10-Q 1 y42654e10-q.txt THE CHASE MANHATTAN CORPORATION 1 SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549 FORM 10-Q QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED SEPTEMBER 30, 2000 COMMISSION FILE NUMBER 1-5805 THE CHASE MANHATTAN CORPORATION (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER) DELAWARE 13-2624428 (STATE OR OTHER JURISDICTION OF (IRS EMPLOYER INCORPORATION OR ORGANIZATION) 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 1,310,361,699 NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK ON OCTOBER 31, 2000. 2 FORM 10-Q TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

  Part I Item 1 THE CHASE MANHATTAN CORPORATION CONSOLIDATED BALANCE SHEET (IN MILLIONS, EXCEPT SHARE DATA)

SEPTEMBER 30, December 31, 2000 1999 ---- ----

~~ASSETS Cash and Due from Banks $ 19,403 $ 16,229 Deposits with Banks 3,513 28,076 Federal Funds Sold and Securities Purchased under Resale Agreements 27,175 23,823 Trading Assets: Debt and Equity Instruments 36,113 30,191 Risk Management Instruments 31,479 33,078 Securities: Available-for-Sale 65,600 60,625 Held-to-Maturity (Market Value: $625 in 2000 and $876 in 1999 632 888 Loans (Net of Allowance for Loan Losses of $3,491 in 2000 and $3,457 in 1999) 187,767 172,702 Premises and Equipment 4,777 4,439 Due from Customers on Acceptances 491 622 Accrued Interest Receivable 2,806 2,505 Other Assets 46,060 32,927 --------- --------- TOTAL ASSETS $ 425,816 $ 406,105~~

~~LIABILITIES Deposits: Domestic: Noninterest-Bearing $ 47,067 $ 49,468 Interest-Bearing 81,003 80,132 Foreign: Noninterest-Bearing 6,054 6,061 Interest-Bearing 95,477 106,084 --------- --------- Total Deposits 229,601 241,745 Federal Funds Purchased and Securities Sold under Repurchase Agreements 61,943 50,148 Commercial Paper 7,338 8,509 Other Borrowed Funds 7,252 5,145 Acceptances Outstanding 491 622 Trading Liabilities 40,688 38,573 Accounts Payable, Accrued Expenses and Other Liabilities, Including the Allowance for Credit Losses of $170 in 2000 and $170 in 1999 21,567 17,056 Long-Term Debt 24,157 17,602 Guaranteed Preferred Beneficial Interests in Corporation's Junior Subordinated Deferrable Interest Debentures 2,789 2,538 --------- --------- TOTAL LIABILITIES 395,826 381,938 --------- --------- COMMITMENTS AND CONTINGENCIES (See Note 13) PREFERRED STOCK OF SUBSIDIARY 550 550 --------- ---------~~

~~STOCKHOLDERS' EQUITY Preferred Stock 828 928 Common Stock (Authorized 4,500,000,000 Shares, Issued 1,322,758,290 Shares in 2000 and 1,322,811,932 Shares in 1999) 1,323 882 Capital Surplus 9,300 9,714 Retained Earnings 19,626 17,547 Accumulated Other Comprehensive Loss (1,005) (1,454) Treasury Stock, at Cost (12,774,915 Shares in 2000 and 82,055,832 Shares in 1999) (632) (4,000) --------- --- ------ TOTAL STOCKHOLDERS' EQUITY 29,440 23,617 --------- --- ------ TOTAL LIABILITIES, PREFERRED STOCK OF SUBSIDIARY AND STOCKHOLDERS' EQUITY $ 425,816 $ 406,105~~

========= =========

The Notes to Consolidated Financial Statements are an integral part of these Statements. -3- 4 Part I Item 1 (continued) THE CHASE MANHATTAN CORPORATION CONSOLIDATED STATEMENT OF INCOME (IN MILLIONS, EXCEPT PER SHARE DATA)

THIRD QUARTER NINE MONTHS ------ ------- ---------- - 2000 1999 2000 1999 ---- - --- ---- ----

~~INTEREST INCOME Loans $ 3,997 $ 3,288 $11,108 $ 9,662 Securities 994 762 2,879 2,344 Trading Assets 530 399 1,425 1,228 Federal Funds Sold and Securities Purchased under~~

~~Resale Agreements 452 352 1,349 1,122 Deposits with Banks 96 195 331 540 -------- ------- ------- ------- Total Interest Income 6,069 4,996 17,092 14,896 -------- ------- ------- ------- INTEREST EXPENSE Deposits 2,251 1,650 6,302 4,806 Short-Term and Other Borrowings 1,333 870 3,678 2,635 Long-Term Debt 492 306 1,243 936 -------- ------- ------- -------- Total Interest Expense 4,076 2,826 11,223 8,377 -------- ------- ------- -------- NET INTEREST INCOME 1,993 2,170 5,869 6,519 Provision for Loan Losses 305 398 979 1,167 -------- ------- ------- ------- NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 1,688 1,772 4,890 5,352 -------- ------- ------- ------- NONINTEREST REVENUE Investment Banking Fees 613 486 1,900 1,388 Trust, Custody and Investment Management Fees 664 457 1,718 1,332 Credit Card~~

~~Revenue 471 441~~
~~1,311 1,258~~
~~Fees for Other~~
~~Financial Services~~
~~775 637 2,201~~
~~1,777 Trading~~
~~Revenue 603 462~~
~~2,448 1,606~~
~~Securities Gains~~
~~(Losses) 96 (1)~~
~~167 160 Private~~
~~Equity Gains~~
~~(Losses) (25)~~
~~377 773 1,215~~
~~Other Revenue~~
~~210 162 354 696~~
~~------- ------- --~~
~~----- -------~~
~~Total Noninterest~~
~~Revenue 3,407~~
~~3,021 10,872~~
~~9,432 ------- ---~~
~~---- ------- -----~~
~~--~~
~~NONINTEREST~~
~~EXPENSE~~
~~Salaries 1,761~~
~~1,417 5,128~~
~~4,217 Employee~~
~~Benefits 256 238~~
~~795 731~~
~~Occupancy~~
~~Expense 247 218~~
~~689 642~~
~~Equipment~~
~~Expense 297 255~~
~~856 737~~
~~Restructuring~~
~~Costs 79 -- 129~~
~~-- Other Expense~~
~~1,095 853 3,035~~
~~2,667 ------- ---~~
~~---- ------- -----~~
~~-- Total~~
~~Noninterest~~
~~Expense 3,735~~
~~2,981 10,632~~
~~8,994 ------- ---~~
~~---- ------- -----~~
~~-- INCOME~~
~~BEFORE~~
~~INCOME TAX~~
~~EXPENSE 1,360~~
~~1,812 5,130~~
~~5,790 Income~~
~~Tax Expense 476~~
~~625 1,795 2,037~~
~~------- ------- --~~
~~----- -------~~
~~NET INCOME~~
~~$ 884 $ 1,187 $~~

~~3,335 $ 3,753~~

~~========~~

~~========~~

~~========~~

~~======== NET INCOME APPLICABLE TO COMMON STOCK $ 871 $ 1,168 $ 3,289 $ 3,698 ========~~

~~========~~

~~========~~

~~======== NET INCOME PER COMMON SHARE Basic $ 0.69 $ 0.95 $ 2.66 $ 2.96~~

~~========~~

~~========~~

~~========~~

~~========~~

~~Diluted $ 0.66 $ 0.92 $ 2.57 $ 2.86 ========~~

~~========~~

~~========~~

~~========~~

The Notes to Consolidated Financial Statements are an integral part of these Statements. -4- 5 Part I Item 1 (continued) THE CHASE MANHATTAN CORPORATION CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY NINE MONTHS ENDED SEPTEMBER 30, (IN MILLIONS)

2000 1999 ---- ----

~~PREFERRED STOCK Balance at Beginning of Year $ 928 $ 1,028 Redemption of Stock (100) (100) -------- -------- Balance at End of Period 828 928 -------- -------- COMMON STOCK Balance at Beginning of Year 882 882 Issuance of Common Stock for a Three-for-Two Stock Split 441 -- -- ------ -------- Balance at End of Period 1,323 882 --- ----- -------- CAPITAL SURPLUS Balance at Beginning of Year 9,714 9,836 Issuance of Common Stock for a Three-for-Two Stock Split (441) -- Issuance of~~

~~Common Stock for (Purchase Accounting) Acquisitions (a) 136 -- Shares Issued and Commitments to Issue Common Stock for Employee Stock-Based Awards and Related Tax Effects (109) (201) -------- -------- Balance at End of Period 9,300 9,635 -------- -------- RETAINED EARNINGS Balance at Beginning of Year 17,547 13,544 Net Income 3,335 3,753 Cash Dividends Declared: Preferred Stock (46) (55) Common Stock (1,210) (1,032) -------- -------- Balance at End of Period 19,626 16,210 -------- -------- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) Balance at Beginning of Year (1,454) 392 Other Comprehensive Income (Loss) 449 (1,430) -------- -------- Balance at End of Period (1,005) (1,038) -------- -------- TREASURY STOCK, AT COST Balance at Beginning of Year (4,000) (1,844) Purchase of Treasury Stock (1,072) (4,172) Reissuance of Treasury Stock 1,025 1,740 Reissuance of Treasury Stock for (Purchase Accounting) Acquisitions (a) 3,415 -- -------- -------- Balance at End of Period (632) (4,276) -------- -------- TOTAL~~

~~STOCKHOLDERS' EQUITY $ 29,440 $ 22,341 ========= =========~~

~~COMPREHENSIVE INCOME Net Income $ 3,335 $ 3,753 Other Comprehensive Income (Loss) 449 (1,430) -------- ---- ---- Comprehensive Income $ 3,784 $ 2,323 ========= =========~~

(a) In the 2000 third quarter, Chase acquired Robert Fleming Holdings Limited and The Beacon Group, LLC. These transactions were accounted for under the purchase method. The Notes to Consolidated Financial Statements are an integral part of these Statements. -5- 6 Part I Item 1 (continued) THE CHASE MANHATTAN CORPORATION CONSOLIDATED STATEMENT OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, (IN MILLIONS)

2000 1999 -- -- ----

~~OPERATING ACTIVITIES Net Income $ 3,335 $ 3,753 Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: Provision for Loan Losses 979 1,167 Restructuring Costs 129 -- Depreciation and Amortization 1,220 1,028 Net Change in: Trading-Related Assets (4,223) 1,519 Accrued Interest Receivable (301) 49 Private Equity Investments (1,625) (1,847) Other Assets (10,330) (3,023) Trading-Related Liabilities 2,115 (1,338)~~

~~Accrued Interest Payable 35 (1,848) Other Liabilities 5,003 1,139 Other, Net (90) (50) -------- --------~~

~~Net Cash Provided (Used) by Operating Activities (3,753) 549 -------- --------~~

~~INVESTING ACTIVITIES Net Change in: Deposits with Banks 24,563 1,356 Federal Funds Sold and Securities Purchased under Resale Agreements 4,171 (11,233) Loans Due to Sales and Securitizations 19,551 35,621 Other Loans, Net (35,629) (37,638) Other, Net 426 (592) Proceeds from the Maturity of Held-to-Maturity Securities 372 712 Purchases of Held-to-Maturity Securities (67) -- Proceeds from the Maturity of Available-for-Sale Securities 5,883 7,119 Proceeds from the Sale of Available-~~

~~for-Sale Securities 52,452 74,575 Purchases of Available-for-Sale Securities (63,679) (75,313) Proceeds from Sales of Nonstrategic Assets -- 182 Cash Used in Acquisitions (3,062) (1,252) -------- -------- Net Cash Provided (Used) by Investing Activities 4,981 (6,463) -------- -------- FINANCING ACTIVITIES Net Change in: Noninterest-Bearing Domestic Demand Deposits (2,401) 2,181 Domestic Time and Savings Deposits 871 (6,893) Foreign Deposits (10,614) 11,898 Federal Funds Purchased and Securities Sold under Repurchase Agreements 4,272 3,599 Other Borrowed Funds 936 (1,985) Other, Net (109) (478) Proceeds from the Issuance of~~

~~Long-Term Debt and Capital Securities 8,460 3,430 Maturity and Redemption of Long-Term Debt (1,676) (2,640) Proceeds from the Issuance of Stock 4,467 1,539 Redemption of Preferred Stock (100) (100) Treasury Stock Purchased (1,072) (4,172) Cash Dividends Paid (1,177) (1,048) -------- --------- Net Cash Provided by Financing Activities 1,857 5,331 --------- -------- Effect of Exchange Rate Changes on Cash and Due from Banks 89 5 --------- -------- Net Increase (Decrease) in Cash and Due from Banks 3,174 (578) Cash and Due from Banks at January 1, 16,229 17,068 -------- --------- Cash and Due from Banks at September 30, $ 19,403 $ 16,490~~

========= =========

~~Cash Interest Paid $ 11,258~~

~~$ 10,225~~

~~Income Taxes Paid $ 1,862~~
~~$ 459~~

The Notes to Consolidated Financial Statements are an integral part of these Statements. -6- 7 Part I Item 1 (continued) See Glossary of Terms on page 45 for definition of terms used throughout the Notes to Consolidated Financial Statements. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 - BASIS OF PRESENTATION The accounting and financial reporting policies of The Chase Manhattan Corporation ("Chase") conform to generally accepted accounting principles ("GAAP") and prevailing industry practices for interim reporting. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The unaudited consolidated financial statements prepared in conformity with GAAP require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expense, and disclosure of contingent assets and liabilities. In the opinion of management, all necessary adjustments have been included for a fair presentation of this interim financial information. These unaudited financial statements should be read in conjunction with the audited financial statements included in Chase's 1999 Annual Report. NOTE 2 - AGREEMENT TO MERGE WITH J.P. MORGAN & CO. INCORPORATED On September 13, 2000, Chase and J.P. Morgan & Co. Incorporated ("J.P. Morgan") agreed to merge. The merger agreement between Chase and J.P. Morgan, which has been approved by the boards of directors of both companies, provides that 3.7 shares of Chase common stock will be exchanged for each share of J.P. Morgan common stock. Each series of preferred stock of J.P. Morgan will be exchanged for a similar series of preferred stock of Chase, the surviving corporation of the merger. The transaction is expected to be accounted for as a pooling of interests and to be tax free to J.P. Morgan and Chase stockholders and is subject to approval by stockholders of both companies as well as by the U.S. Federal and state and foreign regulatory authorities. The merger is expected to be consummated by the first quarter of 2001 but Chase is preparing to close by year-end if it has received the required stockholder and regulatory approvals to do so. Reference is made to the Registration Statement on Form S-4 which Chase filed with the Securities and Exchange Commission on October 5, 2000, as amended on November 13, 2000, for more information concerning the merger. NOTE 3 - STOCK SPLIT On May 16, 2000, the stockholders approved a three-for-two stock split of Chase's common stock. The additional shares issued as a result of the split were distributed on June 9, 2000 to stockholders of record at the close of business on May 17, 2000. The split became effective as of the opening of business on June 12, 2000. A total of 440,883,668 shares of common stock were issued in connection with the split, including 28,422,065 shares held in treasury. As a result of the stock split, $441 million was reclassified from capital surplus to common stock, and, as a result, the stock split did not cause any changes in the $1.00 par value per share for the common stock or in total stockholders' equity. All references to the number of common shares and per common share amounts have been restated to reflect the effects of the stock split. NOTE 4 - GUARANTEED PREFERRED BENEFICIAL INTERESTS IN CORPORATION'S JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES For a discussion of these business trusts, see page 69 of Chase's 1999 Annual Report. At September 30, 2000, eight separate wholly-owned Delaware statutory business trusts established by Chase had issued an aggregate $2,789 million in capital securities, net of discount. During the 2000 third quarter, Chase Capital VIII Trust issued $250 million of capital securities having a stated maturity of July 15, 2030 and bearing an interest rate of 8.25%, payable quarterly commencing on October 31, 2000. There were no other issuances or redemptions of capital securities during 2000. -7- 8 Part I Item 1 (continued) NOTE 5 - RESTRUCTURING COSTS In the 1999 fourth quarter, Chase incurred a $175 million restructuring charge relating to planned consolidation actions in certain businesses and to planned staff reductions and dispositions of premises and equipment, including the relocation of several businesses to Florida, Texas and Massachusetts. For a discussion of Chase's restructuring costs, refer to Note 12 and page 28 of Chase's 1999 Annual Report. The following table shows activity during the first nine months of 2000.

(in millions) Costs Applied against Restructuring Liability the Liability in the First RESTRUCTURING LIABILITY at December 31, 1999 Nine Months of 2000 AT SEPTEMBER 30, 2000 -------------------- ------------------- --------------------- Severance Costs $125 $ 54 $ 71 Disposition of Premises/Equipment 50 14 36 ---- ----- ---- Total $175 $ 68 $107 ==== ==== ====

In addition to the above restructuring charge, Chase incurred $79 million of restructuring costs during the 2000 third quarter relating to relocation initiatives ($54 million) and other business initiatives ($25 million), such as the consolidation of operations. These restructuring costs were not accruable under existing accounting pronouncements and therefore were not included in the $175 million restructuring charge. Refer to page 23 for further information regarding restructuring costs. NOTE 6 - COMPREHENSIVE INCOME Comprehensive income for Chase includes net income as well as the change in unrealized gains and losses on available-for-sale securities and foreign currency translation (each of which includes the impact of related derivatives). Chase has presented these items net of tax in the Statement of Changes in Stockholders' Equity. Nine months ended September 30, (in millions)

2000 1999 ---- ----
NET UNREALIZED
ACCUMULATED
Net Unrealized
Accumulated
ACCUMULATED
GAIN(LOSS) ON
OTHER
Accumulated
Gain(Loss) on Other
TRANSLATION
SECURITIES
COMPREHENSIVE
Translation Securities
Comprehensive
ADJUSTMENT
AVAILABLE-FOR-
SALE INCOME
Adjustment
Available-for-Sale
Income ---------- ---
--------------- ------
---------- -----------
------- ------
~~Beginning Balance $ 17 $(1,471) $(1,454) $ 17 $ 375 $ 392 Change during Period 4 445 449 -- (1,430) (1,430) ------- ------- ------- ------- ------- -------~~
~~Ending Balance $ 21 $(1,026)(a) $(1,005) $ 17 $(1,055)(a) $(1,038)~~

(a) Represents the after-tax difference between the fair value and amortized cost of the available-for-sale securities portfolio, including securities classified as loans, which are subject to the provisions of SFAS 115. NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS For a discussion of Chase's fair value methodologies, see Note 22 of the 1999 Annual Report. The following table presents the financial assets and liabilities valued under SFAS 107.

SEPTEMBER 30, 2000 December 31, 1999 ------------------ ----------------- CARRYING ESTIMATED APPRECIATION/ Carrying Estimated Appreciation/ (in millions) VALUE FAIR VALUE (DEPRECIATION) Value Fair Value (Depreciation) ------------- ----- ---------- -------------- ----- ---------- -------------- ~~Total Financial Assets $420,869 $422,606 $ 1,737 $387,414 $389,469 $ 2,055 Total Financial Liabilities $394,969 $394,855 114 $381,078 $380,599 479 Estimated Fair Value in Excess -------- --------- of Carrying Value $ 1,851 $ 2,534~~

Derivative contracts used in connection with Chase's asset/liability ("A/L") activities had an unrecognized net loss of $743 million and $877 million at September 30, 2000 and December 31, 1999, respectively, both of which are included in the table above. -8- 9 Part I Item 1 (continued) NOTE 8 - SECURITIES For a discussion of the accounting policies relating to securities, see Note 1 of Chase's 1999 Annual Report. Net gains from available-for-sale securities sold in the third quarter of 2000 amounted to $96 million (gross gains of $120 million and gross losses of $24 million) and for the first nine months of 2000 amounted to $167 million (gross gains of $259 million and gross losses of $92 million). Net gains (losses) for the same periods of 1999 amounted to $(1) million (gross gains of $88 million and gross losses of $89 million) and $160 million (gross gains of $372 million and gross losses of $212 million), respectively. There were no sales of held-to-maturity securities in the periods presented. The amortized cost and estimated fair value of securities, including the impact of related derivatives, were as follows for the dates indicated:

(in millions)	SEPTEMBER 30, 2000 AMORTIZED COST	SEPTEMBER 30, 2000 FAIR VALUE (a)	December 31, 1999 Amortized Cost	December 31, 1999 Fair Value (a)
AVAILABLE-FOR-SALE SECURITIES				
U.S. Government and Federal Agency/Corporation Obligations:				
Mortgage-Backed Securities	$30,661	$29,467	$27,938	$26,326
CMOs and U.S. Treasuries	24,849	24,057	23,652	22,684
Debt Securities Issued by Foreign Governments	9,025	8,937	9,469	9,364
Corporate Debt Securities and Equity Securities	1,970	2,227	1,162	1,334
Other, Primarily Asset-Backed Securities (b)	879	912	899	917
Total Available-for-Sale Securities	$67,384	$65,600	$63,120	$60,625
HELD-TO-MATURITY SECURITIES (c)	$ 632	$ 625	$ 888	$ 876

(a) Gross unrealized gains and losses on available-for-sale securities were $435 million and $2,219 million, respectively, at September 30, 2000 and $231 million and $2,726 million, respectively, at December 31, 1999. Gross unrealized losses on held-to-maturity securities were $7 million at September 30, 2000. Gross unrealized gains and losses were $1 million and $13 million, respectively, at December 31, 1999. (b) Includes collateralized mortgage obligations ("CMO") of private issuers, which generally have underlying collateral consisting of obligations of U.S. government and federal agencies and corporations. (c) Primarily U.S. government and federal agency and corporation obligations. NOTE 9 - DERIVATIVE AND FOREIGN EXCHANGE CONTRACTS Chase utilizes derivative and foreign exchange ("FX") financial instruments for both trading and A/L activities. For a discussion of these financial instruments and the credit and market risks involved, see Management's Discussion and Analysis ("MD&A") on pages 42 and 45 and Note 19 of Chase's 1999 Annual Report. The following table summarizes the aggregate notional amounts of derivative and foreign exchange contracts as well as the credit exposure related to these instruments (after taking into account the effects of legally enforceable master netting agreements).

NOTIONAL AMOUNTS (a) CREDIT EXPOSURE SEPTEMBER 30, December 31, SEPTEMBER 30, December 31, (in billions) 2000 1999 2000 1999 ------------- ---- ---- ---- ----

~~Interest Rate Contracts $12,469.7 $11,126.9 $ 9.8 $ 10.3 Foreign Exchange Contracts 1,751.9 1,652.1 12.4 15.8 Debt, Equity, Commodity and Other Contracts 221.1 157.6 9.7 7.4 --------- --------- Total Credit Exposure Recorded on the Balance Sheet $ 31.9 $ 33.5~~

(a) The notional amounts of exchange-traded interest rate contracts, foreign exchange contracts, and debt, equity, commodity and other contracts were $984.0 billion, $0.7 billion and $24.3 billion, respectively, at September 30, 2000, compared with $1,075.4 billion, $3.0 billion and $13.0 billion, respectively, at December 31,1999. The credit risk for these contracts was minimal as exchange-traded contracts principally settle daily in cash. -9- 10 Part I Item 1 (continued) NOTE 10 - SEGMENT INFORMATION Chase is organized into five major businesses: Investment Bank, Chase Capital Partners ("CCP"), Global Services, Wealth Management and National Consumer Services ("NCS"). Prior periods have been restated to reflect changes to the management organization or refinements in management reporting policies. For example, commencing with the second quarter of 2000, results for CCP were disclosed separately from the remainder of the Global Bank, and the private equity business of Chase H&Q was moved to CCP from Global Investment Banking. Additionally, beginning with the third quarter of 2000, the remainder of the Global Bank has been reorganized into the Investment Bank (Global Markets, Investment Banking and Corporate Lending) and Wealth Management (Global Private Bank and Asset Management). These businesses are segmented based on the products and services provided, or the type of customer serviced, and reflect the manner in which financial information is currently evaluated by Chase's management. Chase uses Shareholder Value Added ("SVA"), Operating Earnings and Cash Operating Earnings as its measures of franchise profitability. For a discussion of these measurements, see Management Performance Measurements in the MD&A on page 20 and Note 23 of the 1999 Annual Report. The following table provides Chase's segment results.

(in millions) CHASE NATIONAL CORPORATE INVESTMENT

CAPITAL GLOBAL WEALTH CONSUMER RECONCILING BANK PARTNERS SERVICES MANAGEMENT SERVICES ITEMS (a) TOTAL ---- -------- -------- ---------- -------- --------- ----- ~~THIRD QUARTER 2000 Operating Revenue (b) $ 1,870 $ (88) $ 875 $ 470 $ 2,587 $ (124) $ 5,590 Intersegment Revenue (b) (34) (2) 36 11 5 (16) -- Operating Earnings 349 (112) 167 53 455 (7) 905 Cash Operating Earnings (c) 384 (106) 183 95 492 6 1,054 Average Managed Assets 230,598 12,377 16,230 21,845 148,165 3,638 432,853 SVA 46 (320) 93 (23) 227 158 181 THIRD QUARTER 1999 Operating Revenue (b) $ 1,619 $ 319 $ 800 $ 267 $ 2,514 $ (90) $ 5,429 Intersegment Revenue (b) (61) 39 30 8 5 (21) -- Operating Earnings 409 176 133 44 399 26 1,187 Cash Operating Earnings (c) 420 176 148 44 435 34 1,257 Average Managed Assets 209,771 8,566 16,442 13,398~~

~~131,046 2,871 382,094 SVA 139 32 51 15 175 127 539~~
(in millions)
CHASE NATIONAL CORPORATE INVESTMENT CAPITAL GLOBAL WEALTH CONSUMER RECONCILING BANK PARTNERS SERVICES MANAGEMENT SERVICES ITEMS (a) TOTAL ---- -------- -------- ---------- -------- --------- ----- ~~NINE MONTHS 2000 Operating Revenue (b) $ 5,989 $ 611 $ 2,604 $ 1,168 $ 7,487 $ (291) $ 17,568 Intersegment Revenue (b) (185) 36 135 27 15 (28) -- Operating Earnings 1,464 254 447 180 1,176 (41) 3,480 Cash Operating Earnings (c) 1,531 265 495 225 1,287 (5) 3,798 Average Managed Assets 225,976 11,862 15,912 17,465 144,650 3,532 419,397 SVA 628 (354) 227 44 487 392 1,424 NINE MONTHS 1999 Operating Revenue (b) $ 5,240 $ 1,128 $ 2,300 $ 767 $ 7,383 $ (280) $ 16,538 Intersegment Revenue (b) (147) 85 70 16 8 (32) -- Operating~~

~~Earnings 1,506~~
~~646 347 113~~
~~1,125 (26) 3,711~~
~~Cash Operating~~
~~Earnings (c) 1,539~~
~~646 393 114~~
~~1,245 (7) 3,930~~
~~Average Managed~~
~~Assets 210,223~~
~~7,838 16,633~~
~~12,814 128,681~~
~~5,715 381,904~~
~~SVA 681 258~~
~~104 30 482 181~~
~~1,736~~

(a) Corporate/Reconciling Items include Support Units, Corporate and the net effect of management accounting policies. (b) Operating Revenue includes Intersegment Revenue, which includes revenue and revenue sharing agreements between segments, net of intersegment expenses. Transactions between business segments primarily are conducted at fair value. (c) Cash Operating Earnings exclude the impact of credit card securitizations, restructuring costs, special items, and amortization of goodwill and certain other intangibles. -10- 11 Part I Item 1 (continued) The table below presents a reconciliation of the combined segment information to Chase's consolidated net income as included in the Consolidated Statement of Income. For a further discussion concerning Chase's business franchise (segment) results, see Lines of Business Results in the MD&A on pages 24-29.

THIRD QUARTER
NINE MONTHS ---
---------- -----------
2000 1999 2000
1999 ---- ---- ---- --
-- ~~SEGMENTS' Cash~~
~~Operating Earnings $~~
~~1,048 $ 1,223 $~~
~~3,803 $ 3,937~~
~~Corporate/Reconciling~~
~~Items 6 34 (5) (7) ---~~
~~---- ------- ------- --~~
~~-----~~
~~CONSOLIDATED~~
~~CASH OPERATING~~
~~EARNINGS 1,054~~
~~1,257 3,798 3,930~~
~~Amortization of~~
~~Goodwill and Certain~~
~~Intangibles (149) (70)~~
~~(318) (219) ------- --~~
~~----- ------- -------~~
~~CONSOLIDATED~~
~~OPERATING~~
~~EARNINGS 905~~
~~1,187 3,480 3,711~~
~~Special Items and~~
~~Restructuring Costs~~
~~(21) -- (145) 42 -----~~
~~-- ------- ------- ----~~
~~---~~
~~CONSOLIDATED~~
~~NET INCOME $~~
~~884 $ 1,187 $ 3,335~~
~~$ 3,753~~ =======
======= =======
=======

NOTE 11 - CAPITAL For a discussion of the calculation of risk-based capital ratios, see Note 18 of Chase's 1999 Annual Report. The following table presents the risk-based capital ratios for Chase and its significant banking subsidiaries. At September 30, 2000, Chase and each of its depository institutions, including those listed in the table below, were "well capitalized" as defined by banking regulators.

SEPTEMBER 30, 2000 The Chase (in millions, except ratios) Chase (a) Manhattan Bank (e) Chase USA - -------- ------ ------------ -- ------- ~~Tier 1 Capital (d) $ 25,490 $ 21,208 $ 2,793 Total Capital 37,243 29,112 3,942 Risk-Weighted Assets (b) 321,863 260,813 32,831 Adjusted Average Assets 406,501 329,276 32,210 Tier 1 Capital Ratio (b)(d) 7.92% 8.13% 8.51% Total Capital Ratio (b)(d) 11.57% 11.16% 12.01% Tier 1 Leverage Ratio (c)(d) 6.27% 6.44% 8.67%~~

(a) Assets and capital amounts for Chase's banking subsidiaries reflect intercompany transactions, whereas the respective amounts for Chase reflect the elimination of intercompany transactions. (b) Tier 1 Capital or Total Capital, as applicable, divided by risk-weighted assets. Risk-weighted assets include off-balance sheet risk-weighted assets in the amounts of $94,279 million, $89,088 million and $2,109 million, respectively. (c) Tier 1 Capital divided by adjusted average assets (net of allowance for loan losses, goodwill and certain intangible assets). (d) The provisions of SFAS 115 do not apply to the calculation of the Tier 1 Capital and Tier 1 Leverage ratios. (e) On August 1, 2000, Chase Bank of Texas, National Association ("Chase Texas") merged into The Chase Manhattan Bank. Cash dividends declared for the first nine months of 2000 were $0.96 per share ($0.32 per share in the 2000 third quarter) compared with $0.81 per share for the first nine months of 1999 ($0.27 per share in 1999 third quarter). NOTE 12 - EARNINGS PER SHARE For a discussion of Chase's current earnings per share ("EPS") policy, see Note 10 of the 1999 Annual Report. For the calculation of basic and diluted EPS for the third quarter and nine months ended September 30, 2000 and 1999, see Exhibit 11 on page 50. NOTE 13 - COMMITMENTS AND CONTINGENCIES For a discussion of legal proceedings, see Part II, Item 1 of this Form 10-Q. -11- 12 Part I Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OVERVIEW

THIRD QUARTER FOR NINE MONTHS ENDED SEPTEMBER 30, -----------

--------------- -------------- - --------------- --------------- ---------- (in millions, except per share Over(Under) Over(Under) and ratio data) 2000 1999 1999 2000 1999 1999 ---- ---- ---- ---- ---- ----

~~OPERATING BASIS (a) Revenue $ 5,590 $ 5,429 3% $17,568 $16,538 6% Earnings 905 1,187 (24) 3,480 3,711 (6) Diluted Earnings per Share 0.68 0.92 (26) 2.68 2.83 (5) Overhead Ratio 65% 55% 1,000 bp 60% 54% 600 bp Cash Earnings $ 1,054 $ 1,257 (16)% $ 3,798 $ 3,930 (3)% Cash Diluted Earnings per Share 0.79 0.97 (19) 2.93 3.00 (2) Shareholder Value Added 181 539 (66) 1,424 1,736 (18) Cash Return on Average Common Equity 16% 23% (700) bp 21% 24% (300) bp Cash Overhead Ratio 63 53 1,000 58 52 600 OPERATING BASIS~~

~~(EXCLUDING CHASE CAPITAL PARTNERS) Earnings $ 1,017 $ 1,011 1% $ 3,226 $ 3,066 5% Diluted Earnings per Share 0.77 0.78 (1) 2.49 2.34 6 Cash Earnings 1,160 1,081 7 3,533 3,285 8 Diluted Cash Earnings per Share 0.88 0.84 5 2.73 2.51 9 REPORTED BASIS Revenue $ 5,400 $ 5,191 4% $16,741 $15,951 5% Net Income 884 1,187 (26) 3,335 3,753 (11) Diluted Earnings per Share 0.66 0.92 (28) 2.57 2.86 (10) Return on Average Common Equity 13% 22% (900) bp 18% 23% (500) bp Tier 1 Capital 7.9 8.2 (30) Total Capital 11.6 11.8 (20) Tier 1 Leverage 6.3 6.7 (40)~~

(a) Operating basis excludes the impact of credit card securitizations, restructuring costs and special items. For a further discussion, see Glossary of Terms on page 45. bp - Denotes basis points; 100 bp equals 1%. Financial Results: Chase's diluted operating earnings for the third quarter of 2000 were $0.68 per share, a decline of 26% from $0.92 per share for the same period in 1999. For the first nine months of 2000, diluted operating earnings per share decreased 5% to $2.68, when compared with $2.83 for the first nine months of 1999. Operating earnings in the 2000 third quarter were $905 million, compared with $1.19 billion in the same quarter of 1999. For the first nine months of 2000, operating earnings were $3.48 billion, compared with $3.71 billion for the first nine months of 1999. On a reported basis, which includes special items, diluted net income per share was $0.66 and $2.57 for the third quarter and first nine months of 2000, respectively, compared with $0.92 and $2.86 for the third quarter and first nine months of 1999, respectively. Reported net income in the 2000 third quarter was $884 million, compared with $1.19 billion in the 1999 third quarter; net income was $3.34 billion and $3.75 billion for the first nine months of 2000 and 1999, respectively. Earnings for the third quarter of 2000 were lower than last year's third quarter results, primarily because of lower income in Chase Capital Partners and to a lesser extent in the Investment Bank. A summary of Chase's business results follows: - In CHASE CAPITAL PARTNERS, unrealized write-downs, primarily due to price declines in publicly-held securities, more than offset record realized (cash) gains of $538 million on sales of investments. -12- 13 Part I Item 2 (continued) - In the INVESTMENT BANK, trading revenues and corporate finance fees were up from the third quarter of 1999 but down from the second quarter of 2000, due to lower market volatility and trading volumes and a slowdown in leveraged finance. The cash expense growth rate of 47%, from the 1999 third quarter, was high because of the buildup of the investment banking platform, including the expense impact of recent acquisitions. - Chase's GLOBAL SERVICES, NATIONAL CONSUMER SERVICES and WEALTH MANAGEMENT businesses each achieved record results, underscoring the value of a diverse business mix. Chase's lower third quarter results were not, however, related to credit or market risk management issues. Credit costs decreased by 15% and 11% for the third quarter and first nine months of 2000, respectively, when compared with the comparable periods of 1999. Nonperforming assets at September 30, 2000 were $1.82 billion, compared with $1.90 billion at June 30, 2000 and $2.02 billion at September 30, 1999. On a managed basis, including securitizations, credit costs were $541 million in the third quarter of 2000, a decline from $574 million in the second quarter of 2000 and from $636 million in the third quarter of 1999. In relation to market risk, Chase did not experience any days in the third quarter of 2000 in which it suffered a trading loss. Management is taking initiatives to position Chase for higher growth in the future, particularly in the Investment Bank. As a result, operating expenses increased 23% and 18% for the third quarter and first nine months of 2000, respectively, when compared with the comparable periods of 1999. However, Chase's management is committed to return to more disciplined investment spending, particularly in the Investment Bank. During the third quarter, Chase announced it had agreed to sell its Hong Kong based retail banking business and its 50% interest in ChaseMellon Shareholder Services. These divestitures continue Chase's long-term initiative of disciplined divestitures of non-strategic businesses. Merger Update: On September 13, 2000, The Chase Manhattan Corporation and J.P. Morgan & Co. Incorporated agreed to merge. The merged firm will be named J.P. Morgan Chase & Co. The merger is expected to be consummated by the first quarter of 2001, although Chase and J.P. Morgan are prepared to close by year-end 2000 if they both receive the required stockholder and regulatory approvals to do so. Since the merger was announced, integration efforts have been proceeding swiftly: - Over 35 senior positions were named upon the announcement of the merger; an additional 250 key positions have been subsequently announced. - All major U.S. and foreign regulatory and antitrust applications have been filed; the joint proxy statement was filed with the Securities and Exchange Commission ("SEC") on October 5. On November 3, 2000, the United States Department of Justice ("DOJ") and the United States Federal Trade Commission informed Chase they had granted early termination of the waiting period under the Hart-Scott-Rodino Act and the DOJ also informed Chase it had closed and concluded its review of the proposed merger of Chase and J.P. Morgan. - Clients are reacting favorably to the proposed merger by inviting Chase and J.P. Morgan to make joint pitches for business; the two firms have won a number of joint investment banking mandates as a result. - The framework for managing the integration is in place, with established uniform tracking tools designed to measure synergies and the tracking of systems and real estate inventories fully under way. - Management of Chase believes the amounts of the proposed cost saves and synergies originally projected to be realized in connection with the merger ($1.9 billion) are conservative. Based upon merger integration efforts to date, Chase's management currently believes those initial estimates are conservative but has not arrived at or announced revised estimates. It is anticipated that the merger will result in pre-tax costs of approximately $2.8 billion ($1.8 billion after-tax). The anticipated restructuring costs are expected to reflect severance expenses incurred in connection with anticipated staff reductions, costs incurred in connection with planned office eliminations and other merger-related expenses, including costs to eliminate redundant back office and other operations of Chase and J.P. Morgan. This Management's Discussion and Analysis contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and -13- 14 Part I Item 2 (continued) expectations of Chase's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Factors that could cause Chase's results to differ materially from those described in the forward-looking statements can be found in the 1999 Annual Report on Form 10-K of Chase and in the registration statement on Form S-4 filed by Chase on October 5, 2000, as amended on November 13, 2000, with the SEC. RESULTS OF OPERATIONS The following section reviews Chase's results as reported in its financial statements as well as on an operating basis. Management categorizes its revenue components as either market-sensitive or less market-sensitive. For a further discussion of management's performance measurements, see page 20 of Chase's 1999 Annual Report. The table below provides a reconciliation between Chase's reported financial statements and as presented on an operating basis. (in millions, except per share data)

THIRD QUARTER 2000 Third Quarter 1999
-------------- -------------- -------------- -- ------------ -------------- -------------- ----
REPORTED CREDIT SPECIAL OPERATING Reported Credit Special Operating RESULTS CARD ITEMS BASIS Results Card Items Basis

(a) (b) (c) (a) (b) (c) ------- ------- ------- ------- ------- ------- ------- -------

~~Revenue: Market-Sensitive $ 1,364 $ -- $ -- $ 1,364 $ 1,541 $ -- $ -- $ 1,541 Less Market-Sensitive 4,036 236 (46) 4,226 3,650 238 -- 3,888 ------- ------- ------- ------- ------- ------- ------- ------- Total Revenue 5,400 236 (46) 5,590 5,191 238 -- 5,429 Noninterest Expense 3,656 -- -- 3,656 2,981 -- -- 2,981 ------- ------- ------- ------- ------- ------- ------- ------- Operating Margin 1,744 236 (46) 1,934 2,210 238 -- 2,448 Credit Costs 305 236 -- 541 398 238 -- 636 ------- ------- ------- ------- ------- ------- ------- ------- Income before Restructuring Costs 1,439 -- (46) 1,393 1,812 -- -- 1,812 Restructuring Costs 79 -- (79) -- -- -- -- ------- ------- -------~~

~~------ ------- ------- ------- -------~~
~~Income before Taxes 1,360 -- 33 1,393 1,812 -- -- 1,812 Tax Expense 476 -- 12 488 625 -- -- 625 ---- --- ------- --- ---- ------- -- ----- ------- - ------ -------~~
~~Net Income $ 884 $ -- $ 21 $ 905 $ 1,187 $ -- $ -- $ 1,187~~
~~======= ======= ======= ======= ======= ======= ======= =======~~
~~NET INCOME PER COMMON SHARE Basic $ 0.69 $ 0.70 $ 0.95 $ 0.95 Diluted $ 0.66 $ 0.68 $ 0.92 $ 0.92 ------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ----------~~
~~NINE MONTHS 2000 Nine Months 1999 ------------- ------------- ------------- -- ----------- ------------- ------------- ----~~
~~Revenue: Market-Sensitive $ 5,406 $ -- $ -~~

~~-- $ 5,406 $ 5,012 $ -- $ -- $ 5,012 Less Market-Sensitive 11,335 732 95 12,162 10,939 753 (166) 11,526 ------- ------- ------- ------- ------- ------- ------- ------- Total Revenue 16,741 732 95 17,568 15,951 753 (166) 16,538 Noninterest Expense 10,503 -- -- 10,503 8,994 -- (100) 8,894 ------- ------- ------- ------- ------- ------- ------- ------- Operating Margin 6,238 732 95 7,065 6,957 753 (66) 7,644 Credit Costs 979 732 -- 1,711 1,167 753 -- 1,920 ------- ------- ------- ------- ------- ------- ------- ------- Income before Restructuring Costs 5,259 -- 95 5,354 5,790 -- (66) 5,724 Restructuring Costs 129 -- (129) -- -- -- -- -- ------- ------- ------- ------- ------- ------- ------- ------- Income before Taxes 5,130 -- 224 5,354 5,790 -- (66) 5,724 Tax Expense~~

~~1,795 -- 79 1,874 2,037 - - (24) 2,013 -~~

------ ------- ------- ------- ------- ------- ------- -------

~~Net Income $ 3,335 $ -- $ 145 $ 3,480 $ 3,753 $ -- $ (42) $ 3,711~~

======= ======= ======= ======= ======= ======= ======= =======

~~NET INCOME PER COMMON SHARE Basic $ 2.66 $ 2.78 $ 2.96 $ 2.93 Diluted $ 2.57 $ 2.68 $ 2.86 $ 2.83~~

(a) Represents the amounts that are reported in Chase's financial statements. The only exception is that revenues are categorized between market-sensitive and less market-sensitive revenues. (b) This column excludes the impact of credit card securitizations. For securitized receivables, amounts that previously would have been reported as net interest income and as provision for loan losses instead are reported as components of noninterest revenue. (c) Includes restructuring costs and special items. For a description of special items, see Glossary of Terms on page 45. -14- 15 Part I Item 2 (continued) MARKET-SENSITIVE REVENUES Market-sensitive revenues primarily are derived from the business activities of Chase's Investment Bank and Chase Capital Partners ("CCP") franchises. The revenues from these businesses typically are more sensitive to global market factors than those produced by the other Chase franchises. Factors that affect market-sensitive revenues include movements in short-term interest rates, which in turn affect the level of liquidity in the markets, the prices of tradable securities and commodities, and the near-term profitability of companies. In the third quarter of 2000, total market-sensitive revenues were 11% lower than the same period last year. The decline primarily reflects unrealized mark-to-market write-downs of certain publicly held equity investments at CCP. For the nine months of 2000, market-sensitive revenues were 8% above the 1999 year-to-date level. Excluding the results of CCP, market-sensitive revenues would have been up 22% for the first nine months of 2000, due to the continued strength of investment banking and, to a lesser extent, trading-related revenue. For a further discussion of Chase's market-sensitive revenues, see pages 21-23 of the 1999 Annual Report.

(in millions)	THIRD QUARTER 2000	THIRD QUARTER 1999	NINE MONTHS 2000	NINE MONTHS 1999
~~Investment Banking Fees~~	~~$ 613~~	~~$ 486~~	~~$ 1,900~~	~~$ 1,388~~
~~Trading-Related Revenue~~	~~680~~	~~679~~	~~2,566~~	~~2,249~~
~~Securities Gains (Losses)~~	~~96~~	~~(1)~~	~~167~~	~~160~~
~~Private Equity Gains (Losses)~~	~~(25)~~	~~377~~	~~773~~	~~1,215~~
~~Total Market-Sensitive Revenue~~	~~$ 1,364~~	~~$ 1,541~~	~~$ 5,406~~	~~$ 5,012~~

INVESTMENT BANKING FEES Investment banking remained relatively strong, with fees in the third quarter and nine months of 2000 increasing 26% and 37%, respectively, from their comparable periods in 1999. These increases were driven by additions to Chase's product platform (i.e., equity underwriting) and growth in existing products, (i.e., merger and acquisition advisory). These were partially offset by reduced industry-wide activities in high-yield securities and complex syndicated loans. Recent acquisitions of investment banking firms are expected to position Chase to better participate in the higher fee-generating activities (e.g., mergers and acquisitions and equity underwriting) of investment banking. The Chase H&Q acquisition improved Chase's product offerings to fast-growing New Economy companies. Chase Flemings, with its broad network in Europe and Asia, is expected to supplement Chase's investment banking practice in the United States. Likewise, the acquisition of The Beacon Group, LLC increased opportunities for merger and acquisition advisory deals.   TRADING-RELATED REVENUE Total trading revenues, including related net interest income, for the 2000 third quarter were flat, compared with the same period last year but rose 14% to $2.57 billion for the first nine months of 2000, when compared with same 1999 period. The results reflected gains in most business products, in particular equities and commodities, and foreign exchange.

(in millions)

	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
~~Trading Revenue (a)~~	~~$ 603~~	~~$ 462~~	~~$2,448~~	~~$1,606~~
~~Net Interest Income Impact (b)~~	~~77~~	~~217~~	~~118~~	~~643~~
~~Total Trading-Related Revenue~~	~~$ 680~~	~~$ 679~~	~~$2,566~~	~~$2,249~~
~~Product Diversification:~~				
~~Interest Rate Contracts (c)~~	~~$ 117~~	~~$ 223~~	~~$ 654~~	~~$ 805~~
~~Foreign Exchange Revenue (d)~~	~~207~~	~~199~~	~~744~~	~~616~~
~~Equities and Commodities (e)~~	~~167~~	~~129~~	~~574~~	~~303~~
~~Debt Instruments and Other (f)~~	~~189~~	~~128~~	~~594~~	~~525~~
~~Total Trading-Related Revenue~~	~~$ 680~~	~~$ 679~~	~~$2,566~~	~~$2,249~~

(a) Charge-offs for risk management instruments are included in trading revenue. (b) Trading-related net interest income includes interest recognized on interest-earning and interest-bearing trading-related positions as well as management allocations, reflecting the funding cost or benefit associated with trading positions. This amount is included in net interest income on the Consolidated Statement of Income. (c) Includes interest rate swaps, cross-currency interest rate swaps, foreign exchange forward contracts, interest rate futures and options, forward rate agreements and related hedges. (d) Includes foreign exchange spot and option contracts. (e) Includes equity securities, equity derivatives, commodities and commodity derivatives. (f) Includes U.S. and foreign government agency securities, corporate debt instruments, emerging markets debt instruments, debt-related derivatives and credit derivatives. - Revenue from interest rate contracts decreased 48% and 19%, respectively, in the third quarter and first nine months of 2000, when compared with the prior year's respective periods as a result of the gradual increase in domestic interest rates in 2000. The environment reduced interest rate volatility, which is a key factor in determining business volume for interest rate contracts. - Foreign exchange revenue in the third quarter of 2000 increased slightly and for the nine months increased by $128 million, due to substantial fluctuations in foreign currency values in the first half of 2000 and increased client activity. - Equities and commodities revenue increased 29% in the 2000 third quarter and 89% for the first nine months, in large part as a result of equity trading at Chase H&Q and Chase Flemings. - The debt instruments and other category recorded strong revenue for the third quarter and nine months of 2000 primarily as a result of gains in the U.S. fixed income market. SECURITIES GAINS Chase's investment securities primarily are liquid securities held in connection with Chase's treasury activities. Chase's domestic and international treasury units manage Chase's asset and liability interest rate risk. Securities gains realized in the third quarter of 2000 were $96 million, compared with a loss of $1 million in the same 1999 period. For the nine months of 2000, gains were $167 million, $7 million more than last year's year-to-date period. -16- 17 Part I Item 2 (continued) PRIVATE EQUITY GAINS Private equity gains in the third quarter of 2000 were negative $25 million, compared with gains of $377 million in the same 1999 quarter and $298 million in the second quarter of 2000. Gains included cash realized from the sale of both private and public securities that were held in the portfolio and the unrealized change in the value of investments held in the portfolio, primarily publicly traded securities. Realized (cash) gains on the sale of securities in the third quarter of 2000 were $538 million, more than double the amount of cash gains realized in the third quarter of 1999. These gains were more than offset by declines in the carrying values of investments (primarily in telecommunications) in the publicly held portion of the portfolio. Despite these declines, the current carrying value of the investments in the publicly traded portfolio is approximately 2.6 times their original cost.

(in millions)	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
TOTAL INVESTMENTS				
Realized Gains (Cash)	$ 538	$ 250	$ 1,229	$ 883
Unrealized Gains (Losses)	(563)	127	(456)	332
Private Equity Gains (Losses)	$ (25)	$ 377	$ 773	$ 1,215

Approximately 80 percent of the carrying value of the Chase Capital Partners' portfolio consist of privately-held securities, generally carried at cost, which, in management's judgment, approximates fair value. The balance of the portfolio, which is publicly-held, is marked-to-market at the quoted public value, less liquidity discounts and price averaging methodologies in certain circumstances to take into account the fact that CCP cannot immediately realize the publicly-quoted values due to the regulatory, corporate and contractual sales restrictions generally imposed on its holdings. Chase believes that CCP's equity-related investments will continue to create value for Chase, making substantial contributions to its earnings over time. Since its inception in 1984, the compound annual cash return on CCP's investments has been 43%. However, given the volatile nature of the public equities market, and that of the NASDAQ market in particular, Chase's reported private equity results may include significant unrealized valuation adjustments, both favorable and unfavorable, at any given quarter. Chase has not and is not considering exiting the business and does not intend to spin off CCP as a separate entity. CCP is a business with a strong track record of providing returns to shareholders over a long period of time, more than compensating for any additional volatility it may contribute to Chase's earnings. The table below shows the direct and fund investment components of Chase's portfolio, totaling $10.5 billion at September 30, 2000. CHASE CAPITAL PARTNERS INVESTMENT PORTFOLIO

(in millions)	SEPTEMBER 30, 2000		June 30, 2000	
	CARRYING VALUE	COST	Carrying Value	Cost
Total Public Securities (191 companies)	$ 2,103	$ 801	$ 2,778	$ 789
Total Private Direct Investments (822 companies)	5,957	5,879	5,764	5,736
Total Private Fund Investments (381 funds)	2,456	2,469	2,353	2,337
Total Investment Portfolio	$10,516	$ 9,149	$10,895	$ 8,862

CCP also manages $11.4 billion of leveraged loan/high-yield funds and investments in other equity and asset funds, bringing total funds under management to $21.9 billion. The level of investment by CCP continues to grow. Direct equity investments were $2.1 billion for the first nine months of 2000, compared with investments of approximately $1.5 billion during the comparable 1999 period. The growth of direct equity investments was attributable to new opportunities in several industry groups. The carrying values of investments recorded on Chase's financial statements are net of interests of investors other than Chase. Certain of those investors are management of Chase pursuant to co-investment limited partnerships. Additionally, CCP is in the process of offering to unaffiliated third parties approximately $1.5 billion in interests in CCP fund investments through separate investment vehicles and CCP intends to offer approximately $5 billion in limited partnership interests in a new investment fund that will co-invest with CCP in its direct investments. The securities being offered by CCP will not be registered under the Securities Act of 1933 pursuant to registration exemptions therefrom. These offerings, as well as other offerings CCP may make in the future, will have the effect of reducing Chase's proportional ownership share of investments made and to be made by CCP. For a further discussion of CCP's business, visit the CCP web site at: www.chasecapital.com.   LESS MARKET-SENSITIVE REVENUE Less market-sensitive revenues derive largely from Chase's National Consumer Services, Global Services and Wealth Management franchises, as well as from credit products and brokerage services provided to large corporate and institutional clients. These revenues generally experience less market volatility than those Investment Bank and CCP revenues, which are characterized as market-sensitive. Less market-sensitive revenues increased by 9% in the 2000 third quarter and by 6% in the first nine months of 2000, reflecting increases in trust, custody and investment management fees and fees for other financial services. For a further discussion of less market-sensitive revenues, see pages 24-26 of Chase's 1999 Annual Report.

THIRD

(in millions)	QUARTER			NINE MONTHS		
	2000	1999	Change	2000	1999	Change
~~Net Interest Income (excluding Trading-Related Net Interest Income)~~	~~$ 2,269~~	~~$ 2,285~~	~~(1)%~~	~~$ 6,781~~	~~$ 6,876~~	~~(1)%~~
~~Less Market-Sensitive Fee Revenue: Trust, Custody and Investment Management Fees~~	~~664~~	~~457~~	~~45~~	~~1,718~~	~~1,332~~	~~29~~
~~Credit Card Revenue (a)~~	~~358~~	~~355~~	~~1~~	~~1,025~~	~~1,031~~	~~(1)~~
~~Fees for Other Financial Services~~	~~775~~	~~637~~	~~22~~	~~2,201~~	~~1,777~~	~~24~~
~~Total Less Market-Sensitive Fee Revenue~~	~~1,797~~	~~1,449~~	~~24~~	~~4,944~~	~~4,140~~	~~19~~
~~Other Revenue (a)~~	~~160~~	~~154~~	~~4~~	~~437~~	~~510~~	~~(14)~~
~~Total Less Market-Sensitive Revenue~~	~~$ 4,226~~	~~$ 3,888~~	~~9%~~	~~$ 12,162~~	~~$ 11,526~~	~~6%~~

(a) Presented on an operating basis. NET INTEREST INCOME Less market-sensitive net interest income ("NII") on an operating basis adjusts reported NII to reflect the impact of credit card securitizations and the trading-related NII that is considered part of market-sensitive revenue. The following table reconciles reported NII and less market-sensitive operating NII.

	THIRD QUARTER			NINE MONTHS		
NET INTEREST INCOME (in millions)	2000	1999	Change	2000	1999	Change
Reported NII	$ 1,993	$ 2,170	(8)%	$ 5,869	$ 6,519	(10)%
Add Impact of Credit Card Securitizations	353	332		1,030	1,000	
Less Trading-Related NII	(77)	(217)		(118)	(643)	
Operating NII	$ 2,269	$ 2,285	(1)%	$ 6,781	$ 6,876	(1)%
AVERAGE INTEREST-EARNING ASSETS (in billions)						
Reported	$ 322.0	$ 290.2	11%	$ 313.0	$ 290.0	8%
Add Credit Card Securitizations	19.0	17.2		19.0	17.6	
Less						

~~Trading-Related Assets (59.4) (53.4) (57.2) (51.3) --------- --------- ----- ------ --------~~

~~Managed $ 281.6 $ 254.0 11% $ 274.8 $ 256.3 7%~~

~~NET YIELD ON INTEREST-EARNING ASSETS (a) Reported 2.47% 2.97% (50) bp 2.51% 3.01% (50) bp Add Impact of Securitizations .28 .27 1 .27 .26 1 Impact of Trading-Related NII .47 .34 13 .53 .32 21 ----- ----- --------- - -------- ------- - Managed 3.22% 3.58% (36) bp 3.31% 3.59% (28) bp~~

(a) Disclosed on a taxable equivalent basis. bp - Denotes basis points; 100 bp equals 1%. -18- 19 Part I Item 2 (continued) For the third quarter and the first nine months of 2000, reported NII declined 8% and 10%, respectively, when compared with each of the same periods in 1999. Operating NII declined only slightly, 1%, in each period of 2000. Reported NII during 2000 has been adversely affected by a decline in trading-related NII as earning assets held to support Chase's trading businesses yielded minimal net interest income (see Trading-Related Revenue on page 16). Reported and operating NII in 2000 were favorably impacted by higher average interest-earning assets, offset by spread compressions due to the rising interest rate environment and competitive pricing (notably in credit cards). Also affecting both reported and operating NII in the nine months of 2000 was a $100 million decrease in the estimated auto lease residual value, which was accounted for as a reduction in net interest income in the first quarter of 2000. This adjustment in the estimated auto lease residual value addressed exposure to potential losses on maturing leases as a result of a decline in the market value of autos returned by lessees at lease termination. Managed average interest-earning assets increased 11% and 7%, respectively, from the 1999 third quarter and first nine months. Contributing to the increases in both periods were higher amounts of liquid assets and commercial loans, due, in part, to the acquisitions of Flemings and Chase H&Q. There also was an increase in domestic consumer loans (notably in residential mortgages, reflecting growth in higher-margin products such as home equity lending and new adjustable rate mortgages, which are more frequently retained in the portfolio). Partially offsetting these increases was a decline in the average emerging market commercial loan portfolio, as Chase reduced this exposure throughout 1999. The net yield on a managed basis decreased 36 basis points in the 2000 third quarter and 28 basis points in the first nine months of 2000. The rising interest rate environment which began in the second half of 1999 and competitive pricing resulted in generally narrower spreads. TRUST, CUSTODY AND INVESTMENT MANAGEMENT FEES Trust, custody and investment management fees rose to a record level of $664 million in the third quarter of 2000, 22% above the 2000 second quarter (the previous record high) and 45% above the prior year's quarter. The three consecutive record quarters of 2000 have resulted in a 29% increase in fees from the 1999 first nine months, resulting in record levels for these businesses. These results were attributable to growth in the value of funds under investment management and securities under custody, increase in flows of investments to foreign markets (where the safekeeping of securities is most profitable), and the impact of newly acquired businesses, notably Flemings.

(in millions)	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
TRUST, CUSTODY AND INVESTMENT MANAGEMENT FEES				
Institutional (a)	$ 330	$ 275	$ 984	$ 805
Personal (b)	137	127	427	373
Mutual Funds (c)	109	39	189	111
Other Trust Fees	88	16	118	43
Total	$ 664	$ 457	$ 1,718	$ 1,332

(a) Represents fees for trustee, agency, registrar, securities-lending and broker clearing, custody and maintenance of securities. (b) Represents fees for trustee, estate, custody, advisory and investment management services. (c) Represents investment management, administrative, custody and other fees in connection with Chase's proprietary global mutual funds. The following table shows the growth in Chase's assets under custody and under management.

(in billions)	ASSETS UNDER ADMINISTRATION/CUSTODY		ASSETS UNDER MANAGEMENT	
September 30,	2000	1999	2000	1999
Institutional	$ 5,679	$ 4,904	$ 169	$ 105
Personal	114	107	62	49
Mutual Funds	53	45	101	57
Total	$ 5,846	$ 5,056	$ 332 (a)	$ 211

(a) Reflects approximately $88 billion in assets under management from Flemings.

CREDIT CARD REVENUE

Credit card revenue includes interchange income; late, cash advance, annual and overlimit fees; and servicing fees associated with the securitization of credit cards. Credit card revenue on an operating basis remained relatively stable from both the third quarter and nine months of 1999 but was up $19 million from the second quarter of 2000 as a result of the seasonal increase in fees during the vacation and back-to-school periods. The declines in late fees in 2000, when compared with their corresponding periods in 1999, reflect a reduction in customer delinquencies as demonstrated by a more than 50 bp improvement in the managed net charge-off ratios for both periods. These were offset by an increase in interchange income (transaction processing fees) associated with higher customer purchase volumes. The following table reconciles Chase's reported credit card revenue and operating credit card revenue, which excludes the impact of credit card securitizations.

(in millions)	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
Reported Credit Card Revenue	$ 471	$ 441	$ 1,311	$ 1,258
Less Impact of Credit Card Securitizations	(113)	(86)	(286)	(227)
Operating Credit Card Revenue	$ 358	$ 355	$ 1,025	$ 1,031

FEES FOR OTHER FINANCIAL SERVICES Fees for other financial services in the third quarter of 2000 increased 22%, when compared with the same period in the prior year. In the first nine months of 2000, the fees grew by 24% relative to 1999. The table below provides the significant components of fees for other financial services.

(in millions)

	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
~~Brokerage and Investment Services~~	~~$ 150~~	~~$ 43~~	~~$ 333~~	~~$ 136~~
~~Mortgage Servicing Fees~~	~~140~~	~~96~~	~~421~~	~~238~~
~~Service Charges on Deposit Accounts~~	~~103~~	~~104~~	~~305~~	~~289~~
~~Fees in Lieu of Compensating Balances~~	~~81~~	~~106~~	~~256~~	~~287~~
~~Insurance Fees~~	~~58~~	~~44~~	~~154~~	~~124~~
~~Commissions on Letters of Credit and Acceptances~~	~~51~~	~~69~~	~~179~~	~~207~~
~~Loan Commitment Fees~~	~~36~~	~~44~~	~~108~~	~~111~~
~~Other Fees~~	~~156~~	~~131~~	~~445~~	~~385~~
~~Total~~	~~$ 775~~	~~$ 637~~	~~$ 2,201~~	~~$ 1,777~~

BROKERAGE AND INVESTMENT SERVICES rose 249% from the 1999 third quarter and 145% from the nine months of 1999. The increases were mainly due to the acquisitions of Flemings in August 2000 and H&Q in December 1999, significantly increasing the volume of Chase's brokerage activities and investment service fees associated with the sale of mutual funds to clients. In addition, both the daily trading volume and the number of new customers at Brown & Co. increased. Trading volume at Brown & Co. in the third quarter of 2000 was up to 41,000 trades per day, compared with 32,000 trades per day in the same quarter of 1999. MORTGAGE SERVICING FEES in the 2000 third quarter and nine months increased by 46% and 77%, respectively, from the same periods in 1999. The increases were due to a larger average servicing portfolio, resulting from the Mellon Bank Corporation mortgage business acquisition, and a lower amortization rate on mortgage servicing rights. Mortgage interest rates were higher in

2000, reducing the prepayment rates on mortgage loans, which, in turn, lowered the amortization expense (contra revenue) linked to the mortgage servicing rights. The average servicing portfolio increased 28% from last year's third quarter as a result of continued strong replenishment through originations and acquisitions, and a lower level of loan prepayments in the core portfolio. -20- 21 Part I Item 2 (continued) FEES IN LIEU OF COMPENSATING BALANCES decreased 24% from the 1999 third quarter and 11% from the first nine months of 1999, partly attributable to a greater number of customers who maintain the required deposit account balances to compensate for utilization of certain bank services. INSURANCE FEES include fees from credit-related products (such as insuring the payment of credit card, mortgage and auto loans in the event of loss of life, disability and other catastrophic events) as well as from non-credit-related products (such as life, health and property insurance, and annuities). Insurance fees in 2000 were 32% higher than the 1999 third quarter and 24% higher than the 1999 first nine months, primarily due to new business related to life, health and mortgage insurance, plus the inclusion of Chase Flemings. OTHER FEES in 2000 increased 19% from the 1999 third quarter and 16% from the nine months of 1999, reflecting higher interchange fees related to a larger volume of debit card transactions and a general increase in the other fee-generating activities at several businesses. OTHER REVENUE

(in millions)	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
Residential Mortgage Origination/Sales Activities	$ 50	$ 95	$ 135	$ 275
All Other Revenue	110	59	302	235
Operating Other Revenue	160	154	437	510
Loss on Economic Hedge of the Flemings Purchase Price	(35)	--	(176)	--
Gains on Sales of Nonstrategic Assets	81	--	81	166
Other Revenue - Credit Card Securitizations	4	8	12	20
Reported Other Revenue	$ 210	$ 162	$ 354	$ 696

RESIDENTIAL MORTGAGE ACTIVITIES (which include origination and sales of loans and selective dispositions of mortgage servicing rights) in both the third quarter and first nine months of 2000 declined 47% and 51%, respectively, reflecting lower origination and loan sale volume as well as gains from sales of mortgage servicing rights in the 1999 third quarter. ALL OTHER REVENUE was 86% higher in the third quarter of this year, compared with the same period in 1999 and 29% higher than the first nine months of 1999, reflecting an increase in revenues from auto operating leases (due to lease volume increases in 2000), higher joint venture equity income and general asset sales. These were partly offset by a gain in the 1999 third quarter on the sale of upstate New York branches. Special items not included in operating results for the 2000 third quarter and nine month periods include losses of $35 million and $176 million, respectively, resulting from the economic hedge of the purchase price of Flemings prior to its acquisition (the offsetting appreciation in the dollar versus pound sterling exchange rate was reflected as a reduction in the purchase price and corresponding goodwill). Results for the 2000 third quarter and nine months reflect a gain of $81 million on the sale of the Panama branch while items for the nine months in 1999 included $166 million of gains on sales of nonstrategic assets, of which $95 million was from the sale of a building and $71 million was from the sale of branches in Texas. -21- 22 Part I Item 2 (continued) NONINTEREST EXPENSE Total operating noninterest expenses increased 23% in the third quarter of 2000 and 18% in the nine months of 2000, when compared with the same periods in 1999. These increases reflected higher investments in resources to build up the platform of the Investment Bank, including through the acquisitions of Flemings and Beacon in the third quarter of 2000 and H&Q in late 1999. Reported noninterest expense for 2000 included $129 million ($79 million in the 2000 third quarter) of nonaccruable restructuring costs associated with previously announced relocation programs. Reported noninterest expense for 1999 included a special contribution to The Chase Manhattan Foundation.

(in millions, except ratios)	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
~~Salaries~~	~~$ 1,761~~	~~$ 1,417~~	~~$ 5,128~~	~~$ 4,217~~
~~Employee Benefits~~	~~256~~	~~238~~	~~795~~	~~731~~
~~Occupancy Expense~~	~~247~~	~~218~~	~~689~~	~~642~~
~~Equipment Expense~~	~~297~~	~~255~~	~~856~~	~~737~~
~~Other Expense~~	~~1,095~~	~~853~~	~~3,035~~	~~2,567~~
~~Operating Noninterest Expense~~	~~3,656~~	~~2,981~~	~~10,503~~	~~8,894~~
~~Restructuring Costs~~	~~79~~	~~--~~	~~129~~	~~--~~
~~Special Contribution to the Foundation~~	~~--~~	~~--~~	~~--~~	~~100~~

~~- ------- --- ----~~

~~Reported Noninterest Expense $ 3,735 $ 2,981 $10,632 $ 8,994~~

~~Operating Overhead Ratio (a) 65% 55% 60% 54%~~

~~Cash Operating Overhead Ratio (a) (b) 63% 53% 58% 52%~~

(a) Excludes costs associated with REIT and the impact of credit card securitizations. (b) Excludes the impact of amortization of goodwill and certain other intangibles. SALARIES AND EMPLOYEE BENEFITS The increases in salaries and employee benefits from the third quarter and nine months of 1999 were due to a more competitive recruiting environment for talent as well as higher incentives, partly driven by growth in investment banking revenue and retention bonus accruals for key personnel of the recently acquired firms. The higher headcount as shown below reflects the additions from Chase Flemings (more than 7,000) and Chase H&Q (approximately 1,000).

FULL-TIME EQUIVALENT EMPLOYEES SEPTEMBER 30, September 30, ------------- ------------- 2000 1999

~~Domestic Offices 62,310 61,665 Foreign Offices 19,430 11,353 -------- ----- Total Full-Time Equivalent Employees 81,740 73,018~~

OCCUPANCY AND EQUIPMENT EXPENSE Occupancy expense increased over both 1999 periods, primarily due to the additional leasing costs of office spaces occupied by Chase Flemings and Chase H&Q. Equipment expense also rose in both periods of 2000 as a result of higher depreciation expense related to the capitalization of more advanced hardware systems and software applications as well as higher software investments to support the ongoing internet projects throughout the various business franchises of Chase. Also contributing to the increase were the additional expenses at Chase Flemings and Chase H&Q. OTHER EXPENSE Operating other expense (excluding the special contribution to The Chase Manhattan Foundation) rose 28% from the third quarter of 1999 and 18% from the nine months of 1999. The following table presents the components of other expense.

(in millions)	THIRD QUARTER 2000	THIRD QUARTER 1999	NINE MONTHS 2000	NINE MONTHS 1999
Professional Services	$ 212	$ 170	$ 569	$ 510
Marketing Expense	146	128	367	356
Telecommunications	112	96	316	284
Amortization of Intangibles	149	70	318	219
Travel and Entertainment	86	54	229	163
Minority Interest (a)	12	12	42	37
Foreclosed Property Expense	1	6	(2)	14
All Other	377	317	1,196	984
Total Operating Other Expense	$ 1,095	$ 853	$ 3,035	$ 2,567

(a) Includes REIT minority interest expense of $11 million in each quarter and $33 million in each nine months. The increases in PROFESSIONAL SERVICES for the third quarter and nine months of 2000 were attributable to the additions from the recently acquired firms as well as expenditures for the Chase.com initiatives and projects to improve the process of safekeeping securities. The spending on the above-mentioned projects was partly offset by reduced expenditures related to completed Y2K efforts. MARKETING EXPENSE increased in both periods of 2000 mainly as a result of Chase Flemings and higher expenses for the credit card campaigns. TELECOMMUNICATIONS rose due to higher market data usage stemming from growth in business volume at Chase's Investment Bank and the additions from the recent acquisitions. AMORTIZATION OF INTANGIBLES was higher in connection with the acquisitions of Flemings, Beacon and Chase H&Q. TRAVEL AND ENTERTAINMENT increased as a result of a rise in business-related air travel at the Investment Bank as well as the additions from Chase Flemings and Chase H&Q. ALL OTHER expense rose due to higher employee-related expenses across the corporation and the impact of Chase Flemings and Chase H&Q. RESTRUCTURING COSTS In the 1999 fourth quarter, Chase began a process of long-term strategic restructuring initiatives, such as the announced relocation of operations to lower cost locations, and other business initiatives, for example the consolidation of operations. Chase incurred a $175 million restructuring charge in connection with these initiatives. For a further discussion of Chase's restructuring costs, refer to Note 12 and page 28 of Chase's 1999 Annual Report and Note 5 of this Form 10-Q. Chase is continuing to focus on its future expense management. Further business realignments and relocation initiatives will be announced in conjunction with the J.P. Morgan merger integration. CREDIT COSTS Credit costs include credit losses related to Chase's securitized credit card loans. The following table shows the components of credit costs.

(in millions)	THIRD QUARTER		NINE MONTHS	
	2000	1999	2000	1999
Provision for Loan Losses	$ 305	$ 398	$ 979	$1,167
Credit Costs Associated with Credit Card Securitizations	236	238	732	753
Operating Credit Costs	$ 541	$ 636	$1,711	$1,920

Credit costs in the third quarter and nine months of 2000 decreased $95 million and $209 million, respectively, from the 1999 levels, primarily due to the impact of lower credit losses in the consumer portfolio, mainly credit cards, and the foreign commercial portfolio. See page 33 for the discussion of the allowance for credit losses.

INCOME TAXES

Chase recognized income tax expense of $476 million in the third quarter of 2000, compared with $625 million in the third quarter of 1999. For the first nine months of 2000, Chase recorded income tax expense of $1.8 billion, compared with $2.0 billion for the nine months of 1999. The effective tax rates were 35.0% in both the 2000 third quarter and first nine months, compared with 34.5% in the 1999 third quarter and 35.2% for the 1999 nine months.

LINES OF BUSINESS RESULTS

The table below provides summary financial information on an operating basis for Chase's five major business franchises. Prior periods have been restated to reflect changes to the management organization or refinements in management reporting policies. For example, commencing with the second quarter of 2000, results for Chase Capital Partners were disclosed separately from the remainder of the Global Bank, and the private equity business of Chase H&Q was moved to CCP from Global Investment Banking. Additionally, beginning with the third quarter of 2000, the remainder of the Global Bank has been reorganized into the Investment Bank (Global Markets, Investment Banking and Corporate Lending) and Wealth Management (Global Private Bank and Asset Management). For a description of the basis of presentation that management uses to measure and evaluate business unit profitability, see page 20 of the 1999 Annual Report.

	INVESTMENT BANK	CHASE CAPITAL PARTNERS	GLOBAL SERVICES
THIRD QUARTER 2000 Over/(Under)			

1999 2000 Over/(Under) 1999 2000 Over/(Under) 1999 -- ~~(in millions, except ratios) Operating Revenue $ 1,870 $ 251 16% $ (88) $ (407) NM $ 875 $ 75 9% Operating Earnings 349 (60) (15) (112) (288) NM 167 34 26 Cash Operating Earnings (b) 384 (36) (9) (106) (282) NM 183 35 24 Average Common Equity 10,204 1,840 22 6,472 2,177 51% 2,706 (199) (7) Average Managed Assets 230,598 20,827 10 12,377 3,811 44 16,230 (212) (1) Shareholder Value Added 46 (93) (67) (320) (352) NM 93 42 82 Cash Return on Common Equity 14.8% (480) bp NM NM 26.7% 680 bp Cash Overhead Ratio 67 1,400 NM NM 67 (400)~~

WEALTH
MANAGEMENT
NATIONAL
CONSUMER
SERVICES
TOTAL (a) ------

------ ------------

- -----------------
---------- 2000
Over/(Under)
1999 2000
Over/(Under)
1999 2000
Over/(Under)
1999 ------------

~~Operating~~
~~Revenue $ 470 $~~
~~203 76% $ 2,587~~
~~$ 73 3% $ 5,590~~
~~$ 161 3%~~
~~Operating~~
~~Earnings 53 9 20~~
~~455 56 14 905~~
~~(282) (24) Cash~~
~~Operating~~
~~Earnings (b) 95~~
~~51 116 492 57 13~~
~~1,054 (203) (16)~~
~~Average Common~~
~~Equity 3,582~~
~~2,720 316 8,033~~
~~298 4 26,290~~
~~4,962 23 Average~~
~~Managed Assets~~
~~21,845 8,447 63~~
~~148,165 17,119~~
~~13 432,853~~
~~50,759 13~~
~~Shareholder Value~~
~~Added (23) (38)~~
~~NM 227 52 30~~
~~181 (358) (66)~~
~~Cash Return on~~
~~Common Equity~~
~~10.4% (950)bp~~
~~24.2% 220bp~~
~~15.8% (720)bp~~
~~Cash Overhead~~
~~Ratio 72 -- 50~~
~~(100) 63 1,000~~
INVESTMENT
BANK
CHASE
CAPITAL

PARTNERS GLOBAL SERVICES --- ---------------- ------------ --- ---------------- ----------- ---- ---------------- ------ NINE MONTHS 2000 Over/(Under) 1999 2000 Over/(Under) 1999 2000 Over/(Under) 1999 ---------- ---------------- ---------------- ---------------- ---------------- ---------------- ------------ ~~(in millions, except ratios) Operating Revenue $ 5,989 $ 749 14% $ 611 $ (517) (46) $ 2,604 $ 304 13% Operating Earnings 1,464 (42) (3) 254 (392) (61) 447 100 29 Cash Operating Earnings (b) 1,531 (8) (1) 265 (381) (59) 495 102 26 Average Common Equity 9,127 517 6 6,261 2,373 61 2,703 (197) (7) Average Managed Assets 225,976 15,753 7 11,862 4,024 51 15,912 (721) (4) Shareholder Value Added 628 (53) (8) (354) (612) NM 227 123 118 Cash Return on Common Equity~~

~~22.2% (140) bp~~
~~5.4% (1,650)bp~~
~~24.2% 640bp~~
~~Cash Overhead~~
~~Ratio 58 1,000~~
~~34 2,300 70~~
~~(300)~~

WEALTH MANAGEMENT NATIONAL CONSUMER SERVICES TOTAL (a) ------ ------------------ ------ ------------ ------------------ - ------------------ ---------- 2000 Over/(Under) 1999 2000 Over/(Under) 1999 2000 Over/(Under) 1999 ------------ ------------------ ------------------ ------------------ ------------------ -----------------

~~Operating Revenue $ 1,168 $ 401 52% $ 7,487 $ 104 1% $17,568 $ 1,030 6% Operating Earnings 180 67 59 1,176 51 5 3,480 (231) (6) Cash Operating Earnings (b) 225 111 97 1,287 42 3 3,798 (132) (3) Average Common Equity 1,834 986 116 8,084 427 6 23,913 1,916 9 Average Managed Assets 17,465 4,651 36 144,650 15,969 12 419,397 37,493 10 Shareholder Value Added 44 14 47 487 5 1 1,424 (312) (18) Cash Return on Common Equity 16.2% (150)bp 21.0% (40)bp 21.0% (260)bp Cash Overhead Ratio 70 (400) 52 200 58 600~~

(a) Total column includes Support Units, Corporate and the net effect of management accounting policies. (b) Cash Operating Earnings represent operating earnings excluding the amortization of goodwill and certain other intangibles. bp - Denotes basis points; 100 bp equals 1%. NM - Not meaningful. -24- 25 Part I Item 2 (continued) INVESTMENT BANK Investment Bank combines the strengths of a leading commercial bank and a leading investment bank to meet the needs of corporations, institutional investors, financial institutions and governments around the world. The Investment Bank integrates a broad range of leading product capabilities, industry knowledge and geographic reach to produce superior customer solutions. Through its presence in more than 50 countries, the Investment Bank serves an extensive array of clients, from large corporations with long-standing investment relationships to a growing franchise of clients in the fastest growing sectors of the New Economy. In the Investment Bank, cash expense growth for the 2000 third quarter exceeded operating revenue growth, resulting in a decline in cash operating earnings of 9%, when compared with the third quarter of 1999. Cash expenses of $1.26 billion in the third quarter of 2000 were up 47% from the 1999 third quarter and increased from $1.06 billion in the second quarter of 2000. The increases were driven by acquisitions and spending to build up the investment banking platform. Management is committed to achieving a better balance of expense-to-revenue growth in the Investment Bank. Shareholder Value Added declined 67% from the third quarter of 1999, reflecting both the decrease in cash operating earnings and the higher capital allocated to the Investment Bank to support acquisitions (Flemings, Beacon and H&Q). For the first nine months of 2000, operating revenues increased 14%, while cash expense growth was 36%, resulting in a decline in cash operating earnings of 1%. Shareholder Value Added for the first nine months of 2000 declined 8% reflecting the higher capital allocation. For a further discussion of the Investment Bank's products, see the Revenue section beginning on page 15. The following table sets forth certain key financial performance measures of the businesses within the Investment Bank.

(in millions, except ratios) THIRD QUARTER 2000 Over/(Under) 1999 -------- -------------- ----------- --- -------------- -------------- --- CASH CASH Cash Cash OPERATING OPERATING OVERHEAD Operating Operating Overhead REVENUES EARNINGS RATIO Revenues Earnings Ratio -------- -------- -------- --- ------ -------- - --------

~~Global Markets $ 880 $ 170 73% (4)% (35)% 1,700 bp Global Investment Banking 623 74 80 54 (15) 1,600 Corporate Lending and Portfolio Management 389 143 26 1 4 (200) Other Investment Bank (22) (3) NM NM NM NM ------- -- ----- Total $~~

~~1,870 $ 384 67% 16% (9)% 1,400 bp~~

~~NINE MONTHS Global Markets $ 3,100 $ 880 57% (3)% (17)% 900 bp Global Investment Banking 1,938 317 72 75 55 400 Corporate Lending and Portfolio Management 1,115 397 28 (2) (1) 100 Other Investment Bank (164) (63) NM NM NM NM -------- -------- Total $ 5,989 $ 1,531 58% 14% (1)% 1,000 bp~~

bp - Denotes basis points; 100 bp equals 1%. NM - Not meaningful. For a discussion of the profiles for each business within the Investment Bank, see page 31 of Chase's 1999 Annual Report. The following discussion focuses on the financial highlights of each business for the third quarter and first nine months of 2000. -25- 26 Part I Item 2 (continued) GLOBAL MARKETS Operating revenues for Global Markets remained strong during 2000, although slightly lower than in the third quarter and the first nine months of 1999. Total trading revenues, including related net interest income, were $680 million in the third quarter of 2000, compared with $679 million in the third quarter of 1999. Gains in debt, equity and foreign exchange trading were offset by a decline in interest rate derivatives, due to slower trading activity and an overall decline in market volatility, which adversely affected the flows and spreads of that business. Total trading revenues rose 14% to $2.6 billion for the first nine months of 2000, driven by foreign exchange and equity and commodities trading. Cash operating earnings decreased 35% in the 2000 third quarter and declined 17% for the first nine months of 2000, due to higher incentives and increased investment in the Global Markets business. Chase's treasury businesses are managed through a "total return" discipline, which measures economic value-added by capturing both realized income (securities gains and net interest income) and unrealized gains or losses on assets and liabilities. The total return (pre-tax before expenses) from the interest rate risk management activities of the treasury units amounted to $125 million for the third quarter 2000 and $651 million for the nine months of 2000, compared with $(13) million and $227 million, respectively, for the same periods in 1999. GLOBAL INVESTMENT BANK Revenues for the Global Investment Bank increased 54% from the 1999 third quarter. However, as a result of significantly higher cash expenses, cash operating earnings declined 15% in the 2000 third quarter, when compared with the 1999 third quarter. As a result of the strong results of the first half of 2000, revenues and cash operating earnings rose 75% and 55%, respectively, in the first nine months of 2000 when compared with the first nine months of 1999. The revenue increases were driven by record merger and acquisition advisory fees and equity underwriting fees. They were partially offset by lower loan syndication and high yield securities underwriting fees resulting from a slowdown in the leveraged finance markets. Cash operating earnings were adversely affected in each period of 2000 by higher expenses driven by acquisitions and spending to build up the investment banking platform. CORPORATE LENDING AND PORTFOLIO MANAGEMENT Corporate Lending and Portfolio Management revenues and cash operating earnings each remained relatively stable in the third quarter and nine months of 2000, when compared with the same periods in 1999. The effect of lower average loan levels (due to loan sales and securitizations) were offset by higher lending-related fees. CHASE CAPITAL PARTNERS Chase Capital Partners is one of the world's largest and most diversified private equity investment firms with approximately $10.5 billion in direct and fund investments. In addition, CCP manages approximately $11.4 billion of leveraged loan/high-yield funds and investments in other equity and asset funds, bringing total funds under management to approximately $21.9 billion.

CHASE CAPITAL PARTNERS 2000 Over/(Under) 1999 -------- -------------- ----------- --- -------------- -------------- ---------- (in millions, except ratios) CASH CASH Cash Cash OPERATING OPERATING OVERHEAD Operating Operating Overhead REVENUES EARNINGS RATIO Revenues Earnings Ratio -------- -------- ----- -------- -------- --- -- ~~Third Quarter $ (88) $ (106) NM NM NM NM Nine Months 611 265 34% (46)% (59)% 2,300 bp~~

bp - Denotes basis points; 100 bp equals 1%. NM - Not meaningful. Operating revenues, cash operating earnings and SVA each were in a negative position in the 2000 third quarter, primarily a result of unrealized write-downs of the carrying values of publicly-held securities in the portfolio (primarily telecommunication securities). Publicly-held securities comprise approximately 20% of the total portfolio at September 30, 2000. Revenues and cash operating earnings declined 46% and 59%, respectively, in the first nine months of 2000, principally due to the market declines during the 2000 third quarter, partially offset by cash gains from the sales of securities. For a further discussion of CCP's revenues and investment portfolio, see page 17. -26- 27 Part I Item 2 (continued) GLOBAL SERVICES Global Services is a recognized leader in information and transaction processing services, moving trillions of dollars daily in securities and cash for its wholesale customers. For a discussion of the profiles for each business within Global Services, see page 34 of Chase's 1999 Annual Report.

GLOBAL SERVICES 2000 Over/(Under) 1999 ------------------------------------ ----------------------------- -- (in millions, except ratios) CASH CASH Cash Cash OPERATING OPERATING OVERHEAD Operating Operating Overhead REVENUES EARNINGS RATIO Revenues Earnings Ratio -------- -------- ----- -------- -------- ----- ~~Third quarter $ 875 $ 183 67% 9% 24% (400) bp Nine months 2,604 495 70 13 26 (300)~~

bp - Denotes basis points; 100 bp equals 1%. In the third quarter of 2000, Global Services' operating revenues increased 9% over the prior-year quarter to $875 million, reflecting increased activity in its securities businesses. Cash operating earnings for Global Services for the third quarter of 2000 increased 24%, when compared with the 1999 third quarter. Shareholder Value Added increased to $93 million, an 82% increase over the prior year quarter. For the nine months of 2000, operating revenues, cash operating earnings and Shareholder Value Added increased 13%, 26% and 118%, respectively. - Global Investor Services, Chase's custody business, experienced a 14% and 20% rise in operating revenues in the third quarter and first nine months of 2000, respectively, when compared with the same periods a year ago. These increases reflect net asset growth and higher transaction volume. During the 2000 third quarter, total assets under custody grew 16%, while the higher margin cross-border assets under custody increased 20%, when compared with the 1999 third quarter. - Operating revenues at Capital Markets Fiduciary Services, Chase's institutional trust business, increased 20% from both the 1999 third quarter and 1999 first nine months results, reflecting continued growth through expansion into new markets and growth in structured and collateral management products, particularly in Texas and the U.K. - Operating revenues at Chase Treasury Solutions, Chase's cash management and payments business, increased 2% in the 2000 third quarter and increased 4% in the first nine months of 2000, when compared with the prior-year periods, reflecting higher revenues from all products, rising interest rates, and increased balances maintained by customers, partially offset by the repositioning of the trade finance business. Operating leverage continues to improve through aggressive expense control, contributing to a significant improvement in SVA. Management anticipates that Global Services will realize double-digit income growth over the remainder of the year, as a result of improved efficiencies and growth in market share in a consolidating industry. WEALTH MANAGEMENT Chase's Wealth Management businesses include private banking and asset management. Operating revenues and cash operating earnings were up 76% and 116%, respectively, from the 1999 third quarter, and increased 52% and 97%, respectively, from the first nine months of 1999. Flemings results are included for two months, contributing to the revenue increases; however, expenses will also be higher this year and next year as a result of the amortization of the cost of retention bonuses entered into in connection with the Flemings acquisition. SVA was negative in the 2000 third quarter, reflecting the higher capital allocation for Flemings.

WEALTH
MANAGEMENT
2000
Over/(Under)
1999 ------------

---- --------------

---- (in millions,
except ratios)
CASH CASH
Cash Cash
OPERATING
OPERATING
OVERHEAD
Operating
Operating
Overhead
REVENUES
EARNINGS
RATIO Revenues
Earnings Ratio ---
----- -------- ----
- -------- --------
----- ~~Third quarter \$ 470 \$ 95 72% 76% 116% -- bp Nine months 1,168 225 70 52 97 (400)~~

bp - Denotes basis points; 100 bp equals 1%. - Revenues from the Global Private Bank increased to \$305 million, up 36% from the third quarter of 1999. These results reflect broad-based global growth. Cash operating earnings grew 16%, compared with the prior-year quarter. As of September 30, 2000, the Global Private Bank had more than \$180 billion in client assets (of which approximately \$62 billion were assets under management). - 27- 28 Part I Item 2 (continued) - Revenues from Asset Management increased to \$165 million, compared with \$43 million in the third quarter of 1999. These results include revenues from Flemings. As of September 30, 2000, assets under management were \$182 billion. NATIONAL CONSUMER SERVICES National Consumer Services serves over 30 million customers nationwide, offering a wide variety of financial products and services through a diverse array of distribution channels. NCS is focused on delivering financial solutions to consumers, as well as middle market and small businesses, across the U.S. Financial solutions are delivered through distribution channels that include internet banking, branch and ATM networks, telephone and direct mail. Operating revenues for National Consumer Services increased to \$2.6 billion, an increase of 3% over the third quarter of 1999. Cash operating earnings of \$492 million increased by 13% for the third quarter of 2000. All five businesses within NCS reported double-digit cash operating earnings growth. NCS' operating revenues for the first nine months of 2000 were relatively flat, when compared with the nine months of 1999; cash operating earnings were 3% higher than the same period in 1999, reflecting the benefits of expense management and good credit quality. The first quarter of 2000 included a \$100 million decrease in auto lease residual values, which was accounted for as a reduction in net interest income. The following table sets forth certain key financial performance measures of the businesses within NCS.

THIRD QUARTER 2000 Over/(Under) 1999 --------- --------------- --------------- -- ------------ --------------- --------------

(in millions, except ratios)
CASH CASH Cash Cash OPERATING OPERATING OVERHEAD Operating Operating Overhead REVENUES EARNINGS RATIO Revenues Earnings Ratio -------- ------ -- ----- ------ -- -------- --- -- ~~Chase Cardmember Services $ 943 $ 141 36% -- 14% 200 bp Regional Banking Group 771 139 64 7% 36 (600) Chase Home Finance 354 94 56 13 21 -- Diversified Consumer Services 160 36 49 5 24 (700) Middle Markets 274 70 52 4 13 (200) Other NCS 85 12 NM NM NM NM ------------------ Total $ 2,587 $ 492 50% 3% 13% (100) bp~~

NINE MONTHS

2000 Over/(Under) 1999 --------- --------------- --------------- -- ------------ --------------- -------------- (in millions, except ratios) CASH CASH Cash Cash OPERATING OPERATING OVERHEAD Operating Operating Overhead REVENUES EARNINGS RATIO Revenues Earnings Ratio -------- ------ -- ----- ------ -- -------- --- -- ~~Chase Cardmember Services $ 2,719 $ 348 35% (4)% 1% 200 bp Regional Banking Group 2,277 390 65 8 29 (400) Chase Home Finance 997 239 59 13 10 200 Diversified Consumer Services 404 53 62 (11) (44) 1,000 Middle Markets 811 196 53 6 15 (300) Other NCS 279 61 NM NM NM NM --------- ---------- Total $ 7,487 $ 1,287 52% 1% 3% 200 bp~~

bp - Denotes basis points; 100 bp equals 1%. NM - Not meaningful. For a discussion of the profiles for each business within NCS, see page 33 of Chase's 1999 Annual Report. The following discussion focuses on the 2000 third quarter and nine months financial highlights of each business.

CHASE CARDMEMBER SERVICES Cash operating earnings for Chase Cardmember Services for the third quarter of 2000 were up 14%, when compared with the third quarter of 1999, reflecting significantly improved credit quality. Operating revenues essentially were flat from the prior year quarter as higher consumer purchase volume and higher fee-based revenues offset the impact of higher interest rates and a lower level of late fees. Expenses were up, reflecting the impact of higher marketing spending. New account acquisitions were significantly higher in the third quarter of 2000, and credit card outstandings were more than $1 billion higher than in the second quarter of this year. REGIONAL BANKING GROUP Regional Banking Group revenues rose 7% from the third quarter of 1999, and cash operating earnings grew by 36%, with similar increases in revenues and cash operating earnings from the nine months of 1999. These increases reflected higher deposit levels in consumer banking and the small business sector, the benefit from higher interest rates, growth in fees (banking, debit card and brokerage) and disciplined expense management. CHASE HOME FINANCE Chase Home Finance revenues increased 13% for both the third quarter and first nine months of 2000. Cash operating earnings rose 21%, when compared with the 1999 third quarter and increased 10%, when compared with the first nine months of 1999. Growth in servicing fee income for both 2000 periods and gains on securities used to hedge mortgage servicing rights were partially offset by declines in residential mortgage warehouse activity. Origination volume declined in the first nine months of 2000, when compared with the 1999 level as a result of the rising interest rate environment. Originations (residential, home equity and manufactured housing) for the third quarter and first nine months of 2000 were $20.5 billion and $53.9 billion, respectively, and included originations from the retail, wholesale and correspondent (traditional and negotiated) channels. DIVERSIFIED CONSUMER SERVICES Diversified Consumer Services cash operating earnings were up 24%, and revenues increased 5% from the same 1999 quarter. Income growth was positively affected by a change in internal cost allocation as well as improving auto origination volumes and growth in the discount brokerage business, and was negatively affected by the impact of higher interest rates. As a result of a $100 million decrease in the estimated auto lease residual value in the 2000 first quarter, operating revenues and cash operating earnings declined 11% and 44%, respectively, in the first nine months of 2000, when compared with the first nine months of 1999. Revenues from the discount brokerage business rose to $171 million for the first nine months of 2000, a 42% increase, when compared with the same period last year. MIDDLE MARKETS Middle Markets revenues were $274 million, an increase of 4% from the third quarter of 1999, and were $811 million, an increase of 6% from the nine months of 1999. Cash operating earnings increased 13% over the prior-year quarter and 15% over the prior-year first nine months. These results reflect disciplined expense management, continued strength in new business and financing activities during 2000, and higher deposit volumes and spreads. SUPPORT UNITS AND CORPORATE Support Units include Chase.com, Chase Business Services and Technology Solutions. For a further discussion of the business profile of these support units, see page 35 of Chase's 1999 Annual Report. Corporate includes the effects remaining at the corporate level after the implementation of management accounting policies. For the third quarters of 2000 and 1999, Support Units and Corporate had cash operating earnings of $6 million and $34 million, respectively. For the first nine months of 2000 and 1999, there was a cash operating loss of $(5) million and $(7) million, respectively, for these units. Chase utilizes an internal expense allocation process that aligns the cost of each of its operational and staff support services with the respective revenue-generating business. This allows Chase to evaluate the performance of each of its businesses on a fully allocated basis. -29- 30 CREDIT RISK MANAGEMENT The following discussion of Chase's credit risk management focuses primarily on developments since December 31, 1999 and should be read in conjunction with pages 37-44 and 62-64 of Chase's 1999 Annual Report. The following table presents Chase's credit-related information for the dates indicated.

PAST DUE 90 DAYS & OVER CREDIT-RELATED ASSETS NONPERFORMING ASSETS AND ACCRUING ---------------------------- ----------------------- ------------------------------ (in millions) SEPTEMBER 30, Dec 31, SEPTEMBER 30, Dec 31, SEPTEMBER 30, Dec 31, CONSUMER LOANS: 2000 1999 2000 1999 2000 1999 ---- ---- ---- ---- ---- ---- Domestic Consumer: ~~1-4 Family Residential Mortgages $ 48,858 $ 44,262 $ 273 $ 286 $ 1 $ -- Credit Card - Reported 14,981 15,633 30(b) 40(b)~~

~~266 280 Credit Card Securitizations (a) 18,022 17,939 -- -- 329 348 -------- -------- -------- -------- -------- -------- Credit Card - Managed 33,003 33,572 30 40 595 628 Auto Financings 19,921 18,442 80 83 1 2 Other Consumer 6,931 6,902 4 7 56 65 -------- -------- -------- -------- -------- -------- Total Domestic Consumer 108,713 103,178 387 416 653 695 Foreign Consumer 2,551 2,800 9 22 8 15 -------- -------- -------- -------- -------- -------- TOTAL CONSUMER LOANS 111,264 105,978 396 438 661 710 -------- -------- -------- -------- -------- -------- COMMERCIAL LOANS: Domestic Commercial: Commercial and Industrial 49,248 48,097 571 380 41 23 Commercial Real Estate 3,151 3,636 64 51 -- 5 Financial Institutions 6,420 4,211 10 12 -- -- -------- -------- -------- -------- -------- -------- Total Domestic Commercial 58,819 55,944 645 443 41 28 Foreign Commercial: Commercial and Industrial 30,930 25,179 586 642 1 4 Commercial Real Estate 94 125 -- -- -- -- Financial Institutions 5,691 3,598 20 96 -- 20 Foreign Governments 2,482 3,274 36 41 -- -- -------- -------- -------- -------- -------- -------- Total Foreign~~

~~Commercial 39,197 32,176 642 779 1 24 -------- -------- -------- -------- -------- -------- TOTAL COMMERCIAL LOANS 98,016 88,120 1,287 1,222 42 52 Derivative and FX Contracts (c) 31,926 33,611 52 34 -- 1 -------- -------- -------- -------- -------- -------- TOTAL COMMERCIAL CREDIT-RELATED 129,942 121,731 1,339 1,256 42 53 -------- -------- -------- -------- -------- -------- TOTAL MANAGED CREDIT-RELATED $241,206 $227,709 $1,735 $1,694 $ 703 $ 763 ======== ======== ======== ======== ======== ========~~

~~Assets Acquired as Loan Satisfactions 81 102 -------- -------- TOTAL NONPERFORMING ASSETS $1,816 $1,796 ======== ========~~

NET CHARGE-OFFS --------------- (in millions, except ratios) THIRD QUARTER NINE MONTHS ------------- ----------- CONSUMER LOANS: 2000 1999 2000 1999 ---- ---- ---- ---- - ~~Domestic Consumer: 1-4 Family Residential Mortgages $ 7 $ 9 $ 26 $ 19 Credit Card - Reported 167 207 521 641 Credit Card~~

~~Securitizations (a) 236 238 732 753 -------- -------- -------- -------- Credit Card - Managed 403 445 1,253 1,394 Auto Financings 20 19 63 57 Other Consumer 38 49 113 144 -------- -------- -------- -------- Total Domestic Consumer 468 522 1,455 1,614 Foreign Consumer 8 9 27 27 -------- -------- -------- -------- TOTAL CONSUMER LOANS 476 531 1,482 1,641 -------- -------- -------- -------- COMMERCIAL LOANS: Domestic Commercial: Commercial and Industrial 64 57 164 106 Commercial Real Estate (3) (2) (6) (13) Financial Institutions 1 11 20 39 -------- -------- -------- -------- Total Domestic Commercial 62 66 178 132 Foreign Commercial: Commercial and Industrial 4 29 52 139 Commercial Real Estate -- -- -- -- Financial Institutions -- 7 (1) 5 Foreign Governments (1) -- -- (1) -------- -------- -------- -------- Total Foreign Commercial 3 36 51 143 -------- -------- --------~~

~~------- TOTAL COMMERCIAL LOANS 65 102 229 275 -------- -------- -------- -------- TOTAL MANAGED LOANS $ 541 $ 633 $ 1,711 $ 1,916~~ ======== ======== ======== ========

(a) Represents the portion of Chase's credit card receivables that have been securitized. (b) Includes currently performing loans placed on a cash basis because of concerns as to collectibility. (c) Charge-offs for risk management instruments are included in trading revenue. -30- 31 Part I Item 2(continued) Chase's managed credit-related assets of $241 billion at September 30, 2000 increased 6%, compared with year-end 1999. Commercial loans rose $9.9 billion, notably in the foreign commercial loan portfolio (primarily as a result of the acquisition of Flemings). Consumer managed credit-related assets increased $5.3 billion, largely in the 1-4 family residential mortgage portfolio, while derivative and foreign exchange instruments declined $1.7 billion. Chase's credit-related portfolio is balanced between commercial and consumer assets, with consumer assets comprising approximately 46% of Chase's managed credit-related portfolio. The credit quality of Chase's commercial credit-related assets, including derivative and foreign exchange instruments, remains strong. The portion of the commercial portfolio considered investment grade was 55% at September 30, 2000, up from 54% at December 31, 1999. Management currently believes that Chase's nonperforming assets at December 31, 2000 will be approximately at the same level as December 31, 1999. Net charge-offs in the managed portfolio were $541 million in the third quarter of 2000, a decline of $92 million from the third quarter of 1999, reflecting decreases in net charge-offs in the managed credit card portfolio. The Federal Financial Institutions Examination Council ("FFIEC") has adopted a policy statement on the classification of consumer loans. The revised policy establishes uniform guidelines for the charge-off of consumer loans to delinquent, bankrupt, deceased and fraudulent borrowers. Chase intends to implement this policy during the fourth quarter of 2000; as a result, Chase anticipates that there will be a temporary increase in its consumer net charge-offs for the fourth quarter of 2000. Absent the effects of the adoption of this policy, management expects that credit costs, on a managed basis, will remain relatively stable over the remainder of 2000 and that total credit costs for 2000 will be lower than in 1999. Over time, Chase expects annual commercial net charge-offs to be in a range of 40-60 bp of loans. For full-year 2000, management expects commercial net charge-offs will be near the lower end of that range. AVERAGE ANNUAL NET CHARGE-OFF RATES

THIRD QUARTER NINE MONTHS ----- -------- --------- -- 2000 1999 2000 1999 ---- - --- ---- ----

~~CONSUMER LOANS 1-4 Family Residential Mortgages .06% .08% .07% .06% Credit Card - Managed (a) 4.97 5.53 5.16 5.81 Auto Financings .41 .41 .44 .42 Other Consumer (b) 1.84 2.25 1.78 2.05 Total Consumer Loans 1.73 2.07 1.84 2.13 COMMERCIAL LOANS Total Commercial Loans .27 .46 .33 .42 Total Managed Loans 1.05 1.33 1.14 1.34~~

(a) Includes domestic and foreign consumer and commercial credit card activity. (b) Includes foreign loans. CONSUMER LOANS Chase's consumer portfolio is primarily domestic and is geographically well-diversified. Chase's managed consumer portfolio totaled $111 billion at September 30, 2000, an increase of $5.3 billion since year-end. Consumer net charge-offs, on a managed basis, were $476 million and $1,482 million for the third quarter and first nine months of 2000, respectively, compared with $531 million and $1,641 million, respectively, for the same periods of 1999, primarily reflecting a decline in credit card net charge-offs. Management anticipates credit quality in the consumer portfolio to remain stable over the remainder of the year, although there will be a temporary increase in consumer net charge-offs for the fourth quarter of 2000 as a result of the adoption of the FFIEC policy noted above. RESIDENTIAL MORTGAGE LOANS: Residential mortgage loans were $48.9 billion at September 30, 2000, a $4.6 billion increase from year-end balances, while the level of nonperforming residential mortgage loans decreased 5%. The loss rates of .06% for the third quarter of 2000 and .07% for the first nine months of 2000 reflect the continued strong credit quality of this portfolio. Residential mortgage loans have increased since year-end due to a higher level of new adjustable rate mortgages (which are more frequently retained in the portfolio), representing a greater proportion of total new originations (as borrowers more frequently select adjustable rate mortgages in an increasing interest rate environment). - 31- 32 Part I Item 2 (continued) CREDIT CARD LOANS: Chase analyzes its credit card portfolio on a "managed basis," which includes credit card receivables on the balance sheet as well as credit card receivables that have been securitized. The amounts discussed below include domestic and international consumer and commercial credit card activity (for reporting purposes, commercial credit cards are reported within the commercial loan category). Average managed credit card receivables of $32.9 billion for the third quarter of 2000 were relatively flat, when compared with the same period of 1999. During the 2000 third quarter, net charge-offs as a percentage of average credit card receivables decreased to 4.97%, compared with 5.53% in the prior-year period. Loans over 90 days past due dropped to 1.80% of the portfolio at September 30, 2000, compared with 1.87% at December 31, 1999. Management anticipates that the managed credit card net charge-off ratio for the full-year 2000 will be lower than full-year 1999 notwithstanding the anticipated increase from adoption of the FFIEC policy noted above. AUTO FINANCINGS: Auto financings outstanding increased 8% at September 30, 2000, when compared with year-end 1999. The charge-off rate of .41% for the 2000 third quarter is indicative of this portfolio's selective approach to asset origination. Total originations were $8.7 billion for the nine months of 2000, compared with $9.2 billion for the same 1999 period. OTHER CONSUMER LOANS: The level of other domestic consumer loans of $6.9 billion at September 30, 2000 remained comparable with year-end levels. Net charge-offs related to the portfolio decreased in both the third quarter and first nine months of 2000. The decrease in net charge-offs reflects the sale in late 1999 of an underperforming segment of a secured portfolio. COMMERCIAL LOANS Loan outstandings for Chase's commercial portfolio increased $9.9 billion since year-end, primarily due to the acquisition of Flemings, which contributed approximately $6.7 billion in commercial loans. Commercial net charge-offs in the third quarter of 2000 were $65 million, compared with $102 million in the third quarter of 1999. For the first nine months of 2000, commercial net charge-offs were $229 million, compared with $275 million for the same

1999 period. COMMERCIAL AND INDUSTRIAL: The domestic commercial and industrial portfolio increased $1.2 billion from 1999 year-end, reflecting general business activity. Net charge-offs in the 2000 third quarter amounted to $64 million, compared with $57 million in the 1999 third quarter. Nonperforming domestic commercial and industrial loans were $571 million, an increase of $191 million from the 1999 year-end as a result of loans with several borrowers in different industries becoming nonperforming during the year. The foreign commercial and industrial portfolio totaled $30.9 billion at September 30, 2000, an increase of 23% from the 1999 year-end level, primarily as a result of the acquisition of Flemings. Nonperforming foreign commercial and industrial loans were $586 million, a decrease of $56 million from year-end 1999. Net charge-offs in the foreign commercial and industrial loan portfolio for the third quarter of 2000 decreased to $4 million, or by 86%, from the same period in 1999. COMMERCIAL REAL ESTATE: Commercial real estate loans decreased $0.5 billion from 1999 year-end levels, principally as a result of securitizations, sales and repayments. FINANCIAL INSTITUTIONS: Loans to financial institutions increased $4.3 billion during 2000, when compared with year-end, primarily in the domestic portion of the portfolio. Nonperforming financial institution loans decreased 72% to $30 million, primarily due to one counterparty in the foreign portfolio returning to performing status. FOREIGN GOVERNMENTS: Foreign government loans were $2.5 billion at September 30, 2000, a $0.8 billion decrease from year-end levels. Nonperforming foreign government loans decreased to $36 million, or by 12%, from 1999 year-end levels. DERIVATIVE AND FOREIGN EXCHANGE CONTRACTS For a discussion of the derivative and foreign exchange contracts utilized in connection with Chase's trading and A/L activities, see page 42 and Notes 1 and 19 of Chase's 1999 Annual Report. The following table provides the remaining maturities of derivative and foreign exchange contracts outstanding at September 30, 2000 and December 31, 1999.

AT
SEPTEMBER
30, 2000 At
December 31,
1999 ----------

------- --------

INTEREST
FOREIGN
EQUITY,
Interest Foreign
Equity, RATE
EXCHANGE
COMMODITY
AND Rate
Exchange
Commodity and
CONTRACTS
CONTRACTS
OTHER
CONTRACTS
TOTAL
Contracts
Contracts Other
Contracts Total
~~Less Than 1~~
~~Year 16% 86%~~
~~30% 32% 15%~~
~~90% 27% 34%~~
~~1 to 5 Years 46~~
~~12 67 41 46 8~~
~~69 38 Over 5~~
~~Years 38 2 3~~
~~27 39 2 4 28 --~~
~~- --- --- --- ---~~
~~--- --- --- Total~~
~~100% 100%~~
~~100% 100%~~
~~100% 100%~~
~~100% 100%~~

-32- 33 Part I Item 2 (continued) CROSS-BORDER EXPOSURE The following table presents Chase's exposure to emerging Latin America and Asia. Cross-border disclosure is based on FFIEC guidelines governing the determination of cross-border risk. For a further discussion of Chase's country exposure, see page 43 of Chase's 1999 Annual Report. SELECTED COUNTRY EXPOSURE (a)

AT
SEPTEMBER
30, 2000 At
Dec 31, 1999 --

-- --------------
-------- GROSS
NET

COUNTRY-RELATED Country-LENDING-TRADING-LOCAL LESS CROSS-BORDER RESALE Net Related (in billions) RELATED RELATED COUNTRY LOCAL EXPOSURE AGREEMENTS Cross-Border Resale (b) (c) ASSETS FUNDING (a) (a) Exposure Agreements ------- ------- ------- ----- ------------------ ------------ ------

~~TOTAL LATIN AMERICA (d) $ 6.0 $ 2.1 $ 1.6 $ 1.1 $ 8.6 $ 2.1 $ 8.8 $ 2.1~~ ======= ======= ======= ======= ======== ======= ======= =======

~~EMERGING ASIA International Monetary Fund ("IMF") Countries: South Korea $ 0.4 $ 0.2 $ 1.3 $ 1.3 $ 0.6 $ -- $ 1.4 $ -- Indonesia 0.6 0.1 0.1 0.1 0.7 -- 0.9 -- Thailand 0.1 0.1 0.7 0.3 0.6 -- 0.7 -- ------- ------ ------ ------ ------ ------ ------ ------~~

~~Subtotal 1.1 0.4 2.1 1.7 1.9 -- 3.0 -- Other~~

~~Emerging Asia 4.8 0.7 6.5 5.7 6.3 -- 3.4 -- --- --- ------ ------ ------ ------ --- --- ------ ------ TOTAL EMERGING ASIA (e) $ 5.9 $ 1.1 $ 8.6 $ 7.4 $8.2 (f) $ -- $ 6.4 $ --~~

(a) Cross-border disclosure is based on FFIEC guidelines governing the determination of cross-border risk. Under FFIEC guidelines, resale agreements are reported by the country of the issuer of the underlying security. Chase, however, does not consider the cross-border risk of resale agreements to depend upon the country of the issuer of the underlying security and, as a result, has presented these amounts separately in the above table. (b) Includes loans and accrued interest receivable, interest-bearing deposits with banks, acceptances, other monetary assets, issued letters of credit and undrawn commitments to extend credit. (c) Includes cross-border trading debt and equity instruments and the mark-to-market exposure of foreign exchange and derivative contracts. The amounts associated with foreign exchange and derivative contracts are presented after taking into account the impact of legally enforceable master netting agreements. (d) Excludes Bermuda and Cayman Islands. (e) Excludes Japan, Australia and New Zealand. (f) The increase in the net cross-border exposure since year-end is due to the acquisition of Flemings. ALLOWANCE FOR CREDIT LOSSES Loans: Chase's allowance for loan losses is intended to cover probable credit losses as of September 30, 2000 for which either the asset is not specifically identified or the size of the loss has not been fully determined. Within the allowance, there are both specific and expected loss components as well as a portfolio segment and a residual component. For a further discussion of the specific, expected, portfolio segment and residual components of the allowance for loan losses, see page 44 of Chase's 1999 Annual Report. September 30, 2000 versus September 30, 1999: The provision for loan losses decreased $93 million or 23% when compared to the third quarter of 1999. The decrease in provision is attributable to the decreases in net charge-offs for both the consumer and commercial portfolios when compared to the second quarter of 2000 and third quarter of 1999. Net charge-offs for the overall loan portfolio decreased 23% during the third quarter of 2000 when compared to the same period in 1999. The provision for loan losses decreased $188 million during the first nine months of 2000. The decrease in provision is principally due to decreases in consumer and foreign commercial and industrial loan net charge-offs, partially offset by increases in domestic commercial and industrial loan charge-offs. Consumer net charge-offs decreased 16% during the first nine months of 2000 and nonperforming loans decreased 10% from December 31, 1999. Foreign commercial and industrial loans net charge-offs decreased 63% during the first nine months of 2000 and nonperforming loans decreased 9% from December 31, 1999. However, domestic commercial and industrial net charge-offs and nonperforming loans increased 55% and 50%, respectively, during the same periods. The net effect of the above resulted in the allowance for loan losses remaining essentially consistent with the December 31, 1999 amount.

ALLOWANCE COMPONENTS (in millions)	AT SEPTEMBER 30, 2000	At December 31, 1999	At December 31, 1998
Specific Loss	$ 543	$ 511	$ 396
Expected Loss:			
Consumer	1,480	1,657	1,469
Commercial	608	674	806
Total Expected Loss	2,088	2,331	2,275
Portfolio Segment	200	--	214
Residual Component	660	615	667
Total	$3,491	$3,457	$3,552

September 30, 2000 versus December 31, 1999: The specific loss component increased 6% from year-end 1999 due to an increase in loans deemed by Chase to be criticized. In addition during 2000, Chase established a portfolio segment component of $200 million to cover increased risks in the noninvestment grade segment of its commercial loan portfolio. The expected loss component decreased 10% from year-end principally due to improvement in consumer credit loan quality during the first nine months of 2000. The residual component at September 30, 2000 was 19% compared with 18% at 1999 year-end. December 31, 1999 versus December 31, 1998: The specific loss component increased 29% principally due to the deteriorating creditworthiness of one large customer in Asia. The expected loss component increased 2% due to higher outstanding balances in the consumer loans portfolio offset by improvement in the commercial loan portfolio. A portfolio segment component was established in 1998 to address the heightened risk profile with respect to emerging markets cross border exposures. This component was released in 1999 due to the realization of certain Asian charge-offs and the recovery of the emerging markets. The residual component at December 31, 1999 was 18% compared with 19% at December 31, 1998. Lending-Related Commitments: Chase also has an allowance for its lending-related commitments, using a methodology similar to that for the loan portfolio. This allowance, which is reported in Other Liabilities, was $170 million at each of September 30, 2000, December 31, 1999 and December 31, 1998. -34- 35 Part I Item 2 (continued) MARKET RISK MANAGEMENT The following discussion of Chase's market risk management focuses primarily on developments since December 31, 1999 and should be read in conjunction with pages 45-50 and Notes 1 and 19 of Chase's 1999 Annual Report. VAR AGGREGATE EXPOSURE Value-at-risk ("VAR") is a measure of the dollar amount of potential loss from adverse market moves in an everyday market environment. The VAR looks forward one trading day and is the loss expected to be exceeded with a 1 in 100 chance. The table that follows represents Chase's average and period-end VARs for its trading portfolios and its A/L activities. During the 12-month period ended September 30, 2000, no daily trading loss exceeded that day's trading VAR. This compares with a statistically expected number of actual losses that exceed the VAR of approximately three days. AGGREGATE PORTFOLIO

TWELVE MONTHS ENDED SEPTEMBER 30, 2000 ------------------------------------ AVERAGE MINIMUM MAXIMUM AT SEPTEMBER 30, At September 30, (in millions) VAR VAR VAR 2000 1999 ----------- ----------- -------------- -------------- ---------------- ~~Trading Portfolio $ 24.9 $ 20.2 $ 30.9 $ 24.4 $ 26.6 Market Risk-Related A/L Activities 70.8 60.4 99.8 68.6 86.4 Less: Portfolio Diversification (19.0) NM NM (20.9) (22.5) ------- ------ ------ ------ ------ Total VAR $ 76.7 $ 67.6 $106.3 $ 72.1 $ 90.5~~

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NM- Because the minimum and maximum VAR may occur on different days for different risk components, it is not meaningful to compute a portfolio diversification effect. In addition, Chase's average and period-end VAR is less than the sum of the VARs of its market risk components, due to risk offsets resulting from portfolio diversification. TRADING ACTIVITIES Chase is exposed to interest rate, foreign exchange, equity and commodity market risks in its trading portfolios. No single risk statistic can reflect all aspects of market risk; in addition, market exposures change continuously through daily trading activities. Value-at-Risk: See the VAR Aggregate Exposure section above for Chase's average and period-end VARs for its total trading portfolio. -35- 36 Part I Item 2 (continued) Histogram: The following histogram illustrates Chase's daily market risk-related revenue, which is defined as the daily change in value of the mark-to-market trading portfolios plus any trading-related net interest income or other revenue. Based on actual trading results for the 12 months ended September 30, 2000, Chase posted positive daily market risk-related revenue for 254 out of 261 business trading days, with 90 business days exceeding positive $20 million. Chase incurred no daily trading losses in excess of negative $10 million over the past 12 months. In addition, there were no days in the third quarter of 2000 in which Chase incurred a trading loss. [Graphic of Daily Market Risk-Related Revenue - See Appendix I] Stress Testing: Whereas VAR captures Chase's exposure to unlikely events in normal markets, stress testing discloses the risk under plausible events in abnormal markets. Portfolio stress testing is integral to the market risk management process and is co-equal with, and complementary to, VAR as a risk measurement and control tool. Giving equal weight to each produces a risk profile that, in Chase management's view, is diverse, disciplined and flexible enough to capture revenue-generating opportunities during times of normal market moves but that also is prepared for periods of market turmoil. Corporate stress tests are performed monthly on randomly selected dates. As of September 30, 2000, Chase's corporate stress tests consisted of five historical and four hypothetical scenarios. The historical scenarios included the 1994 bond market sell-off and the 1998 Russian crisis. The hypothetical scenarios included examinations of potential market crises originating in the United States, Japan and the Euro bloc. The following table represents the potential stress test loss (pre-tax) in Chase's trading portfolio predicted by Chase's stress test scenarios. Largest Monthly Stress Test - Pre-Tax

(in millions)	TWELVE MONTHS ENDED SEPTEMBER 30, 2000 AVERAGE	MINIMUM	MAXIMUM	September SEPTEMBER 2000	1999
~~Stress Test Loss - Pre-Tax~~	~~$(235)~~	~~$(132)~~	~~$(397)~~	~~$(213)~~	~~$(112)~~

-36- 37 Part I Item 2 (continued) INVESTMENT PORTFOLIO AND ASSET/LIABILITY ACTIVITIES Chase also has market risk exposure in its investment portfolio and A/L activities. Market risk measurements for Chase's investment portfolio and A/L activities do not take into account all factors that have an effect on these activities, such as changes in credit quality. Net Interest Income Sensitivity: At September 30, 2000, Chase's NII sensitivity over the next 12 months to an immediate 100 basis point shock in interest rates was estimated to be approximately 4.6% of projected net income for full-year 2000. At September 30, 1999, Chase's exposure under the same scenario was approximately 2.9% of projected 1999 net income. The increase in NII sensitivity at September 30, 2000 was primarily due to larger balance sheet positions. Net Interest Income Stress Test: Chase's NII stress testing uses historical and hypothetical scenarios. The historical scenario is a replay of the rate and spread changes that occurred in the 1994 bond market sell-off, while the various hypothetical scenarios examine the impact of alternative patterns in the U.S. dollar yield curve and in U.S. dollar spreads. At September 30, 2000, Chase's largest potential NII stress test loss was estimated to be approximately 5.9% of projected net income for full-year 2000. NII sensitivity and NII stress test scenarios were expanded in the 2000 third quarter to include sensitivity of mortgage servicing revenues. Also, impacting NII stress test scenarios were revisions in Chase's stress test methodology during the 2000 third quarter. The potential NII stress test loss has increased during 2000 primarily due to larger balance sheet positions. Value-at-Risk: See the VAR Aggregate Exposure section on page 35 for Chase's average and period-end VARs for its investment portfolio and market risk-related A/L activities. Nonstatistical Risk Measures: The table that follows shows that Chase had a directional basis point value ("BPV") of $(5.7) million (pre-tax) at September 30, 2000, indicating that the market value of Chase's A/L positions would have declined by approximately $5.7 million for every one basis point increase in interest rates along the interest rate yield curve. This compares with a directional BPV of $(4.1) million at September 30, 1999. The following table also shows that the economic value of Chase's investment portfolio and A/L activities would have declined by $14.2 million (pre-tax) for every one basis point widening of interest spreads. This compares with a decline of $10.4 million (pre-tax) at September 30, 1999. MARKET RISK-RELATED A/L ACTIVITIES

TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2000 ---- -------------- -------------- ------------ AT SEPTEMBER 30, At September 30, (in millions) AVERAGE MINIMUM MAXIMUM 2000 1999 -- ----------- --- ---- ------- -- ----- --------- ----- --------- ------

~~Directional Risk $ (4.4) $ (1.6) $ (6.4) $ (5.7) $ (4.1)~~

~~Basis Risk (11.1) (8.0) (14.2) (14.2) (10.4)~~

Economic Value Stress Testing. Chase utilizes several historical and hypothetical scenarios when performing its economic value stress tests. As of September 30, 2000, under the 1994 bond market sell-off scenario, the potential impact on the economic value of Chase's investment portfolio and A/L activities would have been equivalent to less than 2% of Chase's market capitalization. IMPACT OF A/L DERIVATIVE ACTIVITY The following table reflects the deferred gains/losses on closed derivative contracts and unrecognized gains/losses on open derivative contracts utilized in Chase's A/L activities at September 30, 2000 and December 31, 1999.

(in millions)	SEPTEMBER 30, 2000	December 31, 1999	Change
A/L Derivative Contracts:			
Net Deferred Gains (Losses)	$(190)	$ 205	$(395)
Net Unrecognized Losses (a)	(743)	(877)	134
Net A/L Derivative Losses	$(933)	$(672)	$(261)

(a) These net unrecognized losses do not include the net favorable impact from the assets/liabilities being hedged by these derivative contracts.

CAPITAL AND LIQUIDITY RISK MANAGEMENT

The following capital and liquidity discussion should be read in conjunction with the Capital and Liquidity Risk Management section on pages 51-53 and Note 18 of Chase's 1999 Annual Report.

CAPITAL

Chase's capital levels at September 30, 2000 remained strong, with capital ratios well in excess of regulatory guidelines. At September 30, 2000, the Tier 1 and Total Capital ratios were 7.9% and 11.6%, respectively, and the Tier 1 leverage ratio was 6.3%. These ratios were lower than at September 30, 1999 and lower than at June 30, 2000, primarily as a result of the acquisition of Flemings. Management's long-term target range for the Tier 1 Capital ratio is 8% to 8.25%; however, as was the case with the third quarter of 2000, this target may not always be maintained on a quarter-to-quarter basis in light of changing economic conditions and in response to changing business requirements. Management anticipates that Chase's Tier 1 Capital ratio will return to management's target range of 8% to 8.25%, by year-end 2000. The following table shows the sources and uses of Chase's Tier 1 Capital.

(in billions)	THIRD QUARTER 2000	NINE MONTHS 2000	FULL YEAR 1999	1998
SOURCES OF FREE TIER 1 CAPITAL				
Cash Operating Earnings Less Dividends	$ 0.6	$ 2.5	$ 4.3	$ 2.9
Preferred Stock and Equivalents/Special Items	0.1	(0.3)	0.2	(0.7)
Capital for Internal Asset Growth	--	(0.6)	(1.0)	(0.3)
Total Sources of Free Cash Flow	$ 0.7	$ 1.6	$ 3.5	$ 1.9
USES OF FREE TIER 1 CAPITAL				
Increases (Decreases) in Capital Ratios	$ (2.4)	$ (1.9)	$ 0.1	$ 1.2
Acquisitions	6.9	6.9	1.1	0.8
Repurchases Net of Stock Issuances for Employee Plans	(3.8)	(3.4)	2.3	(0.1)
Total Uses of Free Cash Flow	$ 0.7	$ 1.6	$ 3.5	$ 1.9

During the nine months of 2000, free cash flow that was generated was primarily earmarked to support the acquisition of Flemings. Chase shareholders approved a three-for-two stock split at Chase's annual meeting on May 16, 2000. The record date for the split was May 17, 2000, and the additional shares of common stock issued as a result of the split were distributed on June 9, 2000. Chase's dividend policy is to pay common stock dividends equal to approximately 25% to 35% of Chase's operating earnings, less preferred stock dividends. Chase's future dividend policies will be determined by its Board of Directors after taking into consideration Chase's earnings and financial condition and applicable government regulations and policies. Chase formally terminated its equity repurchase program on October 17, 2000 in connection with its proposed merger with J.P. Morgan, which is intended to be accounted for as a pooling of interests. Prior to the formal termination of the program, Chase had not repurchased any of its shares of common stock since the end of the first quarter of 2000. At September 30, 2000, the total capitalization of Chase (the sum of Tier 1 and Tier 2 Capital) was $37.2 billion, an increase of $0.7 billion from December 31, 1999. This increase reflects retained earnings (net income less common and preferred dividends) generated during the period, partially offset by common stock repurchases in the first quarter of 2000, and the redemption of $100 million of preferred stock in the 2000 second quarter. LIQUIDITY While capital is held to absorb losses over time, liquidity is managed to meet Chase's known and unanticipated cash funding needs. Chase must maintain sufficient liquidity for operations to meet payment demands on borrowings and to make new loans and investments as opportunities arise. During the first nine months of 2000, Chase issued approximately $8 billion of long-term debt and capital securities of subsidiaries, including $1.2 billion of notes in connection with the purchase of Flemings. During the same period of 2000,

$1.7 billion of long-term debt matured. -38- 39 Part I Item 2 (continued) OPERATING RISK MANAGEMENT The following discussion of Chase's operating risk management focuses primarily on developments since December 31, 1999 and should be read in conjunction with the Operating Risk Management section on page 54 of the 1999 Annual Report. Chase is exposed to many types of operating risk, including the risk of fraud by employees or outsiders, unauthorized transactions by employees, and errors relating to computer and telecommunications systems. In early 2000, Chase established two additional risk-management committees, each of which reports to Chase's Executive Committee: the Operating Risk Committee, which currently is reviewing the design of the control function within Chase; and the Fiduciary Risk Committee, which is responsible for approving Chase's policies for fiduciary risk. Chase maintains systems of controls that it believes are reasonably designed to provide management and the Board of Directors with timely and accurate information about the operations of Chase. These systems have been designed to keep operating risk at appropriate levels in view of Chase's financial strength, the characteristics of its businesses and the markets in which it operates, and the competitive and regulatory environment to which it is subject. However, Chase has suffered losses from operating risk from time to time, and there can be no assurance that Chase will not suffer such losses in the future. Chase continues its reconciliation project relating to the deficiencies identified in the computerized recordkeeping systems of the bond paying agency function within Chase's Capital Markets Fiduciary Services Group. In connection with this project, Chase incurred some immaterial costs during the first nine months of 2000. Management does not anticipate that Chase will incur any additional material costs related to this project. The Securities and Exchange Commission ("SEC") is investigating the question of whether, in connection with this matter, there have been violations of its transfer agency recordkeeping or reporting regulations and whether Chase's disclosure regarding these issues have been adequate and timely. Chase is in discussions with the staff of the SEC to resolve these issues on a mutually acceptable basis. SUPERVISION AND REGULATION The following discussion should be read in conjunction with the Supervision and Regulation section on pages 1-4 of Chase's 1999 Annual Report. DIVIDENDS Chase's bank subsidiaries could, without the approval of their relevant banking regulators, pay dividends to their respective bank holding companies in amounts up to the limitations imposed upon such banks by regulatory restrictions. These dividend limitations, in the aggregate, totaled approximately $3.0 billion at September 30, 2000. OTHER EVENTS On October 16, 2000, Chase agreed to sell its interest in ChaseMellon Shareholder Services, currently a 50-50 joint venture between Chase and Mellon Financial Corporation. The transaction is expected to be completed during the fourth quarter of this year. On September 1, 2000, Chase announced it had agreed to sell its Hong Kong-based retail banking business, including Chase Manhattan Card Company Limited, to Standard Chartered PLC for approximately $1.3 billion in cash. The sale closed on November 1, 2000. On August 1, 2000 Chase acquired Robert Fleming Holdings Limited. The consideration issued to Flemings' shareholders consisted of pound sterling 2.6 billion in cash, or at the option of the Flemings shareholders, notes, and 65.3 million shares of Chase common stock. Chase and Flemings also have a retention arrangement for key employees in an aggregate amount of approximately $240 million (after-tax), which will be generally expensed over the two years following the acquisition. The transaction was accounted for under the purchase method. Chase acquired The Beacon Group, LLC, a privately-held investment banking firm, on July 6, 2000. The acquisition was accounted for under the purchase method. -39- 40 Part I Item 2 (continued) ACCOUNTING DEVELOPMENTS The following discussion of Chase's Accounting Developments focuses primarily on developments since December 31, 1999 and should be read in conjunction with the Accounting and Reporting Development section on page 55 of the 1999 Annual Report. SFAS 133 For a further discussion of SFAS 133, see page 55 of the 1999 Annual Report. SFAS 133 requires that an entity measure all derivatives at fair value and recognize those derivatives as either assets or liabilities on the balance sheet. In addition, under SFAS 133, the change in a derivative's fair value is generally to be recognized in current period earnings. Chase, although not required to adopt SFAS 133 until calendar year 2001, already recognizes the derivatives used in its trading activities on its balance sheet at fair value, with changes in the fair values of such derivatives included in earnings. This represents the substantial majority of the derivatives utilized by Chase. If Chase had adopted SFAS 133 at September 30, 2000 with respect to those other derivatives used by Chase as hedges of its assets, liabilities and commitments, the adoption would not have had a material impact on Chase's results of operations or financial position. However, there is no assurance that when Chase formally adopts SFAS 133 at the beginning of calendar year 2001, the adjustment required to be made at that time would not have a material impact on Chase's results of operations or financial position. The estimated September 30 adjustment may be affected by changes during the fourth quarter in the interest rate environment and by management's actions in response to such changes. Further, events in the global markets, such as those that have occurred in past years in Asia and Russia, can create imbalances in the market, resulting in temporary volatility in hedge performance. Additionally, the Financial Accounting Standards Board ("FASB") and the Derivative Implementation Group continue to address SFAS 133 implementation issues, and their conclusions may require changes in Chase's interpretations of the standard, such as the accounting of hedges for mortgage servicing rights, and loan commitments, among other issues. SFAS 140 In September 2000, the FASB issued SFAS 140, which revises the standards set forth in SFAS 125 for the accounting of securitizations and other transfers of financial assets and collateral. Statement 140 modifies the criteria for determining whether the transferor has relinquished control of assets and therefore whether the transfer may be accounted for as a sale. SFAS 140 requires new disclosures about securitization activities and incremental disclosures about collateral in addition to maintaining the existing disclosure requirements of SFAS 125. As issued, the disclosure provisions of SFAS 140 are effective for the 2000 fiscal year-end (December 31, 2000), and the provisions of SFAS 140 relating to the transfer of financial assets and the extinguishment of liabilities are effective for transfers after March 31, 2001. Chase currently is assessing the impact of the adoption of SFAS 140, but management believes that the adoption of SFAS 140 will not significantly affect Chase's earnings, liquidity or capital resources. -40- 41 Part I Item 2 (continued) THE CHASE MANHATTAN CORPORATION FINANCIAL HIGHLIGHTS (IN MILLIONS, EXCEPT PER SHARE DATA AND RATIOS)

THIRD
QUARTER
NINE
MONTHS --

----- ---------

Over/(Under) Over/(Under) 2000 1999 3Qtr99 2000 1999 1999 -- -- ---- ------ ---- ---- ----

~~AS REPORTED BASIS Revenue $5,400 $5,191 4% $16,741 $15,951 5% Noninterest Expense (Excluding Restructuring Costs) 3,656 2,981 23 10,503 8,994 17 Restructuring Costs 79 -- NM 129 -- NM Provision for Loan Losses 305 398 (23) 979 1,167 (16) Net Income 884 1,187 (26) 3,335 3,753 (11) Net Income per Common Share: Basic 0.69 0.95 (27) 2.66 2.96 (10) Diluted 0.66 0.92 (28) 2.57 2.86 (10) Cash Dividends Declared 0.32 0.27 19 0.96 0.81 19 Book Value at Period End 21.84 17.34 26 Share Price at Period End 46.19 50.25 (8) Performance Ratios: Return on Average Common~~

~~Equity (a)~~
~~13% 22%~~
~~(900) bp 18%~~
~~23% (500) bp~~
~~Return on~~
~~Average~~
~~Assets (a)~~
~~0.85 1.29~~
~~(44) 1.11~~
~~1.38 (27)~~
~~OPERATING~~
~~BASIS (b)~~
~~Revenue~~
~~$5,590~~
~~$5,429 3%~~
~~$17,568~~
~~$16,538 6%~~
~~Noninterest~~
~~Expense~~
~~3,656 2,981~~
~~23 10,503~~
~~8,894 18~~
~~Credit Costs~~
~~(c) 541 636~~
~~(15) 1,711~~
~~1,920 (11)~~
~~Earnings 905~~
~~1,187 (24)~~
~~3,480 3,711~~
~~(6) Earnings~~
~~per Common~~
~~Share: Basic~~
~~0.70 0.95~~
~~(26) 2.78~~
~~2.93 (5)~~
~~Diluted 0.68~~
~~0.92 (26)~~
~~2.68 2.83 (5)~~
~~Performance~~
~~Ratios: Return~~
~~on Average~~
~~Common~~
~~Equity (a)~~
~~14% 22%~~
~~(800) bp 19%~~
~~22% (300) bp~~
~~Return on~~
~~Average~~
~~Managed~~
~~Assets (a)~~
~~0.83 1.23~~
~~(40) 1.11~~
~~1.30 (19)~~
~~Common~~
~~Dividend~~
~~Payout Ratio~~
~~47 29 1,800~~
~~35 28 700~~
~~Overhead~~
~~Ratio 65 55~~
~~1,000 60 54~~

~~600 Cash Basis: Cash Earnings (d) $1,054 $1,257 (16)% $3,798 $3,930 (3)% Diluted Cash Earnings per Common Share 0.79 0.97 (19) 2.93 3.00 (2) Shareholder Value Added 181 539 (66) 1,424 1,736 (18) Cash Return on Average Common Equity (a) 16% 23% (700) bp 21% 24% (300) bp Selected Balance Sheet Items at Period End: (e) Managed Loans $209,280 $191,486 9% Total Managed Assets 443,838 389,072 14~~

(a) Based on annualized amounts. (b) Excludes the impact of credit card securitizations, restructuring costs and special items. (c) Includes provision for loan losses and credit costs related to the securitized credit card portfolio. (d) Cash Operating Earnings represent operating earnings excluding the amortization of goodwill and certain other intangibles. (e) Excludes the impact of credit card securitizations. bp - Denotes basis points; 100 bp equals 1%. NM - Not meaningful. -41- 42 Part I Item 2 (continued) THE CHASE MANHATTAN CORPORATION AVERAGE CONSOLIDATED BALANCE SHEET, INTEREST AND RATES (TAXABLE-EQUIVALENT INTEREST AND RATES; IN MILLIONS)

THREE MONTHS ENDED Three Months Ended SEPTEMBER 30, 2000 September 30, 1999 --------------------------------------- ---- -------------------------------------

AVERAGE RATE Average Rate BALANCE INTEREST (ANNUALIZED) Balance Interest (Annualized) --------------- ------------ ------- -------- ----

~~-------- ASSETS Deposits with Banks $ 4,059 $ 96 9.35% $5,134 $ 195 15.09% Federal Funds Sold and Securities Purchased under Resale Agreements 31,737 452 5.66% 32,281 352 4.32% Trading Assets - Debt and Equity Instruments 34,206 530 6.17% 26,568 399 5.95% Securities: Available-for-Sale 64,069 989 6.14% (b) 51,977 750 5.72% (b) Held-to-Maturity 671 11 6.66% 1,039 17 6.39% Loans 187,210 3,997 8.50% 173,246 3,289 7.53% --------- --------- --------- --------- ---- Total Interest-Earning Assets 321,952 6,075 7.51% 290,245 5,002 6.84% Allowance for Loan Losses (3,416) (3,484) Cash and Due from Banks 15,656 13,799 Trading Assets - Risk Management Instruments 29,743 28,938 Other Assets 49,925 35,347 --------- --------- Total Assets $ 413,860 $ 364,845~~

========= =========

~~LIABILITIES Domestic Retail Deposits $ 62,427 614 3.92% $ 61,438 573 3.70% Domestic Negotiable Certificates of Deposit and Other Deposits 18,530 321 6.88% 17,032 156 3.62% Deposits in Foreign Offices 92,983 1,316 5.62% 82,350 921~~

~~4.43% --------- ---- ----- --------- ----- ---- Total Time and Savings Deposits 173,940 2,251 5.15% 160,820 1,650 4.07% ------- -- --------- -------- - --------- Short-Term and Other Borrowings: Federal Funds Purchased and Securities Sold under Repurchase Agreements 64,346 964 5.96% 49,290 543 4.37% Commercial Paper 6,105 100 6.53% 5,032 61 4.84% Other Borrowings (c) 18,073 269 5.93% 16,786 266 6.28% --------- ---- ----- --------- ----- ---- Total Short-Term and Other Borrowings 88,524 1,333 5.99% 71,108 870 4.85% Long-Term Debt 25,399 492 7.71% 19,291 306 6.30% - -------- --------- -- ------- --------- Total Interest-Bearing Liabilities 287,863 4,076 5.63% 251,219 2,826 4.46% ------- -- --------- -------- - --------- Noninterest-Bearing Deposits 50,731 48,636 Trading Liabilities - Risk Management Instruments 24,943 27,640 Other Liabilities 22,655 14,446 --------- --- ------- Total Liabilities 386,192 341,941 --------- -- ------- PREFERRED STOCK OF SUBSIDIARY 550 550 -------- ------ --- STOCKHOLDERS'~~

~~EQUITY Preferred Stock 828 1,026 Common Stockholders' Equity 26,290 21,328 --------- --------- Total Stockholders' Equity 27,118 22,354 --------- --------- Total Liabilities, Preferred Stock of Subsidiary and Stockholders' Equity $ 413,860 $364,845 ========= ========= INTEREST RATE SPREAD 1.88% 2.38% ========= ========= NET INTEREST INCOME AND NET YIELD ON INTEREST-EARNING ASSETS $ 1,999 (a) 2.47% $ 2,176 (a) 2.97% ========= ========= ========= =========~~

(a) Reflects a pro forma adjustment to the net interest income amount included in the Consolidated Statement of Income to permit comparisons of yields on tax-exempt and taxable assets. (b) For the three months ended September 30, 2000 and September 30, 1999, the annualized rate for available-for-sale securities based on historical cost was 5.95% and 5.53%, respectively. (c) Includes securities sold but not yet purchased and structured notes. -42- 43 Part I Item 2 (continued) THE CHASE MANHATTAN CORPORATION AVERAGE CONSOLIDATED BALANCE SHEET, INTEREST AND RATES (TAXABLE-EQUIVALENT INTEREST AND RATES; IN MILLIONS)

NINE MONTHS ENDED Nine Months Ended SEPTEMBER 30, 2000 September 30, 1999 ------------------------------------ ------------------------------------- AVERAGE RATE Average Rate BALANCE INTEREST (ANNUALIZED) Balance Interest (Annualized) ASSETS ~~Deposits with Banks $ 5,105 $ 331 8.65% $ 6,058 $ 540 11.92% Federal Funds Sold and Securities Purchased under Resale~~

~~Agreements 32,269~~
~~1,349 5.58%~~
~~30,527 1,122~~
~~4.91% Trading~~
~~Assets - Debt and~~
~~Equity Instruments~~
~~31,131 1,425~~
~~6.12% 25,412~~
~~1,228 6.46%~~
~~Securities: Available-~~
~~for-Sale 62,634~~
~~2,860 6.10% (b)~~
~~53,710 2,297~~
~~5.72% (b) Held-to-~~
~~Maturity 775 38~~
~~6.54% 1,238 58~~
~~6.28% Loans~~
~~181,111 11,111~~
~~8.20% 173,078~~
~~9,666 7.47% -------~~
~~-- --------- --------~~
~~- --------- Total~~
~~Interest-Earning~~
~~Assets 313,025~~
~~17,114 7.30%~~
~~290,023 14,911~~
~~6.87% Allowance~~
~~for Loan Losses~~
~~(3,415) (3,489)~~
~~Cash and Due from~~
~~Banks 15,445~~
~~14,666 Trading~~
~~Assets - Risk~~
~~Management~~
~~Instruments 30,573~~
~~28,478 Other Assets~~
~~44,782 34,591 -----~~
~~---- --------- Total~~
~~Assets $400,410~~
~~$364,269~~
~~=========~~
~~=========~~
~~LIABILITIES~~
~~Domestic Retail~~
~~Deposits $62,667~~
~~1,754 3.74%~~
~~$61,463 1,614~~
~~3.51% Domestic~~
~~Negotiable~~
~~Certificates of~~
~~Deposit and Other~~
~~Deposits 17,065~~
~~847 6.63% 19,564~~
~~525 3.59% Deposits~~
~~in Foreign Offices~~
~~92,782 3,701~~
~~5.33% 79,782~~
~~2,667 4.47% -------~~
~~-- --------- --------~~
~~- --------- Total~~
~~Time and Savings~~

~~Deposits 172,514 6,302 4.88% 160,809 4,806 4.00% --------- ---- ----- --------- ----- ---- Short-Term and Other Borrowings: Federal Funds Purchased and Securities Sold under Repurchase Agreements 61,351 2,593 5.65% 50,260 1,660 4.42% Commercial Paper 6,028 276 6.12% 5,091 179 4.69% Other Borrowings (c) 17,644 809 6.13% 15,123 796 7.04% - -------- --------- -- ------- --------- Total Short-Term and Other Borrowings 85,023 3,678 5.78% 70,474 2,635 5.00% Long-Term Debt 23,112 1,243 7.18% 19,255 936 6.50% --------- ---- ----- --------- ----- ---- Total Interest-Bearing Liabilities 280,649 11,223 5.34% 250,538 8,377 4.47% ------- -- --------- -------- - --------- Noninterest-Bearing Deposits 50,796 48,091 Trading Liabilities - Risk Management Instruments 25,444 27,867 Other Liabilities 18,164 14,199 --------- --- ------ Total Liabilities 375,053 340,695 --------- -- ------- PREFERRED STOCK OF SUBSIDIARY 550 550 --------- ------ --- STOCKHOLDERS' EQUITY Preferred Stock 894 1,027~~

~~Common Stockholders' Equity 23,913 21,997 ------- --------- Total Stockholders' Equity 24,807 23,024 ------- --------- Total Liabilities, Preferred Stock of Subsidiary and Stockholders' Equity $400,410 $364,269 ========= =========~~

~~INTEREST RATE SPREAD 1.96% 2.40% ======= ======= NET INTEREST INCOME AND NET YIELD ON INTEREST-EARNING ASSETS $ 5,891 (a) 2.51% $ 6,534 (a) 3.01% ========= ======= ========= =======~~

(a) Reflects a pro forma adjustment to the net interest income amount included in the Consolidated Statement of Income to permit comparisons of yields on tax-exempt and taxable assets. (b) For the nine months ended September 30, 2000 and September 30, 1999, the annualized rate for available-for-sale securities based on historical cost was 5.87% and 5.63%, respectively. (c) Includes securities sold but not yet purchased and structured notes. -43- 44 Part I Item 2 (continued) THE CHASE MANHATTAN CORPORATION QUARTERLY FINANCIAL INFORMATION (IN MILLIONS, EXCEPT PER SHARE DATA)

2000 1999 ------ ------------------ ------------ ----- ------------------ ------------------ ------- THIRD SECOND FIRST Fourth Third Second First QUARTER QUARTER QUARTER Quarter Quarter Quarter Quarter ------- ------- ------- ------- ------- ------- -------

~~INTEREST INCOME Loans $ 3,997 $ 3,631 $ 3,480 $ 3,451 $ 3,288 $ 3,165 $ 3,209 Securities 994 952 933 872 762 747 835 Trading~~

~~Assets 530 479 416 477 399 411 418 Federal Funds Sold and Securities Purchased under Resale Agreements 452 451 446 329 352 389 381 Deposits with Banks 96 101 134 212 195 161 184 ------- ------- ------- ------- ------- ------- ------- Total Interest Income 6,069 5,614 5,409 5,341 4,996 4,873 5,027 ------- ------- ------- ------- ------- ------- ------- INTEREST EXPENSE Deposits 2,251 2,086 1,965 1,786 1,650 1,558 1,598 Short-Term and Other Borrowings 1,333 1,216 1,129 1,018 870 851 914 Long-Term Debt 492 397 354 312 306 319 311 ------- ------- ------- ------- ------- ------- ------- Total Interest Expense 4,076 3,699 3,448 3,116 2,826 2,728 2,823 ------- ------- ------- ------- ------- ------- ------- NET INTEREST INCOME 1,993 1,915 1,961 2,225 2,170 2,145 2,204 Provision for Loan Losses 305 332 342 454 398 388 381 ------- ------- ---~~

~~---- ------- -----~~
~~-- -------- NET~~
~~INTEREST~~
~~INCOME~~
~~AFTER~~
~~PROVISION~~
~~FOR LOAN~~
~~LOSSES 1,688~~
~~1,583 1,619~~
~~1,771 1,772~~
~~1,757 1,823 ----~~
~~--- ------ ------~~
~~- ------- ------- -~~
~~------ -------~~
~~NONINTEREST~~
~~REVENUE~~
~~Investment~~
~~Banking Fees~~
~~613 639 648 499~~
~~486 585 317~~
~~Trust, Custody~~
~~and Investment~~
~~Management~~
~~Fees 664 545~~
~~509 469 457 461~~
~~414 Credit Card~~
~~Revenue 471 443~~
~~397 440 441 438~~
~~379 Fees for~~
~~Other Financial~~
~~Services 775 695~~
~~731 719 637 587~~
~~553 Trading~~
~~Revenue 603 824~~
~~1,021 531 462~~
~~526 618~~
~~Securities Gains~~
~~(Losses) 96 57~~
~~14 (59) (1) 5 156~~
~~Private Equity~~
~~Gains (Losses)~~
~~(25) 298 500~~
~~1,307 377 513~~
~~325 Other~~
~~Revenue 210 --~~
~~144 135 162 356~~
~~178 ------- -----~~
~~-- ------- -------~~
~~------- ------- --~~
~~----- Total~~
~~Noninterest~~
~~Revenue 3,407~~
~~3,501 3,964~~
~~4,041 3,021~~
~~3,471 2,940 ----~~
~~--- ------ ------~~
~~- ------- ------- -~~
~~------ -------~~
~~NONINTEREST~~
~~EXPENSE~~
~~Salaries 1,761~~

~~1,614 1,753 1,461 1,417 1,416 1,384 Employee Benefits 256 252 287 233 238 238 255 Occupancy Expense 247 216 226 224 218 206 218 Equipment Expense 297 274 285 278 255 239 243 Restructuring Costs 79 50 -- 48 -- -- -- Other Expense 1,095 1,001 939 983 853 969 845 ------- ------- ------- ------- ------- ------- ------- Total Noninterest Expense 3,735 3,407 3,490 3,227 2,981 3,068 2,945 ------- ------- ------- ------- ------- ------- ------- INCOME BEFORE INCOME TAX EXPENSE 1,360 1,677 2,093 2,585 1,812 2,160 1,818 Income Tax Expense 476 586 733 892 625 767 645 ------- ------- ------- ------- ------- ------- ------- NET INCOME $ 884 $ 1,091 $ 1,360 $ 1,693 $ 1,187 $ 1,393 $ 1,173 ======= ======= ======= ======= ======= ======= ======= NET INCOME APPLICABLE TO COMMON STOCK $ 871 $ 1,074 $ 1,344 $ 1,677 $ 1,168 $ 1,375 $ 1,155~~

~~NET INCOME PER COMMON SHARE Basic $ 0.69 $ 0.88 $ 1.10 $ 1.37 $ 0.95 $ 1.10 $ 0.91~~

~~Diluted $ 0.66 $ 0.85 $ 1.06 $ 1.32 $ 0.92 $ 1.06 $ 0.88~~

  Part I Item 2 (continued) GLOSSARY OF TERMS The page numbers included after each definition represent the pages in this Form 10-Q where the term primarily is used. 1999 Annual Report: Annual Report on Form 10-K for the year ended December 31, 1999. (Pages 7-11, 14-15, 18, 23-25, 27-30, 32-33, 35, 38-40, 46, 50) Asset/Liability ("A/L") Activities: The management of the sensitivity of Chase's net interest income to changes in market interest rates. (Pages 8, 35, 37) Basis Point Value ("BPV"): This measurement quantifies the change in the market value of Chase's assets and liabilities (that are not part of its trading activities) that would result from a one basis point change in interest rates. (Page 37) Cash Operating Earnings: Operating earnings excluding the impact of amortization of goodwill and certain other intangibles. (Pages 10, 24-29) Chase USA: Chase Manhattan Bank USA, National Association. (Page 11) Derivative and Foreign Exchange ("FX") Contracts: Interest rate swaps, forward rate agreements, futures, forwards, options, debt, equity, commodity and other contracts used for asset/liability or trading purposes. The 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. (Pages 9, 32) Managed Credit Card Receivables or Managed Basis: Consistent with industry practice, Chase uses this terminology to define its credit card receivables on the balance sheet plus securitized credit card receivables. (Page 30) Net Yield on Interest-Earning Assets: The average rate for interest-earning assets less the average rate paid for all sources of funds. (Page 18) New Economy: Represents the industry sectors and companies (e.g., media/telecommunications, technology/information services, life sciences) and the technologists and entrepreneurs who are at the forefront of future innovations (e.g., microprocessors, internet). (Page 15) Operating Basis or Operating Earnings: Reported results excluding the impact of credit card securitizations, restructuring costs and special items. (Pages 10-12, 24-28) Overhead Ratio: Noninterest expense as a percentage of the total of net interest income and noninterest revenue (excluding restructuring costs, special items and costs associated with the REIT). (Pages 12, 22, 24) REIT: A real estate investment trust subsidiary of Chase. (Pages 22-23) SFAS: Statement of Financial Accounting Standards. SFAS 107: "Disclosures about Fair Value of Financial Instruments." (Page 8) SFAS 115: "Accounting for Certain Investments in Debt and Equity Securities." (Pages 8, 11) SFAS 125: "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." (Page 40) SFAS 133: "Accounting for Derivative Instruments and Hedging Activities." (Page 40) SFAS 140: "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125." (Page 40) Shareholder Value Added ("SVA"): Represents operating earnings excluding the amortization of goodwill and certain other intangibles (i.e., cash operating earnings) minus preferred dividends and an explicit charge for capital. (Pages 10, 12, 24) Special Items: The 2000 third quarter results included an $81 million gain (the same for the nine months) from the sale of a business in Panama, a $35 million loss ($176 million loss in the nine months) resulting from the economic hedge of the purchase price of Flemings prior to its acquisition, and $79 million ($129 million for the nine months) of restructuring costs associated with previously announced relocation initiatives. There were no special items in the third quarter of 1999. The results for the nine months of 1999 included $166 million in gains from sales of nonstrategic assets (of which $95 million was from the sale of a building and $71 million was from the sale of branches in Texas) and a special contribution to The Chase Manhattan Foundation of $100 million. (Pages 11, 14, 21) Stress Testing: A risk management tool used to measure market risk in an extreme market environment. (Page 36) Value-at-Risk ("VAR"): A risk measurement tool used to measure the potential overnight loss from adverse market movements. (Pages 35-37)   PART II - OTHER INFORMATION Item 1 Legal

Proceedings The following updates the legal proceedings discussion in Chase's 1999 Annual Report on page 8. In June 1999, Sumitomo Corporation filed a lawsuit against The Chase Manhattan Bank in the United States District Court for the Southern District of New York. The complaint alleges that during the period from 1994 to 1996, the Bank assisted a Sumitomo employee in making copper trades by funding unauthorized loans to the Sumitomo employee. The complaint alleges that the Bank knew the employee did not have authority to enter into the transactions on behalf of Sumitomo. The complaint asserts claims under the Racketeer Influenced and Corrupt Practices Act ("RICO") and New York common law and alleges damages of $532 million (subject to trebling under RICO), plus punitive damages. Chase Securities Inc. ("CSI") has been named as a defendant or third-party defendant in twelve actions that were filed in either the United States District Court for the Northern District of Oklahoma or in Oklahoma state court beginning in October 1999 arising out of the failure of Commercial Financial Service, Inc. ("CFS"). Plaintiffs in these actions are institutional investors who purchased over $1.6 billion in original face amount of asset-backed securities issued by CFS. The securities were backed by delinquent credit card receivables. In addition to CSI, the defendants in various of the actions are the founders and key executives of CFS, as well as its auditors, its outside counsel and the rating agencies that rated the securities. CSI is alleged to have been the investment banker to CFS and to have acted as an initial purchaser and as placement agent in connection with the issuance of certain of the securities. Plaintiffs allege that defendants either knew or were reckless in not knowing that the securities were sold to plaintiffs on the basis of misleading misrepresentations and omissions of material facts. The complaints against CSI assert claims under the Securities Exchange Act of 1934, the Oklahoma Securities Act, and under common law theories of fraud and negligent misrepresentation. In the actions against CSI, damages in the amount of approximately $1.45 billion allegedly suffered as a result of defendants' misrepresentations and omissions, plus punitive damages, are being claimed. In addition to the matters described above, Chase and its subsidiaries have been named from time to time as defendants in various legal actions and proceedings arising in connection with their respective businesses and have been involved from time to time in investigations and proceedings by governmental agencies. In view of the inherent difficulty of predicting the outcome of such matters, Chase cannot state what the eventual outcome of pending matters will be. Chase is contesting the allegation made in each pending matter and believes, based on current knowledge and after consultation with counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial condition of Chase, but may be material to Chase's operating results for any particular period, depending on the level of Chase's income for such period. Item 2 Sales of Unregistered Common Stock During the third quarter of 2000, shares of common stock of Chase were issued in transactions exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof. Shares of common stock were issued to retired directors who had deferred receipt of such common stock pursuant to the Deferred Compensation Plan for Non-Employee Directors as follows: July 3, 2000 - 488 shares. -46- 47 PART II - OTHER INFORMATION (continued) Item 6 Exhibits and Reports on Form 8-K (A) Exhibits: 11 - Computation of Earnings 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: Chase filed three reports on Form 8-K during the quarter ended September 30, 2000, as follows: Form 8-K dated July 19, 2000: Chase announced the results of operations for the second quarter of 2000. Form 8-K dated August 1, 2000: Chase declared offer unconditional for Robert Fleming Holdings Limited. Form 8-K dated September 12, 2000: Chase announced intent of merger with J.P. Morgan to form J.P. Morgan Chase & Co. -47- 48 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. THE CHASE MANHATTAN CORPORATION ------------------------------------- (Registrant) Date November 14, 2000 By /s/ Joseph L. Sclafani ---------------------------- Joseph L. Sclafani Executive Vice President and Controller [Principal Accounting Officer] -48- 49 INDEX TO EXHIBITS SEQUENTIALLY NUMBERED

EXHIBIT NO. EXHIBITS PAGE AT WHICH LOCATED -
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~~11 Computation of Earnings 50 per Common Share 12(a) Computation of Ratio of 51 Earnings to Fixed Charges 12(b) Computation of Ratio of 52 Earnings to Fixed Charges and Preferred Stock Dividend Requirements 27 Financial Data Schedule 53~~

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APPENDIX 1 NARRATIVE DESCRIPTION OF GRAPHIC IMAGE MATERIAL Pursuant to Item 304 of Regulation S-T, the following is a description of the graphic image material included in the foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations.

GRAPHIC
NUMBER
PAGE
DESCRIPTION

~~1 36 Bar Graph entitled "Histogram of Daily Market Risk-Related Revenue for the twelve months ended September 30, 2000" presenting the following information: Millions of Dollars 0 - 5 5 - 10 10 - 15 15 - 20 20 - 25 25 - 30 Number of trading days revenue was within the above prescribed positive range 21 43 57 43 40 22~~