31, 1995, the Corporation had approximately $101 million face value of emerging markets-related past-due interest bonds that were unsold but that were available-for-sale.

In the 1995 first quarter, all other revenue included a $85 million gain related to the sale of the Corporation's 12% interest in Far East Bank and Trust Company in the Philippines. This transaction was part of a previously-announced program of selling minority interests in overseas entities that are not considered strategic. All other revenue increased during the 1995 first quarter when compared with the previous year's comparable period, due to higher equity income from the Corporation's investment in CIT as well as from certain Brazilian affiliates. The Corporation's share of net income from its 40% interest in CIT, after purchase accounting adjustments, was $19 million in the 1995 first quarter, an increase from $17 million in the 1994 first quarter. Also included in all other revenue for the 1995 first quarter was a net gain of $2 million in connection with the Corporation's residential mortgage sales activities, compared with a net loss of $25 million in the 1994 first quarter.

NONINTEREST EXPENSE

Noninterest expense in the 1995 first quarter was $1,246 million, compared with $1,333 million in the fourth quarter of 1994 and $1,276 million in the first quarter of 1994. The comparable amounts in the fourth and first quarters of 1994 exclude restructuring charges of $260 million and $48 million, respectively. The following table presents the components of noninterest expense for the periods indicated.

	First Quarter	
(in millions)	1995	1994
Salaries	$ 546	$ 518
Employee Benefits	107	119
Occupancy Expense	135	146
Equipment Expense	101	84
Foreclosed Property Expense	(7)	35
Restructuring Charge	---	48
Other Expense	364	374
Total Noninterest Expense	$ 1,246	$ 1,324

Excluding the restructuring charges in the 1994 first and fourth quarter periods, noninterest expense for the 1995 first quarter decreased $30 million from the previous year's first quarter, and $87 million from the preceding quarter. These declines reflect the initial benefits of certain expense reduction initiatives undertaken by the Corporation at the end of 1994. Additionally, as a result of the previously-mentioned joint venture agreement with Mellon Bank Corporation, $16 million of 1995 first quarter expense associated with the stock transfer and related shareholder servicing operations is being recorded on an equity basis within noninterest revenue. The decrease in noninterest expense from the first quarter of 1994 was partially offset by the inclusion of $29 million of noninterest expenses in the first quarter of 1995, relating to Margaretten, which was acquired in July 1994.

The increase in salaries for the 1995 first quarter was primarily due to additional staff costs resulting from the 1994 Margaretten acquisition, and the continued growth in the Corporation's securities underwriting business. When compared with salaries in the 1994 fourth quarter of $571 million, the decrease in the 1995 first quarter reflected a decline in incentives as a result of lower trading results, the impact of personnel reductions and lower salaries due to the aforementioned joint venture with Mellon Bank Corporation. Total staff at March 31, 1995 amounted to 41,547 compared with 42,130 at December 31, 1994 and 41,112 at March 31, 1994. At March 31, 1995, there were approximately 900 positions eliminated, out of the 3,700 positions targeted for elimination, as part of the Corporation's actions to improve earnings per share.

Employee benefits in the 1995 first quarter decreased $12 million from the prior year period reflecting lower retirement plan expenses as well as a reduction in expenses resulting from the adoption of the aforementioned expense reduction programs, partially offset by higher OPEB expense resulting from the adoption of SFAS 106 for the Corporation's foreign employees.

Occupancy expense in the 1995 first quarter decreased by $11 million from the prior year period, primarily due to the impact of branch divestitures and the continuing consolidation of the New York branch system, along with other expense reduction initiatives.

Equipment expense in the 1995 first quarter was $101 million, compared with $84 million in the comparable 1994 period. The increase in 1995 was primarily the result of continued technology enhancements to support the Corporation's investment in certain key businesses (in particular its trading and consumer banking businesses). Additionally, the higher equipment expense level in the 1995 first quarter reflects the Margaretten acquisition.

Foreclosed property expense in the 1995 first quarter was a credit of $7 million, compared with an expense of $35 million in the same 1994 period, reflecting significant progress in managing the Corporation's real estate portfolio. Included in the 1995 first quarter amount were payments received related to certain foreclosed properties previously written down.

The following table presents the components of other expense for the periods indicated.

(in millions)	First Quarter 1995	First Quarter 1994
Other Expense:		
Professional Services	$ 54	$ 46
Marketing Expense	43	40
FDIC Assessments	37	42
Telecommunications	32	30
Amortization of Intangibles	28	29
All Other	170	187
Total	$ 364	$ 374

Other expense for the 1995 first quarter decreased $10 million, or 3%, when compared with the same period in 1994. Federal Deposit Insurance Corporation ("FDIC") assessments decreased 12% from the 1994 first quarter level reflecting a lower deposit base during the 1995 period. All other expense, which includes various smaller expense categories such as stationery and other supplies, postage, shipping, travel and insurance, decreased by 9% in the 1995 first quarter, primarily as a result of the Corporation's aggressive sourcing and other expense reduction initiatives. Partially offsetting the quarter-over-quarter decrease in other expense were higher professional service fees, reflecting continued use of contract computer consultants associated with the Corporation's ongoing technology enhancement efforts to improve productivity. Other expense in the 1995 first quarter also included operating costs of approximately $14 million relating to Margaretten.

The Corporation announced on December 1, 1994 that, as a result of the expense reduction initiatives undertaken at that time, it was targeting noninterest expense in each of 1995 and 1996 to be flat with full year 1994. At the current time, the Corporation believes that 1995 and 1996 noninterest expense will be approximately equal to or less than 1994 noninterest expense.

The Corporation's efficiency ratio (excluding restructuring charges, foreclosed property expense, emerging markets-related past-due interest bond sales and gain from the sale of Far East Bank and Trust Company) was 64.6% in the 1995 first quarter, compared with 61.2% in the same 1994 period. The Corporation remains committed to improving its operating margins and return levels and to achieving an efficiency ratio of 60% in 1995 and 57% in 1996 as a result of the programs initiated in December 1994.

INCOME TAXES

The Corporation recorded income tax expense of $264 million in the 1995 first quarter, compared with $226 million in the comparable 1994 period. The Corporation's effective tax rate was 40.0% and 41.5% in the first quarter of 1995 and 1994, respectively.

BUSINESS ORGANIZATION

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.

LINES-OF-BUSINESS RESULTS

Profitability of the Corporation is tracked with an internal management information system that produces lines-of-business performance for all 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. Lines-of-business results are subject to restatement as appropriate whenever there are refinements in management reporting policies or changes to the management organization. Lines-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 shareholders' 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. During 1994, the Corporation revised its equity allocation approach. These changes resulted in a restatement of the previously published 1994 first quarter capital allocation to each of the four business sectors. A long-term expected tax rate is assigned in evaluating the Corporation's businesses.

Commencing with the 1995 first quarter, Texas Commerce Equity Holdings Inc. ("Texas Commerce") is being reported on a management accounting basis instead of a legal entity basis. The 1994 results for Texas Commerce have been restated to conform to the current presentation.

For the three months ended March 31, (in millions, except ratios)	Global Bank 1995	Global Bank 1994	Regional Bank 1995	Regional Bank 1994	Texas Commerce 1995	Texas Commerce 1994
Net Interest Income	$ 257	$ 232	$ 727	$ 731	$ 173	$ 161
Noninterest Revenue	446	499	310	307	102	106
Noninterest Expense	299	292	707	742(b)	199	199
Operating Margin	404	439	330	296	76	68
Credit Provision	36	42	114	111	15	15
Foreclosed Property Expense	---	3	2	1	(21)	---
Income Before Taxes	368	394	214	184	82	53
Income Taxes	128	162	98	78	30	19
Net Income Before Accounting Change	240	232	116	106	52	34
Accounting Change	---	---	---	---	---	---
Net Income	$ 240	$ 232	$ 116	$ 106	$ 52	$ 34
Average Assets	$ 111,255	$100,703	$ 45,652	$ 41,872	$ 19,070	$ 20,693
Return on Common Equity	22.8%	21.7%	14.8%	15.0%	14.6%	8.1%
Return on Assets	0.87%	0.93%	1.03%	1.03%	1.11%	0.67%
Efficiency Ratio (c)	48.4%	42.6%	68.2%	66.9%	72.4%	74.5%

For the three months ended March 31, (in millions, except ratios)	Real Estate 1995	Real Estate 1994	Total(a) 1995	Total(a) 1994
Net Interest Income	$ 37	$ 42	$ 1,156	$ 1,143
Noninterest Revenue	3	5	870	931
Noninterest Expense	24	23	1,253	1,289(b)
Operating Margin	16	24	773	785
Credit Provision	13	67	120	205
Foreclosed Property Expense	6	31	(7)	35
Income (Loss) Before Taxes	(3)	(74)	660	545
Income Taxes (Benefits)	(1)	(33)	264	226
Net Income (Loss) Before Accounting Change	(2)	(41)	396	319
Accounting Change	---	---	(11)	---
Net Income (Loss)	$ (2)	$ (41)	$ 385	$ 319
Average Assets	$ 4,043	$ 5,917	$175,467	$ 164,152
Return on Common Equity	NM	NM	15.5%	12.2%
Return on Assets	NM	NM	0.89%	0.79%
Efficiency Ratio (c)	NM	NM	64.6%	61.2%

(a) Total column includes Corporate sector. See description of Corporate sector on page 30.
(b) Includes restructuring charge of $48 million.
(c) Efficiency ratio excludes restructuring charges, foreclosed property expense, emerging markets past-due interest bond sales and the gain from the sale of the Corporation's investment in Far East Bank and Trust Company.
NM - Not meaningful.

GLOBAL BANK

The Global Bank is organized into four principal management entities: Asia, Europe & Global Markets (securities, foreign exchange and derivatives trading, the Corporation's treasury functions, and the administration of the international branch system in Asia and Europe); Banking & Corporate Finance (worldwide wholesale client management and venture capital activities); Global Investment Banking (acquisition finance, syndicated finance, high- yield finance, mergers and acquisitions, restructuring and refinance and lease finance); and Emerging Markets (cross-border investment banking, local merchant banking and trade finance). The Global Bank seeks to optimize its risk profile by emphasizing originations, underwriting, distribution, and risk management products.

The Global Bank's net income in the first quarter of 1995 was $240 million, an increase of $8 million from the first quarter of 1994. The increase in the 1995 first quarter results was primarily due to a gain on the sale of the Corporation's interest in Far East Bank and Trust Company and an 11% increase in net interest income, partially offset by lower trading revenue and higher noninterest expense. For the first quarter of 1995, trading revenue decreased to $44 million compared with $180 million in the 1994 first quarter, reflecting major declines in the prices of emerging market debt instruments and to unexpected increases in certain European interest rates. Noninterest expenses rose $7 million, or 2%, when compared with the same 1994 period, due primarily to the Global Bank's continued investment in its securities and trading businesses.

The results for Asia, Europe & Global Markets in the first quarter of 1995 decreased 33% from last year's first quarter, primarily due to lower noninterest revenue and higher noninterest expense. These factors were partially offset by an increase in net interest income. Noninterest revenue declined 39% which is attributable to the unfavorable trading conditions and lower securities gains in the 1995 first quarter compared with the same period in 1994. The increase in noninterest expense is due to the previously mentioned investment in securities and trading businesses. Net interest income in the first quarter of 1995 rose 14% compared with the 1994 first quarter primarily due to wider spreads on short term investments.

Banking & Corporate Finance's results in the first quarter of 1995 improved 54% from last year's comparable period reflecting increases in noninterest revenue. The increase in noninterest revenue was primarily due to growth in fee income and to gains on the sale of equity investments. Additionally, the credit provision decreased 25%, reflecting improved credit quality.

Global Investment Banking's 1995 first quarter performance was up significantly from the same period in 1994. Performance was characterized by a record level of corporate finance and syndication fees driven by a combination of sizable refinancings, acquisition loans, high yield public debt underwritings, and private placements.

The earnings for Emerging Markets increased 29% in the 1995 first quarter when compared with the 1994 first quarter, primarily due to the aforementioned gain on the sale of the Corporation's interest in Far East Bank and Trust Company. This positive impact was offset by lower trading results and the absence of gains on emerging markets- related bond sales in the 1995 first quarter, compared with gains of $45 million recorded on such sales in the first quarter of 1994.

REGIONAL BANK

The Regional Bank includes New York Markets (consumer banking and commercial and professional banking); Retail Card Services; National Consumer Business; Middle Market (regional commercial banking); Private Banking; Chemical New Jersey Holdings, Inc. and Geoserve (cash management, funds transfer, trade, corporate trust and securities services worldwide). The Corporation maintains a leading market share position in serving the financial needs of middle market commercial enterprises and small businesses in the New York metropolitan area. Private Banking serves a high net- worth clientele with banking, advisory and investment services.

In March 1995, the Corporation announced a definitive agreement to sell its wholly-owned subsidiary, Chemical New Jersey Holdings, Inc., to PNC for approximately $504 million. The sale, which is expected to close by year-end, does not include the Corporation's franchise in northeastern New Jersey, where the Corporation is retaining 40 branches and commercial banking operations.

The Regional Bank's net income of $116 million in the first quarter of 1995 increased from last year's first quarter results of $106 million. The 1994 first quarter results included a $48 million restructuring charge ($28 million after-tax) related to the closing of 50 New York branches and a staff reduction of 650. Excluding the restructuring charge, the Regional Bank's 1995 first quarter earnings decreased by $18 million when compared with last year's first quarter due to higher noninterest expense (reflecting the acquisition of Margaretten in July 1994) and an increase in the credit provision.

For the first quarter of 1995, New York Markets had a 23% increase in revenue over the comparable 1994 quarter. The increase was primarily attributable to an increase in net interest income due to favorable deposit spreads and to higher deposit servicing fees relating to pricing initiatives undertaken in the first half of 1994. Despite a 13% growth in loan volume in the 1995 first quarter, the National Consumer Business results decreased $18 million from last year's first quarter. The decrease was due to a decline in net interest income from unfavorable loan spreads and higher noninterest expense (reflecting the Margaretten acquisition). Retail Card Services results for the 1995 first quarter decreased 9% when compared with the 1994 first quarter due to higher noninterest expense and an increase in the credit provision, despite strong revenue growth generated from the Shell MasterCard.

Middle Market's 1995 first quarter earnings increased 16% from last year's first quarter due to a decrease in the credit provision reflecting a substantial decline in nonperforming assets, partially offset by a 9% decrease in fee revenues due to lower deposit servicing fees and lower fees in lieu of compensating balances. The results for Private Banking in the first quarter of 1995 were significantly lower than the 1994 first quarter due to the adverse affect of a $13 million loss on the permanent impairment of Barings Bank PLC securities. Securities losses of $11 million contributed to a decline in earnings for Chemical New Jersey Holdings, Inc. for the 1995 first quarter compared with last year's first quarter. Geoserve's results for the 1995 first quarter decreased 16% from the 1994 first quarter primarily due to lower net interest income reflecting a decline in investable balances partially offset by gains on the sales of certain assets. Additionally, revenues and expenses related to those business units within Geoserve affected by the joint venture formed between the Corporation and Mellon Bank Corporation have been accounted for on an equity basis since January 1, 1995.

TEXAS COMMERCE

Texas Commerce is a leader in providing financial products and services to businesses and individuals throughout Texas. Texas Commerce is the primary bank for more large corporations and middle market companies than any other bank in Texas. As of March 31, 1995, Texas Commerce had $19 billion in total assets.

Texas Commerce's net income in the first quarter of 1995 was $52 million, an increase of 53% from last year's first quarter results of $34 million. The increase in the 1995 first quarter period, when compared with the 1994 first quarter period, was primarily due to lower foreclosed property expense and higher net interest income partially offset by lower noninterest revenue. The substantial decrease in foreclosed property expense is attributable to the improvement in the Texas real estate market and payments received related to certain foreclosed properties that were previously written down. Net interest income rose $12 million in the 1995 first quarter, when compared with the 1994 first quarter, due to a 7% growth in loan volume coupled with more favorable interest rate spreads. The decreases in noninterest revenue and investment banking income are due to declines in trust income and deposit servicing fees, partially offset by improved trading results.

REAL ESTATE

Real Estate includes the management of the Corporation's commercial real estate portfolio, primarily at Chemical Bank. Real Estate had a net loss of $2 million for the first quarter of 1995 compared with a net loss of $41 million in the first quarter of 1994. The improved results were due primarily to a decrease in credit provision and lower foreclosed property expense reflecting the significant progress in managing the Corporation's real estate portfolio. Total nonperforming assets at March 31, 1995 were $161 million, down $1,029 million from $1,190 million in the first quarter of 1994. The improvement in nonperforming asset levels for the first quarter of 1995 is the result of increased liquidity in the real estate markets coupled with successful workout activities, as well as the aforementioned strategic actions taken during 1994.

CORPORATE

Corporate 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 including credit provision and tax expense. Corporate had a net loss of $21 million for the first quarter of 1995, compared with a net loss of $12 million in last year's first quarter. The 1995 first quarter loss includes an $11 million after-tax charge due to the adoption of SFAS 106 for foreign employees and a $6 million write-down associated with certain nonperforming residential mortgages transferred to held- for-sale.

LOAN PORTFOLIO

The following loan review discussion focuses primarily on developments since December 31, 1994 and should be read in conjunction with the Loan Portfolio section on pages B25 through B30 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

The Corporation's loans outstanding totaled $80.4 billion at March 31, 1995, an increase of $1.6 billion from year-end 1994 and $5.7 billion higher than at March 31, 1994. The growth in loans outstanding reflects increases in both the consumer and commercial and industrial loan portfolios. For the remainder of 1995, the Corporation expects continued growth in its loan portfolio.

The Corporation's loan balances were as follows for the dates indicated:

March 31,December 31, March 31, (in millions) 1995 1994 1994

LOANS

Domestic Consumer:			
Residential Mortgage (a)	$14,053	$13,560	$12,438
Credit Card	9,454	9,261	7,269
Other Consumer (b)	7,364	7,265	6,455
Total Consumer Loans	30,871	30,086	26,162
Domestic Commercial:			
Commercial and Industrial	21,342	20,805	19,145
Commercial Real Estate (c)	5,663	5,650	6,950
Financial Institutions	3,909	3,918	4,829
Total Commercial Loans	30,914	30,373	30,924
Total Domestic Loans	61,785	60,459	57,086
Foreign, primarily Commercial (d)	18,584	18,308	17,575
Total Loans	$80,369	$78,767	$74,661

[FN]
(a) Consists of 1-4 family residential mortgages.
(b) Consists of installment loans (direct and indirect types of consumer finance) and student loans.
(c) Represents loans secured primarily by real property, other than loans secured by mortgages on 1-4 family residential properties.
(d) Includes loans previously classified as LDC loans. Previously reported loan amounts have been reclassified to conform with the current presentation.

NONPERFORMING ASSETS

For a description of the Corporation's accounting policy for its nonperforming loans, renegotiated loans and assets acquired as loan satisfactions, see Note One of the Notes to the Consolidated Financial Statements on page B49 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

For a description of the Corporation's shared loss assets acquired from First City which are subject to loss- sharing provisions of the Purchase and Assumption Agreements between the FDIC and Texas Commerce, see Note Seven of the Notes to the Consolidated Financial Statements on pages B55-B56 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994. At March 31, 1995, nonperforming shared loss assets were $52 million. Such assets are not included in the amount of nonperforming assets below.

The following table sets forth the nonperforming assets and contractually past due loans of the Corporation at March 31, 1995, December 31, 1994 and March 31, 1994.

(in millions)	March 31, 1995	December 31, 1994	March 31, 1994
NONPERFORMING ASSETS:			
Domestic Consumer:			
Residential Mortgage	$ 114	$ 92	$ 155
Other Consumer	13	12	26
Total Consumer Loans	127	104	181
Domestic Commercial:			
Commercial and Industrial	354	354	737
Commercial Real Estate	213	156	672
Financial Institutions	24	4	19
Total Commercial Loans	591	514	1,428
Total Domestic	718	618	1,609
Foreign, primarily Commercial (a)	351	311	760
Total Nonperforming Loans (b)	1,069	929	2,369
Assets Acquired as Loan Satisfactions (b)	61	210	834
Total Nonperforming Assets	$ 1,130	$ 1,139	$ 3,203
Contractually Past-Due Loans (c):			
Consumer	$ 313	$ 294	$ 271
Commercial and Other Loans	56	36	118
Total Contractually Past-Due Loans	$ 369	$ 330	$ 389

[FN]

(a) Includes nonperforming loans previously classified as LDC nonperforming loans. Previously reported amounts have been restated to conform with the current presentation.
(b) Includes $942 million of loans considered impaired under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS 114"), as discussed on pages 6, 10 and 11. In addition, on January 1, 1995, $122 million of assets for which the Corporation did not have possession were reclassified from Assets Acquired as Loan Satisfactions to Nonperforming Loans pursuant to the adoption of SFAS 114.
(c) Accruing loans past-due 90 days or more as to principal and interest, which are not characterized as nonperforming loans. Consumer loans are generally not classified as nonperforming loans but rather charged-off on a formula basis.

The Corporation's total nonperforming assets at March 31, 1995 were $1,130 million, a decrease of $9 million from the 1994 year-end level and a decrease of $2,073 million, or 65%, from last year's comparable quarter-end. These reductions reflect the improvement in the Corporation's credit profile as a result of a lower level of loans being placed on nonperforming status, repayments, charge- offs, the Corporation's continuing loan workout and collection activities, as well as the impact of several strategic actions undertaken during 1994. A discussion of such actions is provided on page B26 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

Management expects the level of the Corporation's nonperforming assets during 1995 to be at or moderately below the 1994 year-end level.

The following table presents the reconciliation of nonperforming assets for the first quarters of 1995 and 1994.

RECONCILIATION OF NONPERFORMING ASSETS	First Quarter	
(in millions)	1995	1994
Balance at beginning of period	$ 1,139	$ 3,525
Additions:		
Loans placed on nonperforming status	153	292
Deductions:		
Payments	103	345
Sales	24	42
Charge-offs of Nonperforming Loans (a)	21	156
Write-downs of Real Estate Owned	(12)(b)	31
Return to accrual status	26	40
Balance at end of period	$ 1,130	$ 3,203

[FN]
(a) Excludes those consumer charge-offs that are recorded on a formula basis.
(b) Included in the 1995 first quarter amount was a reevaluation of the foreclosed property allowance as a result of payments received on certain foreclosed properties which were previously written down.

ASSETS HELD FOR ACCELERATED DISPOSITION

In December 1994, the Corporation segregated approximately $735 million of real estate loans and real estate owned (approximately $580 million nonperforming assets) and designated such assets as Assets Held for Accelerated Disposition. In conjunction with the transfer of these real estate loans to the held for accelerated disposition classification, the Corporation reevaluated its carrying values for these assets to facilitate their rapid disposition and recorded a charge of $148 million to the allowance for credit losses. As a result of this action, these assets were excluded from the March 31, 1995 and December 31, 1994 nonperforming assets category.

The following table represents the Corporation's assets held for accelerated disposition at the dates indicated:

(in millions)	March 31, 1995	December 31, 1994	March 31, 1994
ASSETS HELD FOR ACCELERATED DISPOSITION:			
Loans (a)	$ 296	$ 336	$ --
Real Estate Owned	106	190	--
Total Assets Held for Accelerated Disposition	$ 402	$ 526	$ --

(a) Includes $18 million and $87 million of loans that were performing at March 31, 1995 and December 31, 1994, respectively.

NET CHARGE-OFFS

(in millions)	First Quarter 1995	First Quarter 1994
Net Charge-Offs:		
Domestic Consumer:		
Residential Mortgage	$ 11	$ 3
Credit Card	91	82
Other Consumer	9	5
Total Consumer Net Charge-Offs	111	90
Domestic Commercial:		
Commercial and Industrial	38	50
Commercial Real Estate	1	75
Financial Institutions	---	---
Total Commercial Net Charge-Offs	39	125
Total Domestic Net Charge-Offs	150	215
Foreign (a)	(5)	21
Total Net Charge-Offs	$ 145	$ 236

[FN]
(a) Includes charge-offs previously classified as LDC charge-offs and losses on sales and swaps. Previously reported net charge-off amounts have been reclassified to conform with the current presentation.

For a discussion of net charge-offs, see the various credit portfolio sections that follow. Management expects total net charge-offs in 1995 to be similar to the full year 1994 amount, exclusive of the special charges taken in 1994. For a discussion of special charges the Corporation incurred in 1994, see page B27 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

DOMESTIC CONSUMER PORTFOLIO

The domestic consumer loan portfolio consists of one-to-four family residential mortgages, credit cards and other consumer loans. The domestic consumer loan portfolio totaled $30.9 billion at March 31, 1995, representing 38% of total loans, an increase from $30.1 billion, or 38% of total loans, at December 31, 1994 and an increase from $26.2 billion, or 35% of total loans, at March 31, 1994.

Residential mortgage loans at March 31, 1995 increased $1.6 billion from the comparable 1994 period-end, in part due to the Margaretten acquisition in July 1994. Credit card receivables at March 31, 1995 increased $2.2 billion from a year ago, primarily due to the co-branded Shell MasterCard program. Management expects continued growth in the level of Shell credit card outstandings for 1995. Management is exploring other opportunities in the credit card area, including other co-branded card programs.

Total nonperforming domestic consumer loans were $127 million at March 31, 1995, $104 million at December 31, 1994 and $181 million at March 31, 1994. The increase in nonperforming domestic consumer loans since December 31, 1994 is primarily due to the increase in the volume of consumer loans.

Domestic consumer loan balances are expected to continue to increase in 1995, particularly in the credit card and residential mortgage portfolios. As a result of this anticipated growth, management expects consumer loan net charge-offs in 1995 to be somewhat higher than in 1994.

The following table presents the composition of the Corporation's delinquent domestic consumer loans that are contractually past due 90 days or more at the dates indicated and are still accruing. Such consumer loans are generally not classified as nonperforming but, rather, are charged-off on a formula basis.

	90 Days and Over			% of Loans Outstanding		
(in millions)	March 31, 1995	December 31, 1994	March 31, 1994	March 31, 1995	December 31, 1994	March 31, 1994
Credit Cards	$ 197	$ 176	$ 163	2.08%	1.90%	2.24%
Other Consumer Loans (a)	116(b)	118(b)	108(b)	1.58%	1.62%	1.67%
Total	$ 313	$ 294	$ 271	1.01%	.95%	1.04%

(a) Consists of installment loans (direct and indirect types of consumer finance) and student loans.
(b) Includes student loans at March 31, 1995, December 31, 1994 and March 31, 1994 of approximately $103 million, $105 million and $96 million, respectively, which are substantially guaranteed by Federal and State government agencies.

MORTGAGE BANKING ACTIVITIES

The Corporation both originates and services residential mortgage loans as part of its mortgage banking activities. After origination, the Corporation typically sells loans to investors, primarily in the secondary market, while retaining the rights to service such loans. The Corporation originated $1.8 billion of residential mortgages in the first quarter of 1995 versus $4.1 billion in the same 1994 period. During the first quarter of 1995, the Corporation sold to investors approximately 68% of the residential mortgage loans it had originated, compared with 84% in same 1994 period.

In addition to originating mortgage servicing rights, the Corporation also purchases and sells 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 residential mortgage servicing portfolio amounted to $53.4 billion at March 31, 1995, compared with $55.6 billion at December 31, 1994 and $38.6 billion at March 31, 1994. Purchased mortgage servicing rights (included in other assets) amounted to $460 million at March 31, 1995 compared with $469 million at December 31, 1994 and $265 million at March 31, 1994. The increases in the servicing portfolio and in purchased mortgage servicing rights at March 31, 1995 when compared with the same date a year-ago were primarily due to the Margaretten acquisition. The mortgage loans to which the Corporation's servicing rights relate are, to a substantial degree, of recent vintage (i.e., originated in the period 1992 through the first half of 1994 when interest rates have been relatively low). The Corporation utilizes an amortization method based on adjusted cash flows to amortize purchased mortgage servicing rights. The Corporation continually evaluates prepayment exposure of the portfolio, adjusting the balance and remaining life of the servicing rights as a result of prepayments.

DOMESTIC COMMERCIAL AND INDUSTRIAL PORTFOLIO

The domestic commercial and industrial portfolio totaled $21.3 billion at March 31, 1995, an increase from $20.8 billion at December 31, 1994 and $19.1 billion at March 31, 1994. The portfolio is diversified geographically and by industry. The largest industry concentrations are oil and gas and retailing which approximate $2.2 billion (or 2.7% of total loans) and $1.8 billion (or 2.2% of total loans), respectively. All of the other remaining industries are each less than 2% of total loans.

Included in the domestic commercial and industrial portfolio are loans related to highly leveraged transactions ("HLTs"). The Corporation originates and syndicates loans in HLTs, which include acquisitions, leveraged buyouts and recapitalizations. HLT loans at March 31, 1995 totaled approximately $1.3 billion, unchanged from the 1994 year-end and down from $1.6 billion at March 31, 1994. The reduction in the HLT loan portfolio from March 31, 1994 can be largely attributed to repayments and reclassifications to non-HLT status. At March 31, 1995, the Corporation had $72 million in nonperforming HLT loans, compared with $82 million at the end of 1994 and $237 million at March 31, 1994. There were no net charge-offs of HLTs during the first quarter of 1995, compared with net charge-offs of $3 million in the comparable 1994 period.

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. During the 1995 first quarter, the Corporation acted as agent or co-agent for approximately $63 billion in syndicated credit facilities, compared with $51 billion in the same period last year.

DOMESTIC COMMERCIAL REAL ESTATE

The domestic commercial real estate portfolio represents 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). The domestic commercial real estate loan portfolio totaled $5.7 billion at March 31, 1995, relatively unchanged from December 31, 1994 and a decrease from $7.0 billion at March 31, 1994. The decrease from March 31, 1994 is attributable to repayments, transfers to real estate owned, charge-offs, a bulk asset sale in October 1994, and the designation of certain real estate assets for accelerated disposition in December 1994. The slight increase from December 31, 1994 reflects the reclassification of in-substance foreclosed assets during the first quarter from assets acquired as loan satisfactions to nonperforming loans, as a result of the adoption of SFAS 114.

The table below sets forth the major components of the domestic commercial real estate loan portfolio at the dates indicated.

(in millions)	March 31, 1995	December 31, 1994	March 31, 1994
Commercial Mortgages	$ 4,693	$ 4,680	$ 5,742
Construction	970	970	1,208
Total Domestic Commercial Real Estate Loans	$ 5,663	$ 5,650	$ 6,950

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

The largest concentration of domestic commercial real estate loans is in the New York/New Jersey and Texas markets, representing 51% and 29%, respectively, of the domestic commercial real estate portfolio. No other state represented more than 3% of the domestic commercial real estate loan portfolio.

Nonperforming domestic commercial real estate assets were $234 million at March 31, 1995, a 33% decrease from December 31, 1994 and a decrease of $1.1 billion, or 83%, from March 31, 1994. The improvement in nonperforming domestic commercial real estate asset levels for the first quarter of 1995 is the result of increased liquidity in the commercial real estate markets coupled with successful workout activities, as well as the aforementioned strategic actions taken during 1994.

As a result of strategic actions taken by the Corporation in December 1994 to accelerate the disposition of certain real estate assets, domestic commercial real estate net charge-offs in the first quarter of 1995 totaled $1 million, compared with $75 million in the same period a year ago. Writedowns of commercial real estate owned totaled $12 million for the first quarter of 1995, compared with $28 million in first quarter of 1994. Approximately $24 million of commercial real estate owned was sold during the 1995 first quarter. Generally, these assets were sold at or above carrying value. The first quarter of 1995 was the ninth consecutive quarter in which nonperforming domestic commercial real estate assets declined.

Domestic commercial real estate net charge-offs and writedowns for the full year 1995 are expected to be below the full year 1994 levels.

DOMESTIC FINANCIAL INSTITUTIONS PORTFOLIO

The domestic financial institutions portfolio includes commercial banks and companies whose businesses primarily involve lending, financing, investing, underwriting, or insurance. Loans to domestic financial institutions were $3.9 billion at March 31, 1995 or 5% of total loans outstanding. Loans to domestic financial institutions are predominantly to broker-dealers, which comprise over half the domestic financial institutions total.

FOREIGN PORTFOLIO

The foreign portfolio includes foreign commercial and industrial loans, loans to foreign financial institutions, foreign commercial real estate, loans to foreign governments and official institutions, and foreign consumer loans. At March 31, 1995, the Corporation's total foreign loans were $18.6 billion, compared with $18.3 billion at December 31, 1994 and $17.6 billion at March 31, 1994.

Included in foreign loans were foreign commercial and industrial loans of $7.9 billion at the end of the 1995 first quarter, an increase of $.3 billion from the 1994 year-end and an increase of $.4 billion from March 31, 1994. Total foreign commercial real estate loans at March 31, 1995 were $.5 billion, unchanged from December 31, 1994 but slightly reduced from $.6 million at March 31, 1994. A significant portion of the foreign real estate portfolio is located in the United Kingdom and Hong Kong.

MEXICO

For a discussion of significant developments with respect to Mexican debt, see page B29 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

At March 31, 1995, the Corporation's total exposure to Mexico was $935 million, which is largely trade and short-term credits. This excludes bonds received as part of debt renegotiations (i.e., Brady Bonds) with a face value of $2,199 million and current carrying value of $1,709 million, which are collateralized by zero-coupon United States Treasury obligations.

DERIVATIVE AND FOREIGN EXCHANGE FINANCIAL INSTRUMENTS

In the normal course of its business, the Corporation utilizes various derivative and foreign exchange 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.

Derivative and foreign exchange instruments 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. These instruments can provide a cost-effective alternative to assuming and mitigating risk associated with traditional on-balance sheet instruments. 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 effective management of credit and market risk is vital to the success of the Corporation's trading activities and asset/liability management. Because of the changing market environment, the monitoring and managing of these risks is a continual process. For a further discussion, see the Risk Management section below.

The Corporation does not deal, to any material extent, in derivatives which dealers of derivatives (such as other banks and financial institutions) consider to be "complex" (i.e., exotic and/or leveraged). As a result, the notional amount of such derivatives were less than 0.5% of the Corporation's total notional amount of derivative contracts at March 31, 1995.

A discussion of the derivative and foreign exchange financial instruments utilized in connection with the Corporation's trading activities and asset/liability management activities is provided on pages B31 and B34 of the Corporation's Annual Report filed on Form 10-K for the year ended December 31, 1994.

RISK MANAGEMENT

The following discussion of risk management focuses primarily on developments since December 31, 1994 and, accordingly, should be read in conjunction with the Risk Management section on pages B31- B37 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

CREDIT RISK MANAGEMENT

Credit risk for both lending-related products and derivative and foreign exchange products 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 routinely enters into derivative and foreign exchange product transactions with regulated financial institutions, which the Corporation believes have relatively low credit risk. At March 31, 1995, approximately 94% of the mark-to- market exposure of such activities were with commercial bank and financial institution counterparties, most of which are dealers in these products. Non-financial institutions only accounted for approximately 6% of the Corporation's derivative and foreign exchange mark-to-market exposure.

Many of the Corporation's contracts are short-term, which mitigates credit risk as transactions settle quickly. The following table provides the remaining maturities of derivative and foreign exchange contracts outstanding at March 31, 1995 and December 31, 1994. Percentages are based upon remaining contract life of mark-to-market exposure amounts. For the notional amounts and credit exposure outstandings of the Corporation's interest rate contracts and foreign exchange contracts, see page 14 of this Form 10-Q.

	At March 31, 1995			At December 31, 1994		
	Interest Rate Contracts	Foreign Exchange Contracts	Total	Interest Rate Contracts	Foreign Exchange Contracts	Total
Less than 3 months	9%	58%	40%	11%	57%	32%
3 to 6 months	8	21	16	8	24	15
6 to 12 months	11	18	15	12	12	12
1 to 3 years	36	2	15	35	6	22
Over 3 years	36	1	14	34	1	19
Total	100%	100%	100%	100%	100%	100%

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is available to absorb potential credit losses from the entire loan portfolio, as well as from off- balance sheet credit-related transactions. The Corporation deems its allowance for credit losses at March 31, 1995 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 and off-balance sheet credit-related instruments, is subject to continuing review based on quality indicators, industry and geographic concentrations, changes in business conditions, and other external factors such as competition and legal and regulatory requirements. The Corporation will continue to reassess the adequacy of the allowance for credit losses.

The Corporation's actual credit losses arising from derivative and foreign exchange transactions were immaterial during the 1995 and 1994 first quarters. Additionally, at March 31, 1995 and 1994, nonperforming derivatives contracts were immaterial.

The accompanying table reflects the activity in the allowance for credit losses for the first quarters ended March 31, 1995 and 1994.

	First Quarter	
(in millions)	1995	1994
Total Allowance at Beginning of Period	$ 2,480	$ 3,020
Provision for Losses	120	205
Charge-Offs	(175)	(342)(a)
Recoveries	30	106 (a)
Net Charge-Offs	(145)	(236)
Other	---	2
Total Allowance at End of Period	$ 2,455	$ 2,991

[FN]
(a) Includes LDC charge-offs and losses on sales and swaps of $59 million and recoveries of $53 million.

The following table presents the Corporation's allowance coverage ratios at March 31, 1995, December 31, 1994 and March 31, 1994.

ALLOWANCE COVERAGE RATIOS

For the Period Ended:	March 31, 1995	December 31, 1994	March 31, 1994
Allowance for Credit Losses to:			
Loans at Period-End	3.05%	3.15%	4.01%
Average Loans	3.15	3.30	4.02
Nonperforming Loans	229.65(a)	266.95	126.26

[FN]
(a) The decrease from December 31, 1994 is primarily due to the aforementioned reclassification of in-substance foreclosed assets from assets acquired as loan satisfactions to nonperforming loans as a result of the adoption of SFAS 114.

MARKET RISK MANAGEMENT - TRADING ACTIVITIES

The Corporation's business strategy seeks to manage the market risk associated with its trading activities through geographic, product and functional diversification. The Corporation's trading activities are geographically diverse. Trading activities are undertaken in more than 20 countries, with a majority of the Corporation's transactions in the United States, Japan, Singapore, United Kingdom and Western Europe. The Corporation trades in a wide range of products which include not only foreign exchange and derivatives but also securities, including emerging markets debt instruments. For a further discussion of the Corporation's market risk management, see pages B33-B34 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

The effects of market gains or losses on the Corporation's trading activities have been reflected in trading revenue, as the trading instruments are marked-to-market on a daily basis. For the impact of any unrecognized market gains or losses on the Corporation's asset/liability management portfolio, see Note 11 - Fair Value of Financial Instruments of this Form 10-Q.

Measuring Market Risk: One of the risk controls the Corporation utilizes in its overall risk management process is value-at-risk. The Corporation defines value-at-risk as the potential overnight dollar loss from adverse market movements that would cover 97.5% of likely market movements, which are determined by using two years of historical price and rate data. The value-at-risk calculations employ over 2,300 volatilities and 715,000 correlations (updated semi-annually) of various market instruments. The Corporation monitors value-at-risk figures for major business units on a daily basis to ensure the potential for market loss is properly reflected. The methodology generally used to offset positions within a business unit is deemed by the Corporation to be conservative. Only partial credit for correlation between instruments within each business unit is incorporated since correlations can exhibit instability during volatile market environments. Aggregating across business units with no correlation offset resulted in an aggregated daily average value- at-risk figure of $29 million for the twelve months ended March 31, 1995. Based on actual trading results for the twelve months ended March 31, 1995, which capture the historical correlation among business units, the Corporation's daily value-at-risk was reduced to approximately $9 million with 97.5% confidence.

For the twelve months ended March 31, 1995, the Corporation posted positive daily market risk-related revenue for 193 out of 269 business trading days for international and domestic units. For 176 of the 269 days, the Corporation's daily market risk-related revenue or losses centered around the $0 million to $5 million range, which is representative of the Corporation's emphasis on market-making and sales activities. The low number of outlier results (25 days having risk-related revenue or losses which exceed $10 million) exemplifies the Corporation's diversified approach to market risk management as a business strategy.

OPERATING RISK MANAGEMENT

The Corporation, like all financial institutions, is subject to the risk of fraud and to the risk of unauthorized activities by employees. The Corporation maintains a comprehensive system of internal controls designed to manage such risks.

ASSET/LIABILITY MANAGEMENT

The objective of the asset/liability management process is to manage and control the sensitivity of the Corporation's income to changes in market interest rates. 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 the Corporation's investments and the maturities of its wholesale funding activities, and with the use of off-balance sheet derivative instruments. For a further discussion of the Corporation's asset/liability management process and the variety of techniques used to measure its interest rate sensitivity, see pages B34-B36 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

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.

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.

(in millions) At March 31, 1995	1-3 Months	4-6 Months	7-12 Months	1-5 Years	Over 5 Years	Total
Balance Sheet	$ (14,473)	$ 2,358	$ 2,238	$ 4,444	$ 5,433	$ ---
Off-Balance Sheet Items Affecting Interest-Rate Sensitivity (a)	7,545	1,520	(1,065)	(8,192)	192	---
Interest-Rate-Sensitivity Gap	(6,928)	3,878	1,173	(3,748)	5,625	---
Cumulative Interest-Rate Sensitivity Gap	(6,928)	(3,050)	(1,877)	(5,625)	---	---
% of Total Assets	(4)%	(2)%	(1)%	(3)%	---	---

At December 31, 1994	1-3 Months	4-6 Months	7-12 Months	1-5 Years	Over 5 Years	Total
Balance Sheet	$ (11,529)	$ 4,393	$ 175	$ 4,269	$ 2,692	$ ---
Off-Balance Sheet Items Affecting Interest-Rate Sensitivity (a)	1,622	(4,366)	587	1,581	576	---
Interest-Rate-Sensitivity Gap	(9,907)	27	762	5,850	3,268	---
Cumulative Interest-Rate Sensitivity Gap	(9,907)	(9,880)	(9,118)	(3,268)	---	---
% of Total Assets	(6)%	(6)%	(5)%	(2)%	---	---

(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.

At March 31, 1995, the Corporation had $1,877 million more liabilities than assets repricing within one year, amounting to 1.0% of total assets. This compares with $9,118 million, or 5.3%, of total assets at December 31, 1994.

At March 31, 1995, based on the Corporation's simulation models, which are comprehensive simulations of net interest income under a variety of market interest rate scenarios, net interest income sensitivity to a gradual 150 basis point rise in market rates over the next twelve months was estimated at less than 2% of projected after-tax net income. At December 31, 1994, the Corporation's interest rate sensitivity to a similar increase in market rates was estimated to be 3%.

Interest Rate Swaps: Interest rate swaps are one of the various financial instruments used in the Corporation's asset/liability management activities. Although the Corporation believes the results of its asset/liability management activities should be evaluated on an integrated basis, taking into consideration all on- and related off-balance sheet instruments and not a specific financial instrument, the interest rate swap maturity table, which follows, provides an indication of the Corporation's interest rate swap activity.

The table below summarizes expected maturities and weighted-average interest rates to be received and paid on domestic and international interest rate swaps utilized in the Corporation's asset/liability management at March 31, 1995. The table was prepared under the assumption that variable interest rates remain constant at March 31, 1995 levels and, accordingly, the actual interest rates to be received or paid will be different to the extent that such variable rates fluctuate from March 31, 1995 levels. Variable rates presented are generally based on the short-term interest rates for relevant currencies (e.g., London Interbank Offered Rate (LIBOR)). Basis swaps are interest rate swaps based on two floating rate indices (e.g., LIBOR and prime). Forward starting swaps are interest rate swap contracts that become effective at a future time.

By expected maturities (in millions)	1995	1996	1997	1998	1999	After 1999	Total
Receive fixed swaps							
Notional amount	$ 8,416	$ 6,917	$ 4,836	$1,770	$ 743	$3,163	$ 25,845
Weighted-average:							
Receive rate	6.00%	6.59%	6.76%	5.67%	7.48%	7.16%	6.46%
Pay rate	5.62	5.33	6.03	5.02	6.28	6.18	5.66
Pay fixed swaps							
Notional amount	$ 5,831	$ 7,271	$ 4,451	$ 842	$ 865	$2,416	$ 21,676
Weighted-average:							
Receive rate	6.12%	5.63%	5.28%	6.03%	6.55%	6.24%	5.81%
Pay rate	5.84	6.23	6.16	7.73	7.75	7.76	6.40
Basis Swaps							
Notional amount	$ 180	$ 1,079	$ 350	$ 342	$ 1,030	$ 187	$ 3,168
Weighted-average:							
Receive rate	6.27%	6.32%	6.10%	6.33%	6.38%	6.49%	6.32%
Pay rate	6.23	6.18	6.54	6.37	6.46	6.52	6.35
Forward Starting							
Notional amount	$ 51	$ 1,126	$ 3,003	$ 403	$ 0	$ 234	$ 4,817
Weighted-average:							
Receive rate	7.32%	6.02%	5.99%	4.75%	0.00%	5.83%	5.90%
Pay rate	7.59	6.98	6.82	5.29	0.00	5.77	6.69
Total notional amount (a)	$ 14,478	$ 16,393	$ 12,640	$3,357	$ 2,638	$6,000	$ 55,506

(a) At March 31, 1995, approximately $28 billion of notional amounts are interest rate swaps that as part of the Corporation's asset/liability management, are used in place of cash market instruments. Of this amount $13 billion is expected to mature in 1995, $8 billion in 1996 and $4 billion in 1997 with the remaining $3 billion in 1998 and thereafter. The unrecognized net gain related to these positions was approximately $72 million.

CAPITAL AND LIQUIDITY

The following capital and liquidity discussion focuses primarily on developments since December 31, 1994. Accordingly, it should be read in conjunction with the Capital and Liquidity section on pages B37-B40 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

The Corporation's capital base at March 31, 1995 remained strong, with capital ratios well in excess of regulatory guidelines. The Corporation's Tier 1 and Total Capital ratios continued to exceed 8% and 12%, respectively. Total capitalization (the sum of Tier 1 Capital and Tier 2 Capital) increased by $82 million during the first quarter of 1995.

STOCKHOLDER'S EQUITY

Total stockholders' equity at March 31, 1995 was $10.8 billion, compared with $10.7 billion at December 31, 1994. The $79 million increase from the 1994 year-end reflected net income generated during the 1995 first quarter of $385 million and $34 million generated from the issuance of common stock. These amounts were partially offset by a net increase in treasury stock of $182 million, largely from the repurchase of approximately 3.9 million shares of the Corporation's common stock under a previously- announced buyback program; common and preferred stock dividends totaling $135 million; and a $34 million reduction in the fair value of available-for-sale securities accounted for under SFAS
115. The market valuation of the available-for-sale securities does not include the favorable impact of related funding sources.

LONG-TERM DEBT

In the first quarter of 1995, additions to the Corporation's long- term debt were $291 million (including $191 million of senior medium-term notes and $100 million of other senior notes). These additions were offset by maturities of $578 million of long-term debt (including $263 million of senior medium-term notes and $315 million of other senior notes). See the Liquidity Management section for further discussion of the Corporation's long-term debt.

COMMON STOCK DIVIDENDS

In the first quarter of 1995, the Board of Directors of the Corporation declared a $.44 per share quarterly dividend to be paid on its common stock in April 1995. 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

At March 31, 1995, the Corporation's ratios of Tier 1 Capital to risk-weighted assets and Total Capital to risk-weighted assets were 8.1% and 12.1%, respectively, well in excess of the minimum ratios specified by the Federal Reserve Board. 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. At March 31, 1995, Chemical Bank's ratios of Tier 1 Capital and Total Capital to risk-weighted assets, were 7.5% and 11.6%, respectively. At such date, all of the Corporation's banking institutions were "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 of at least 5%.

LEVERAGE RATIOS

The Tier 1 leverage ratio is defined as Tier 1 Capital (as defined under the risk-based capital guidelines) divided by average total assets (net of allowance for credit losses, goodwill and certain intangible assets). The minimum leverage ratio is 3% for banking organizations that have well-diversified risk (including no undue interest rate risk); excellent asset quality; high liquidity; good earnings; and, in general, are considered strong banking organizations. Other banking organizations are expected to have ratios of at least 4%-5% depending upon their particular condition and growth plans. 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 5.78% at March 31, 1995, compared with 5.95% at December 31, 1994. At March 31, 1995, Chemical Bank's Tier 1 leverage ratio was 5.51%, compared with 5.72% at December 31, 1994.

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 Tier 1 Capital and Total Capital Ratios and Tier 1 leverage ratios for the dates indicated.

CAPITAL AND RATIOS UNDER FEDERAL RESERVE BANK FINAL GUIDELINES

(in millions, except ratios)	March 31, 1995	December 31, 1994
TIER 1 CAPITAL		
Common Stockholders' Equity	$ 9,813	$ 9,700
Nonredeemable Preferred Stock	1,450	1,450
Minority Interest	67	63
Less: Goodwill	1,053	1,068
Non-Qualifying Intangible Assets	134	142
Tier 1 Capital	$ 10,143	$ 10,003
TIER 2 CAPITAL		
Long-Term Debt Qualifying as Tier 2	$ 3,426	$ 3,519
Qualifying Allowance for Credit Losses	1,571	1,536
Tier 2 Capital	$ 4,997	$ 5,055
TOTAL QUALIFYING CAPITAL	$ 15,140	$ 15,058
Risk-Weighted Assets (a)	$ 124,798	$ 121,939
Tier 1 Capital Ratio (b)	8.13%	8.20%
Total Capital Ratio (b)	12.13%	12.35%
Tier 1 Leverage Ratio (b)	5.78%	5.95%

[FN]
(a) Includes off-balance sheet risk-weighted assets in the amount of $40,900 million, and $37,157 million, respectively, at March 31, 1995 and December 31, 1994.
(b) Excluding the Corporation's securities subsidiary, Chemical Securities Inc., the March 31, 1995 Tier 1 Leverage, Tier 1 Capital and Total Capital ratios were 6.00%, 7.84% and 11.55%, respectively, compared with 6.26%, 8.02% and 11.97%, respectively, at December 31, 1994.

LIQUIDITY MANAGEMENT

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 noninterest-bearing time deposits, foreign deposits and certificates of deposit of $100,000 or more). The Corporation considers funds from such 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 the 1995 first quarter were $55.2 billion, a decrease from $60.4 billion for the comparable quarter in 1994. These deposits fund a portion of the Corporation's asset base, thereby reducing the Corporation's reliance on other, more volatile, sources of funds. Average core deposits as a percentage of average loans was 71% for the first quarter 1995, compared with 81% for the same quarter a year ago.

The Corporation is 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 the 1995 first quarter, the Corporation issued $291 million of senior debt, including $191 million through its medium-term note program.

In February 1995, Duff & Phelps Credit Rating Corporation ("Duff & Phelps") upgraded its ratings of the Corporation's senior debt (to A+ from A), subordinated debt (to A from A-) and preferred stock (to A- from BBB+), as well as Chemical Bank's long-term senior obligations, subordinated debt and short-term obligations. Duff & Phelps also raised its ratings on Texas Commerce Equity Holdings' long-term debt and Texas Commerce Bank National Association's long- term senior and short-term obligations.

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

Cash and due from banks decreased $1.0 billion during the first three months of 1995, as net cash used in investing and financing activities exceeded the net cash provided by operating activities. The $3.6 billion net cash used by investing activities was primarily impacted by cash outflows from purchases of securities ($10.9 billion) and from Federal funds sold and securities purchased under resale agreements ($2.2 billion), partially offset by cash inflows from the sales and maturities of securities ($9.3 billion and $1.0 billion, respectively). The $1.0 billion net cash used by financing activities was primarily due to a decrease in net deposits ($1.1 billion). The $3.6 billion net cash provided by operating activities was principally due to a reduction in trading-related assets.

Cash and due from banks increased $1.4 billion during the first three months of 1994, from net cash provided by investing, operating and financing activities. The $799 million of net cash provided by investing activities was largely the result of cash inflows from the maturities and sales of securities ($6.5 billion and $1.0 billion, respectively), as well as decreases in deposits with banks ($2.1 billion), and net loans ($273 million), partially offset by cash outflows from purchases of securities ($8.6 billion) and from Federal funds sold and securities purchased under resale agreements ($1.2 billion). The $333 million net cash provided by operating activities was principally due to earnings adjusted for noncash charges and credits. The $320 million net cash provided by financing activities was due to increases in Federal funds purchased, securities sold under repurchase agreements and other borrowed funds ($4.5 billion), and proceeds from the additions of long-term debt ($1.0 billion), partially offset by decreases in net deposits ($3.1 billion) and other liabilities ($1.2 billion), and redemptions and maturities of long-term debt ($749 million).

The Corporation's anticipated cash requirements (on a parent company-only basis) for the remainder of 1995 include approximately $1.1 billion for maturing medium- and long-term debt, interest payments on its outstanding debt, anticipated dividend payments on the Corporation's common stock and preferred stock, the completion of the aforementioned 6 million stock buyback program, 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 or the repayment of intercompany advances from its bank and non-bank subsidiaries. In addition, as of March 31, 1995, the Corporation had available to it $750 million in committed credit facilities from a syndicate of domestic and international banks. The facilities included a $375 million 36-month facility and a $375 million 364-day facility.

SUPERVISION AND REGULATION

The following supervision and regulation discussion focuses primarily on developments since December 31, 1994. Accordingly, it should be read in conjunction with the Supervision and Regulation section on pages A2-A6 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994.

DIVIDENDS

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. Two different calculations are performed to measure the amounts of dividends that may be paid: a "recent earnings" test and an "undivided profits" test. New York State banks like Chemical Bank are also subject to a similar "recent earnings" test imposed by the New York State Banking Department. Non-bank subsidiaries of the Corporation are not subject to such limitations.

At March 31, 1995, in accordance with the dividend restrictions applicable to them, the Corporation's bank subsidiaries could, during 1995, without the approval of their relevant banking regulators, pay dividends of approximately $800 million to their respective bank holding companies, plus an additional amount equal to their net income from April 1, 1995 through the date in 1995 of any such dividend payment.

In addition to the dividend restrictions described above, 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.

FDICIA

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the FDIC to establish a risk-based assessment system for FDIC deposit insurance. FDICIA also contains provisions limiting certain activities and business methods of depository institutions. Finally, FDICIA provides for expanded regulation of depository institutions and their affiliates, including parent holding companies, by such institutions' appropriate Federal banking regulator. Each of the Corporation's banking institutions were "well capitalized" as that term is defined under the various regulations promulgated under FDICIA and, therefore, the Corporation does not expect such regulations to have a material adverse impact on their business operations.

OTHER EVENTS

JOINT VENTURE WITH MELLON BANK CORPORATION

The Corporation and Mellon Bank Corporation have formed a joint venture that will focus on providing stock transfer and related shareholder services to publicly-held companies. The joint venture is called Chemical Mellon Shareholder Services, and is a 50/50 partnership, with Mellon Bank Corporation and the Corporation sharing equally in the joint venture's initial capitalization, including investments in new technology.

The joint venture product line includes traditional stock transfer services, proxy tabulation and the administration of dividend reinvestment plans, as well as proxy solicitation programs, corporate reorganization securities processing, the development and administration of employee stock option plans, and a comprehensive stock watch monitoring service. This joint venture was accounted for as an equity investment in the first quarter of 1995.

The joint venture commenced operations on May 1, 1995.

AGREEMENT TO SELL CHEMICAL BANK NEW JERSEY NATIONAL ASSOCIATION In March 1995, the Corporation entered into an agreement to sell Chemical New Jersey Holdings, Inc. and its subsidiaries, including Chemical Bank New Jersey National Association, to PNC for approximately $504 million. As part of the purchase price, PNC has the option to issue up to $300 million of perpetual preferred stock to the Corporation. The sale does not include the Corporation's franchise in northeastern New Jersey or the Montclair, Morristown, Ridgewood and Summit offices of Princeton Bank and Trust Company. The Corporation intends to reposition these remaining branches and offices as a strategic component of regional banking in metropolitan New York.

The sale, which is expected to close by the end of the year, subject to regulatory approvals, includes 84 branches in 15 counties in central and southern New Jersey and approximately $2.9 billion in deposits and $2.3 billion in loans.

ACCOUNTING DEVELOPMENTS

ACCOUNTING FOR MORTGAGE SERVICING RIGHTS

In May 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights" ("SFAS 122"). SFAS 122 amends SFAS No. 65, "Accounting for Certain Mortgage Banking Activities," to require that mortgage banking enterprises recognize as separate assets the rights to service mortgage loans for others, irrespective of whether those servicing rights are acquired through the purchase or the origination of mortgage loans, when a definitive plan to sell or securitize the mortgage loans and retain the servicing rights exists. Under SFAS No. 65, only purchased mortgage servicing rights were permitted to be recognized as separate assets. SFAS 122 also requires that capitalized mortgage servicing rights be assessed for impairment based on the fair value of those rights.

SFAS 122 is effective prospectively for fiscal years beginning after December 15, 1995 for transactions in which mortgage loans are sold or securitized with servicing rights retained and for impairment evaluations of all capitalized mortgage servicing rights whenever acquired. Earlier adoption is encouraged. Management is currently evaluating the financial impact of adopting this new accounting standard.

CHEMICAL BANKING CORPORATION and Subsidiaries

Average Consolidated Balance Sheet, Interest and Rates
(Taxable-Equivalent Interest and Rates; in millions)

	Three Months Ended March 31, 1995			Three Months Ended March 31, 1994		
	Average Balance	Interest	Rate (Annualized)	Average Balance	Interest	Rate (Annualized)
ASSETS						
Deposits with Banks	$ 4,737	$ 82	7.06%	$ 5,153	$ 94	7.37%
Federal Funds Sold and Securities Purchased Under Resale Agreements	14,440	219	6.14%	11,887	100	3.42%
Trading Assets-Debt and Equity Instruments	10,910	199	7.41%	11,877	173	5.92%
Securities:						
Held-to-Maturity	8,528	149	7.07%	10,178	175	6.97%
Available-for-Sale	19,208	360	7.60%(b)	16,228	242	6.04%(b)
Loans	77,954	1,665	8.66%	74,481	1,311	7.14%
Total Interest-Earning Assets	135,777	$ 2,674	7.99%	129,804	$ 2,095	6.54%
Allowance for Credit Losses	(2,487)			(3,086)		
Cash and Due from Banks	7,539			8,833		
Risk Management Instruments	21,611			15,393		
Other Assets	13,027			13,208		
Total Assets	$175,467			$164,152		
LIABILITIES						
Domestic Retail Deposits	$ 41,338	$ 368	3.61%	$ 46,047	$ 248	2.18%
Domestic Negotiable Certificates of Deposit and Other Deposits	5,912	82	5.63%	5,450	46	3.43%
Deposits in Foreign Offices	28,096	401	5.77%	22,971	226	3.99%
Total Time & Savings Deposits	75,346	851	4.58%	74,468	520	2.83%
Short-Term and Other Borrowings:						
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	23,194	333	5.83%	16,060	137	3.47%
Commercial Paper	3,323	47	5.74%	2,408	21	3.55%
Other Borrowings	8,219	139	6.82%	9,665	134	5.61%
Total Short-Term and Other Borrowings	34,736	519	6.06%	28,133	292	4.21%
Long-Term Debt	7,855	140	7.24%	8,498	135	6.43%
Total Interest-Bearing Liabilities	117,937	1,510	5.19%	111,099	947	3.46%
Demand Deposits	20,450			22,625		
Risk Management Instruments	20,688			13,068		
Other Liabilities	5,653			6,194		
Total Liabilities	164,728			152,986		
STOCKHOLDERS' EQUITY						
Preferred Stock	1,450			1,654		
Common Stockholders' Equity	9,289			9,512		
Total Stockholders' Equity	10,739			11,166		
Total Liabilities and Stockholders' Equity	$175,467			$164,152		
INTEREST RATE SPREAD			2.80%			3.08%
NET INTEREST INCOME AND NET YIELD ON INTEREST-EARNING ASSETS		$ 1,164(a)	3.48%		$ 1,148(a)	3.59%

(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.

(b) For the three months ended March 31, 1995 and March 31, 1994, the annualized rate for securities available-for-sale based on historical cost was 7.51% and 6.07%, respectively.

CHEMICAL BANKING CORPORATION and Subsidiaries
QUARTERLY FINANCIAL INFORMATION
(in millions, except per share data)

	1995	1994			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
INTEREST INCOME					
Loans	$ 1,661	$ 1,575	$ 1,473	$ 1,375	$ 1,307
Securities	505	445	422	432	416
Trading Assets	199	177	181	191	173
Federal Funds Sold and Securities Purchased Under Resale Agreements	219	178	151	121	100
Deposits with Banks	82	91	86	100	94
Total Interest Income	2,666	2,466	2,313	2,219	2,090
INTEREST EXPENSE					
Deposits	851	718	597	543	520
Short-Term and Other Borrowings	519	444	405	359	292
Long-Term Debt	140	135	134	132	135
Total Interest Expense	1,510	1,297	1,136	1,034	947
NET INTEREST INCOME	1,156	1,169	1,177	1,185	1,143
Provision for Losses	120	85	100	160	205
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	1,036	1,084	1,077	1,025	938
NONINTEREST REVENUE					
Trust and Investment Management Fees	91	99	104	108	110
Corporate Finance and Syndication Fees	119	133	97	93	82
Service Charges on Deposit Accounts	74	78	78	75	69
Fees for Other Banking Services	294	294	285	279	290
Trading Revenue	56	45	212	203	185
Securities Gains (Losses)	(18)	1	6	13	46
Other Revenue	254	165	202	96	149
Total Noninterest Revenue	870	815	984	867	931
NONINTEREST EXPENSE					
Salaries	546	571	574	542	518
Employee Benefits	107	110	108	102	119
Occupancy Expense	135	142	145	140	146
Equipment Expense	101	107	100	91	84
Foreclosed Property Expense	(7)	2	2	2	35
Restructuring Charge	---	260	---	---	48
Other Expense	364	401	382	404	374
Total Noninterest Expense	1,246	1,593	1,311	1,281	1,324
INCOME BEFORE INCOME TAX EXPENSE AND EFFECT OF ACCOUNTING CHANGE	660	306	750	611	545
Income Tax Expense	264	127	311	254	226
INCOME BEFORE EFFECT OF ACCOUNTING CHANGE	396	179	439	357	319
Effect of Change in Accounting Principle	(11)	---	---	---	---
NET INCOME	$ 385	$ 179	$ 439	$ 357	$ 319
NET INCOME APPLICABLE TO COMMON STOCK	$ 355	$ 149	$ 396	$ 324	$ 287
PER COMMON SHARE:					
Income Before Effect of Accounting Change	$ 1.51	$ 0.63	$ 1.60	$ 1.28	$ 1.13
Effect of Change in Accounting Principle	(0.05)	---	---	---	---
Net Income	$ 1.46	$ 0.63	$ 1.60	$ 1.28	$ 1.13
AVERAGE COMMON SHARES OUTSTANDING	243.2	244.5	246.6	253.1	253.2

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to page A19 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994 relating to the investigation commenced by the Securities and Exchange Commission pertaining to the $70 million loss incurred by the Corporation in the fourth quarter of 1994 resulting from unauthorized foreign exchange transactions involving the Mexican peso.

The Corporation is cooperating with this investigation. The Corporation cannot determine at this time the outcome of the investigation but believes it will not have a material adverse effect on the consolidated financial condition of the Corporation.

Item 6. Exhibits and Reports on Form 8-K (A) Exhibits:

11 - Computation of net income per common share
12(a) - Computation of ratio of earnings to fixed charges
12(b) - Computation of ratio of earnings to fixed charges and preferred stock dividend requirements.
27 - Financial Data Schedule

(B) Reports on Form 8-K:

The Corporation filed three reports on Form 8-K during the quarter ended March 31, 1995, as follows:

Form 8-K Dated January 3, 1995: Announcement of $70 million Loss Sustained from Unauthorized Foreign Exchange Transactions Involving the Mexican Peso.

Form 8-K Dated January 19, 1995: January 17, 1994 Press Release - Results of Operations for Fourth Quarter 1994.

Form 8-K Dated March 14, 1995: March 8, 1995 Press Release - Announcing a Definitive Agreement to sell Branches in Central and Southern New Jersey to PNC Bank Corp. while retaining 40 offices in six counties in Northeastern New Jersey.

SIGNATURE

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

CHEMICAL BANKING CORPORATION
(Registrant)

Date May 15, 1995 *By /s/ Joseph L. Sclafani*
Joseph L. Sclafani

Controller

[Principal Accounting Officer]

SEQUENTIALLY NUMBERED

EXHIBIT NO.	EXHIBITS	PAGE AT WHICH LOCATED
11	Computation of net income per common share	53
12 (a)	Computation of ratio of earnings to fixed charges	54
12 (b)	Computation of ratio of earnings to fixed charges and preferred stock dividend requirements	55
27	Financial Data Schedule	56

EXHIBIT 11

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 outstanding during the period. Other common share equivalents, such as stock options, are not required to be included in the calculation since the applicable dilution tests are not met.

Net income per common share:

(In millions, except per share data)

Period Ended March 31	Average common shares outstanding	Net income applicable to common shares(A)	Net income per share
Three months			
1995	243.2	$355	$1.46(B)
1994	253.2	$287	$1.13

[FN]
(A) After dividends on the preferred stock of $30 million and $32 million for the three months ended March 31, 1995 and 1994, respectively.

(B) In the first quarter of 1995, the Corporation adopted SFAS 106 for its foreign employees which resulted in a charge of $11 million after tax or $.05 per common share. Net income before the effect of the accounting change was $1.51 per common share.

EXHIBIT 12(a)

CHEMICAL BANKING CORPORATION and Subsidiaries

Computation of ratio of earnings to fixed charges

(in millions, except ratios)

Three Months Ended
March 31, 1995

EXCLUDING INTEREST ON DEPOSITS

Income before Income Taxes and Effect of Accounting Change	$ 660
Fixed charges:	
Interest expense	659
One third of rents, net of income from subleases (a)	23
Total fixed charges	682
Less: Equity in undistributed income of affiliates	(56)
Earnings before taxes, fixed charges and effect of accounting change, excluding capitalized interest	$ 1,286
Fixed charges, as above	$ 682
Ratio of earnings to fixed charges	1.89
INCLUDING INTEREST ON DEPOSITS	
Fixed charges, as above	$ 682
Add: Interest on deposits	851
Total fixed charges and interest on deposits	$ 1,533
Earnings before taxes, fixed charges and effect of accounting change, excluding capitalized interest, as above	$ 1,286
Add: Interest on deposits	851
Total earnings before taxes, fixed charges, effect of accounting change and interest on deposits	$ 2,137
Ratio of earnings to fixed charges	1.39

(a) The proportion deemed representative of the interest factor.

EXHIBIT 12(b)

CHEMICAL BANKING CORPORATION and Subsidiaries

Computation of ratio of earnings to fixed charges and preferred stock dividend requirements

(in millions, except ratios)

	Three Months Ended March 31, 1995 EXCLUDING INTEREST ON DEPOSITS
Income before Income Taxes and Effect of Accounting Change	$ 660
Fixed charges:	
Interest expense	659
One third of rents, net of income from subleases (a)	23
Total fixed charges	682
Less: Equity in undistributed income of affiliates	(56)
Earnings before taxes, fixed charges and effect of accounting change, excluding capitalized interest	$ 1,286
Fixed charges, as above	$ 682
Preferred stock dividends	30
Fixed charges including preferred stock dividends	$ 712
Ratio of earnings to fixed charges and preferred stock dividend requirements	1.81
INCLUDING INTEREST ON DEPOSITS	
Fixed charges including preferred stock dividends	$ 712
Add: Interest on deposits	851
Total fixed charges including preferred stock dividends and interest on deposits	$ 1,563
Earnings before taxes, fixed charges and effect of accounting change, excluding capitalized interest, as above	$ 1,286
Add: Interest on deposits	851
Total earnings before taxes, fixed charges, effect of accounting change and interest on deposits	$ 2,137
Ratio of earnings to fixed charges and preferred stock dividend requirement	1.37

[FN]
(a) The proportion deemed representative of the interest factor.

ARTICLE 9

CIK: 0000019617

NAME: CHEMICAL BANKING CORPORATION

MULTIPLIER: 1,000,000

CURRENCY: UNITED STATES DOLLAR

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD START	JAN 01 1995
PERIOD END	MAR 31 1995
EXCHANGE RATE	1.00
CASH	7819
INT BEARING DEPOSITS	2718
FED FUNDS SOLD	15044
TRADING ASSETS	40877
INVESTMENTS HELD FOR SALE	19407
INVESTMENTS CARRYING	8442
INVESTMENTS MARKET	8230
LOANS	80369
ALLOWANCE	(2455)
TOTAL ASSETS	185281
DEPOSITS	95421
SHORT TERM	35343
LIABILITIES OTHER	34931
LONG TERM	7709
COMMON	255
PREFERRED MANDATORY	0
PREFERRED	1450
OTHER SE	9086
TOTAL LIABILITIES AND EQUITY	185281
INTEREST LOAN	1661
INTEREST INVEST	505
INTEREST OTHER	301
INTEREST TOTAL	2666
INTEREST DEPOSIT	851
INTEREST EXPENSE	1510
INTEREST INCOME NET	1156
LOAN LOSSES	120
SECURITIES GAINS	(18)
EXPENSE OTHER	1246
INCOME PRETAX	660
INCOME PRE EXTRAORDINARY	396
EXTRAORDINARY	0
CHANGES	(11)
NET INCOME	385
EPS PRIMARY	1.46
EPS DILUTED	0
YIELD ACTUAL	3.48
LOANS NON	1028
LOANS PAST	369
LOANS TROUBLED	41
LOANS PROBLEM	0
ALLOWANCE OPEN	2480
CHARGE OFFS	(175)
RECOVERIES	30
ALLOWANCE CLOSE	2455
ALLOWANCE DOMESTIC	0
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing

Powered By EDGAR Online

© 2005 | EDGAR Online, Inc.