10-Q 1 e10-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 JUNE 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 1,242,672,549 -- NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK ON JULY 31, 2000. 2

== FORM 10-Q INDEX

PART I - FINANCIAL INFORMATION Page ------------ ------------------ ---- ~~Item 1 Financial Statements - The Chase Manhattan Corporation: Consolidated Balance Sheet at June 30, 2000 and December 31, 1999 3 Consolidated Statement of Income for three and six months ended June 30, 2000 and June 30, 1999 4 Consolidated Statement of Changes in Stockholders' Equity for the six months ended June 30, 2000 and June 30, 1999 5 Consolidated Statement of Cash Flows for the six months ended June 30, 2000 and June 30, 1999 6 Notes to Consolidated Financial Statements 7-11 Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations 12-42 Glossary of Terms 43 PART II - OTHER INFORMATION ------------------ --------- Item 1 Legal Proceedings 44 Item 2 Sales of Unregistered Common Stock 44 Item 4 Submission of Matters to a Vote of Security Holders 45-46 Item 6 Exhibits and Reports on Form 8-K 47~~

== - 2 - 3 PART I Item 1 THE CHASE MANHATTAN CORPORATION CONSOLIDATED BALANCE SHEET (IN MILLIONS, EXCEPT SHARE DATA)

JUNE 30, December 31, 2000 1999 ------------ -- ------------ ~~ASSETS Cash and Due from Banks $ 18,361 $ 16,229 Deposits with Banks 3,646 28,076~~

~~Federal Funds Sold and Securities Purchased under Resale Agreements 27,733 23,823 Trading Assets: Debt and Equity Instruments 30,454 30,191 Risk Management Instruments 29,613 33,078 Securities: Available-for-Sale 64,411 60,625 Held-to-Maturity (Market Value: $704 in 2000 and $876 in 1999) 719 888 Loans (Net of Allowance for Loan Losses of $3,459 in 2000 and $3,457 in 1999) 176,713 172,702 Premises and Equipment 4,546 4,439 Due from Customers on Acceptances 685 622 Accrued Interest Receivable 2,399 2,505 Other Assets 36,765 32,927 ----------------------- TOTAL ASSETS $ 396,045 $ 406,105~~

~~LIABILITIES Deposits: Domestic: Noninterest-Bearing $ 49,583 $ 49,468 Interest-Bearing 79,019 80,132 Foreign: Noninterest-Bearing 5,683 6,061 Interest-Bearing 90,120 106,084 ---------------------- Total Deposits 224,405 241,745 Federal Funds Purchased and Securities Sold under Repurchase Agreements 57,637 50,148 Commercial Paper 5,202 8,509 Other Borrowed Funds 5,415 5,145 Acceptances Outstanding 685 622 Trading Liabilities 36,713 38,573 Accounts Payable, Accrued Expenses and Other Liabilities, Including the Allowance for Credit Losses of $170 in 2000 and $170 in 1999 16,500 17,056 Long-Term Debt 21,515 17,602 Guaranteed Preferred Beneficial~~

~~Preferred Beneficial Interests in Corporation's Junior Subordinated Deferrable Interest Debentures 2,539 2,538 ------------ - ---------- TOTAL LIABILITIES 370,611 381,938 -- ---------- ---------- - COMMITMENTS AND CONTINGENCIES (SEE NOTE 12) 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 in 1999) 1,323 882 Capital Surplus 9,065 9,714 Retained Earnings 19,170 17,547 Accumulated Other Comprehensive Loss (1,320) (1,454) Treasury Stock, at Cost (84,532,874 Shares in 2000 and 82,055,832 Shares in 1999) (4,182) (4,000) ------------ - ------------ TOTAL STOCKHOLDERS' EQUITY 24,884 23,617 ------------ ----------- TOTAL LIABILITIES, PREFERRED STOCK OF SUBSIDIARY AND STOCKHOLDERS' EQUITY $ 396,045 $ 406,105~~

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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)

SECOND QUARTER SIX MONTHS ------ ------------------ -- --------------- --------- 2000 1999 2000 1999 --------- ---------- ---------- --- ------

~~INTEREST INCOME Loans $ 3,631 $ 3,165 $ 7,111 $ 6,374 Securities 952~~

~~747 1,885 1,582 Trading Assets 479 411 895 829 Federal Funds Sold and Securities Purchased under Resale Agreements 451 389 897 770 Deposits with Banks 101 161 235 345 -------- -- --------- ----- ---- --------- Total Interest Income 5,614 4,873 11,023 9,900 --------- --------- -------- - --------- INTEREST EXPENSE Deposits 2,086 1,558 4,051 3,156 Short-Term and Other Borrowings 1,216 851 2,345 1,765 Long-Term Debt 397 319 751 630 ---- ----- --------- - -------- --------- Total Interest Expense 3,699 2,728 7,147 5,551 --------- -------- -------- - --------- NET INTEREST INCOME 1,915 2,145 3,876 4,349 Provision for Loan Losses 332 388 674 769 --------- -------- -- --------- ----- ---- NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 1,583 1,757 3,202 3,580 --------- -------- -------- - --------- NONINTEREST REVENUE Investment Banking Fees 639 585 1,287 902 Trust, Custody and Investment Management Fees 545 461 1,054 875 Credit Card Revenue 443 438 840 817 Fees for Other Financial Services 695 587 1,426 1,140 Trading Revenue 824 526 1.845 1.144~~

~~Securities Gains 57 5 71 161 Private Equity Gains 298 513 798 838 Other Revenue -- 356 144 534 -------- -- --------- ----- ---- ---------~~

~~Total Noninterest Revenue 3,501 3,471 7,465 6,411 ---------- --------- -------- - ---------~~

~~NONINTEREST EXPENSE Salaries 1,614 1,416 3,367 2,800 Employee Benefits 252 238 539 493 Occupancy Expense 216 206 442 424 Equipment Expense 274 239 559 482 Restructuring Costs 50 -- 50 -- Other Expense 1,001 969 1,940 1,814 ---------- --------- -------- - --------- Total Noninterest Expense 3,407 3,068 6,897 6,013 ---------- --------- -------- - ---------~~

~~INCOME BEFORE INCOME TAX EXPENSE 1,677 2,160 3,770 3,978 Income Tax Expense 586 767 1,319 1,412 ---------- ------- -- --------- ----- ---- NET INCOME $ 1,091 $ 1,393 $ 2,451 $ 2,566 ========== ========= ========= =========~~

~~NET INCOME APPLICABLE TO COMMON STOCK $ 1,074 $ 1,375 $ 2,418 $ 2,530 ========== ========= ========= =========~~

~~NET INCOME PER COMMON SHARE Basic $ 0.88 $ 1.10 $ 1.98 $ 2.01 ========== ========= ========= ---------~~

~~Diluted $ 0.85 $ 1.06 $ 1.92 $ 1.95~~

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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 SIX MONTHS ENDED JUNE 30, (IN MILLIONS)

2000 1999 --------- ----------

~~PREFERRED STOCK Balance at Beginning of Year $ 928 $ 1,028 Redemption of Stock (100) -- ----------- ---------- Balance at End of Period 828 1,028 ----------- ---------- 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) -- Shares Issued and Commitments to Issue Common Stock for Employee Stock-Based Awards and Related Tax Effects (208) (208) ----------- ----------- Balance at End of Period 9,065 9,628 ----------- ---------- RETAINED EARNINGS Balance at Beginning of Year 17,547 13,544 Net Income 2,451 2,566 Cash Dividends Declared: Preferred Stock (33) (36) Common Stock (795) (693) ----------- ----------- Balance at End of Period 19,170 15,381 ----------- ---------- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) Balance at Beginning of Year (1,454) 392 Other Comprehensive Income (Loss) 134 (1,114) ----------- ---------- Balance at End of Period (1,320) (722) -------~~

~~---- ----------- TREASURY STOCK, AT COST Balance at Beginning of Year (4,000) (1,844) Purchase of Treasury Stock (1,072) (3,057) Reissuance of Treasury Stock 890 1,412 ----------- ---------- Balance at End of Period (4,182) (3,489) ----- ------- ---------- TOTAL STOCKHOLDERS' EQUITY $ 24,884 $ 22,708 =========== ========== COMPREHENSIVE INCOME Net Income $ 2,451 $ 2,566 Other Comprehensive Income (Loss) 134 (1,114) ----------- - --------- Comprehensive Income $ 2,585 $ 1,452 =========== ==========~~

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 SIX MONTHS ENDED JUNE 30, (IN MILLIONS)

2000 1999 ---- ------- -------- --

~~OPERATING ACTIVITIES - --------------- --- Net Income $ 2,451 $ 2,566 Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: Provision for Loan Losses 674 769 Restructuring Costs 50 -- Depreciation and Amortization 775 692 Net Change in: Trading-Related Assets 3,045 6,592 Accrued Interest Receivable 106 213 Private Equity Investments (2,004) (1,057) Other Assets (2,098) (2,502) Trading-Related Liabilities (3,122) (1,340) Accrued Interest Payable (1,240) (285)~~

~~Other Liabilities 2,204 774 Other, Net 53 (63) --------------------- Net Cash Provided by Operating Activities 894 6,359 ----------- ---------- INVESTING ACTIVITIES - ------------------ Net Change in: Deposits with Banks 24,430 1,361 Federal Funds Sold and Securities Purchased under Resale Agreements (10,166) (15,066) Loans Due to Sales and Securitizations 12,468 23,528 Other Loans, Net (17,725) (27,250) Other, Net (99) (46) Proceeds from the Maturity of Held-to-Maturity Securities 236 595 Purchases of Held-to-Maturity Securities (66) -- Proceeds from the Maturity of Available-for-Sale Securities 4,769 4,937 Proceeds from the Sale of Available-for-Sale Securities 31,858 59,120 Purchases of Available-for-Sale Securities (40,571) (51,517) Proceeds from Sales of Nonstrategic Assets -- 182 Cash Used in Acquisitions -- (52) --------------------- Net Cash Provided (Used) by Investing Activities 5,134 (4,208) ----------- ---------- FINANCING ACTIVITIES - ------------------ Net Change in: Noninterest-Bearing Domestic Demand~~

~~Demand Deposits 115 2,333 Domestic Time and Savings Deposits (1,113) (4,818) Foreign Deposits (16,342) (450) Federal Funds Purchased and Securities Sold under Repurchase Agreements 13,745 4,768 Other Borrowed Funds (3,037) (3,367) Other, Net 73 (340) Proceeds from the Issuance of Long-Term Debt and Capital Securities 5,580 3,260 Maturity and Redemption of Long-Term Debt (1,676) (2,035) Proceeds from the Issuance of Stock 682 1,204 Redemption of Preferred Stock (100) -- Treasury Stock Purchased (1,072) (3,057) Cash Dividends Paid (766) (688) ------------ ----------- Net Cash (Used) by Financing Activities (3,911) (3,190) ----------- --------- Effect of Exchange Rate Changes on Cash and Due from Banks 15 8 ----------- --------- Net Increase (Decrease) in Cash and Due from Banks 2,132 (1,031) Cash and Due from Banks at January 1, 16,229 17,068 ----------- --------- Cash and Due from Banks at June 30, $ 18,361 $ 16,037~~

~~Cash Interest~~

~~Paid $ 5,907 $ 5,836 ----------- ----------~~

~~Income Taxes Paid $ 1,195 $ 290 ----------- ---------~~

The Notes to Consolidated Financial Statements are an integral part of these Statements. -6- 7 PART 1 Item 1 (continued) -- See Glossary of Terms on page 43 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 - 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 3 - 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 ("AFS") securities sold in the second quarter of 2000 amounted to $57 million (gross gains of $100 million and gross losses of $43 million) and for the first six months of 2000 amounted to $71 million (gross gains of $139 million and gross losses of $68 million). Net gains on sales of these types of securities for the same periods of 1999 amounted to $5 million (gross gains of $73 million and gross losses of $68 million), and $161 million (gross gains of $284 million and gross losses of $123 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:

JUNE 30, 2000 December 31, 1999 ------------------- ----------- -------- -------------------- -- (in millions) AMORTIZED FAIR Amortized FAIR AVAILABLE-FOR-SALE SECURITIES: COST VALUE (a) Cost Value (a) ----- -------- -------- --- --------- -------

~~U.S. Government and Federal Agency/Corporation Obligations: Mortgage-Backed Securities $ 28,167 $ 26,477 $ 27,938 $ 26,326 CMOs and U.S. Treasuries 27,749 26,943 23,652 22,684 Debt Securities Issued by Foreign Governments 9,093 8,991 9,469 9,364 Corporate Debt Securities and Equity Securities 1,382 1,614 1,162 1,334 Other, primarily Asset-Backed Securities (b) 358 386 899 917 ------------ --- ------- ----------- - ---------- Total Available-for-Sale Securities $ 66,749 $ 64,411 $ 63,120 $ 60,625~~

~~HELD-TO-MATURITY SECURITIES (c) $ 719 $ 704 $ 888 $ 876~~

(a) Gross unrealized gains and losses on available-for-sale securities were $416 million and $2,754 million, respectively, at June 30, 2000 and $231 million and $2,726 million, respectively, at December 31, 1999. Gross unrealized gains and losses on held-to-maturity securities were $1 million and $16 million, respectively, at June 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 4 - 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 half of 2000.

(in millions) Costs Applied against Restructuring Liability the Liability in the RESTRUCTURING LIABILITY at December 31, 1999 First Half of 2000 AT JUNE 30, 2000 -------------------- ----------------- --------------- ~~Severance Costs $ 125 $ (50) $ 75 Disposition of Premises/Equipment 50 (5) 45 ------------ ------------- ------------ Total $ 175 $ (55) $ 120~~

In addition to the above restructuring charge, Chase incurred $50 million of restructuring costs during the 2000 second quarter relating to relocation initiatives ($15 million) and other business initiatives ($35 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 5 - 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.

Six months ended June 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 -- 134 134 -- (1,114) (1,114) ---------- ---------- ---------- ---------- ---------- ---------- Ending Balance $ 17 $ (1,337) (a) $ (1,320) $ 17 $ (739) (a) $ (722)

(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 6 - 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.

JUNE 30, 2000 December 31, 1999 -- -- CARRYING ESTIMATED APPRECIATION/ Carrying Estimated Appreciation/ (in millions) VALUE FAIR VALUE (DEPRECIATION) Value Fair Value (Depreciation) -- Total Financial Assets $ 382,022 $ 383,789 $ 1,767 $ 387,414 $ 389,469 $ 2,055 Total Financial Liabilities $ 369,749 $ 369,521 228 $ 381,078 $ 380,599 479 ---------- ------------ Estimated Fair Value in Excess of Carrying Value $ 1,995 $ 2,534

Derivative contracts used in connection with Chase's asset/liability ("A/L") activities had an unrecognized net loss of $935 million and $877 million at June 30, 2000 and December 31, 1999, respectively, both of which are included in the table above. -8- 9 PART 1 Item 1 (continued) NOTE 7 - 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 June 30, 2000, Chase and each of its depository institutions, including those listed in the table below, were "well capitalized" as defined by banking regulators.

JUNE 30, 2000 The Chase Chase (in millions, except ratios) Chase (a) Manhattan Bank Texas (e) Chase USA --- Tier 1 Capital (d) $ 26,662 $ 19,494 $ 1,738 $ 2,771 Total Capital 38,017 27,062 2,409 3,871 Risk-Weighted Assets (b) 306,868 242,165 18,680 28,566 Adjusted Average Assets 394,742 313,950 23,599 31,182 Tier 1 Capital Ratio (b)(d) 8.69% 8.05% 9.30% 9.70% Total Capital Ratio (b)(d) 12.39% 11.18% 12.90% 13.55% Tier 1 Leverage Ratio (c)(d) 6.75% 6.21% 7.36% 8.89%

(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 $94,387 million, $85,628 million, $4,029 million and $2,067 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 increased in the first half of 2000 to $0.64 per share ($0.32 per share in the 2000 second quarter) compared with $0.54 per share for the 1999 first half ($0.27 per share in 1999 second quarter). NOTE 8 - DERIVATIVE AND FOREIGN EXCHANGE CONTRACTS Chase utilizes derivative and foreign exchange financial instruments for both trading and A/L activities. For a discussion of the financial instruments used and the credit and market risks involved, see the 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 JUNE 30, December 31, JUNE 30, December 31, (in billions) 2000 1999 2000 1999 -- Interest Rate Contracts $ 12,421.2 $ 11,126.9 $ 10.4 $ 10.3 Foreign Exchange Contracts 1,768.0 1,652.1 10.6 15.8 Debt, Equity, Commodity and Other Contracts 197.3 157.6 8.8 7.4 ---------- ---------- Total Credit Exposure Recorded on the Balance Sheet $ 29.8 $ 33.5

(a) The notional amounts of exchange-traded interest rate contracts, foreign exchange contracts, and debt, equity, commodity and other contracts were $1,257.2 billion, $2.0 billion and $15.4 billion, respectively, at June 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 1 Item 1 (continued) NOTE 9 - SEGMENT INFORMATION Chase is organized into four major businesses: Global Bank, Chase Capital Partners, National Consumer Services ("NCS") and Global Services. Prior periods have been restated to reflect refinements in management reporting policies or changes to the management organization. For example, commencing with the second quarter of 2000, results for Chase Capital Partners ("CCP") are disclosed separately from the remainder of the Global Bank. In addition, the private equity business of Chase H&Q has been moved to CCP from Global Investment Banking. 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 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/ GLOBAL CAPITAL CONSUMER GLOBAL RECONCILING BANK (a) PARTNERS SERVICES SERVICES ITEMS (b) TOTAL -------- -------- -------- -------- --------- ----- SECOND QUARTER 2000 Operating Revenue (c) $ 2,257 $ 249 $ 2,507 $ 877 $ (91) $ 5,799 Intersegment Revenue (c) (67) 14 8 47 (2) -- Operating Earnings 540 128 406 147 (6) 1,215 Cash Operating Earnings (d) 559 130 443 163 4 1,299 Average Managed Assets 240,129 11,780 144,259 15,737 3,917 415,822 SVA 246 (78) 175 75 124 542 SECOND QUARTER 1999 Operating Revenue (c) $ 2,040 $ 503 $ 2,473 $ 771 $ (91) $ 5,696 Intersegment Revenue (c) (41) 32 5 20 (16) -- Operating Earnings 559 297 374 120 1 1,351 Cash Operating Earnings (d) 571 297 416 136 7 1,427 Average Managed Assets 219,480 7,608 128,914 16,504 6,230 378,736 SVA 258 171 162 41 64 696 --

(in millions)	GLOBAL BANK (a)	CHASE CAPITAL PARTNERS	NATIONAL CONSUMER SERVICES	GLOBAL SERVICES	CORPORATE/ RECONCILING ITEMS (b)	TOTAL
SIX MONTHS 2000						
Operating Revenue (c)	$ 4,833	$ 698	$ 4,899	$ 1,726	$ (178)	$ 11,978
Intersegment Revenue (c)	(133)	37	9	98	(11)	--
Operating Earnings	1,235	367	721	281	(29)	2,575
Cash Operating Earnings (d)	1,272	370	795	313	(6)	2,744
Average Managed Assets	238,854	11,601	142,766	15,744	3,630	412,595
SVA	642	(35)	260	135	241	1,243
SIX MONTHS 1999						
Operating Revenue (c)	$ 4,133	$ 808	$ 4,875	$ 1,495	$ (202)	$ 11,109
Intersegment Revenue (c)	(77)	46	8	39	(16)	--
Operating Earnings	1,166	469	727	213	(51)	2,524
Cash Operating Earnings (d)	1,188	469	810	244	(38)	2,673
Average Managed Assets	222,944	7,467	127,373	16,726	7,299	381,809
SVA	556	226	307	53	55	1,197

(a) Excluding Chase Capital Partners. (b) Corporate/Reconciling Items include Support Units, Corporate and the net effect of management accounting policies. (c) 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. (d) Cash Operating Earnings excludes the impact of credit card securitizations, restructuring costs, special items, and amortization of goodwill and certain other intangibles. -10- 11 PART 1 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.

SECOND QUARTER SIX MONTHS ---------------------------- ---------------------------- 2000 1999 2000 1999 ------------ ---------- ---------- ----------- (in millions) ~~SEGMENTS' CASH OPERATING EARNINGS $ 1,295 $ 1,420 $ 2,750 $ 2,711 Corporate/Reconciling Items 4 7 (6) (38) ---------- --------- ---------- -------- CONSOLIDATED CASH OPERATING EARNINGS 1,299 1,427 2,744 2,673 Amortization of Goodwill and Certain Intangibles (84) (76) (169) (149) ---------- --------- ---------- -------- CONSOLIDATED OPERATING EARNINGS 1,215 1,351 2,575 2,524 Special Items and Restructuring Costs (124) 42 (124) 42 ---------- --------- ---------- -------- CONSOLIDATED NET INCOME $ 1,091 $ 1,393 $ 2,451 $ 2,566~~

NOTE 10 - EARNINGS PER SHARE For a discussion of Chase's current earnings per share policy, see Note 10 of the 1999 Annual Report. For the calculation of basic and diluted EPS for the second quarter and six months ended June 30, 2000 and 1999, see Exhibit 11 on page 50. NOTE 11 - GUARANTEED PREFERRED BENEFICIAL INTERESTS IN CORPORATION'S JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES There have been no changes related to the statutory business trusts during the first six months of 2000. For a discussion of these business trusts, see page 69 of Chase's 1999 Annual Report. NOTE 12 - 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 -- Second Quarter For Six Months Ended June 30, -- ------------------ ------------------- (in millions, except per share Over(Under) Over(Under) and ratio data) 2000 1999 1999 2000 1999 1999 ---- ---- ---- ---- ---- ---- ~~OPERATING BASIS (a) Revenue $ 5,799 $ 5,696 2% $ 11,978 $ 11,109 8% Earnings 1,215 1,351 (10) 2,575 2,524 2 Diluted Earnings per Share 0.95 1.03 (8) 2.01 1.91 5 Shareholder Value Added 542 696 (22) 1,243 1,197 4 Overhead Ratio 58% 52% 600 bp 57% 53% 400 bp Cash Earnings $ 1,299 $ 1,427 (9)% $ 2,744 $ 2,673 3% Diluted Cash Earnings per Share 1.02 1.09 (6) 2.15 2.03 6 Cash Return on Average Common Equity 23% 26% (300) bp 24% 24% -- bp -- REPORTED BASIS Net Income $ 1,091 $ 1,393 (22)% $ 2,451 $ 2,566 (4)% Diluted Earnings Per Share 0.85 1.06 (20) 1.92 1.95 (2) Return on Average Common Equity 19% 25% (600) bp 21% 23% (200) bp~~

(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 43. bp Denotes basis points; 100 bp equals 1%. Chase's diluted operating earnings for the second quarter of 2000 were $0.95 per share, a decline of 8% from $1.03 per share for the same 1999 period. For the first six months of 2000, diluted operating earnings per share rose 5% to $2.01 from $1.91 for the first six months of 1999. Operating earnings in the 2000 second quarter were $1.22 billion, compared with $1.35 billion in the same 1999 quarter. For the first six months of 2000, operating earnings rose to $2.58 billion from $2.52 billion in 1999. Reported net income per share, which includes special items, was $0.85 and $1.92 for the second quarter and first half of 2000, respectively, compared with $1.06 and $1.95 for the 1999 second quarter and first half, respectively. Reported net income in the 2000 second quarter was $1.09 billion compared with $1.39 billion in the 1999 second quarter; net income for the first half of 2000 was $2.45 billion and was $2.57 billion for the same period of 1999. The second quarter and first six months of 2000 include a $141 million loss resulting from the economic hedge of the purchase price of Robert Fleming Holdings Limited ("Flemings") prior to its acquisition and $50 million of restructuring costs associated with previously announced relocation initiatives. For a further discussion of the Flemings acquisition, see Other Events on page 38. The results for the second quarter and first six 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. 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. All per share results have been restated to reflect the three-for-two stock split. The 2000 second quarter results demonstrated the resiliency and strong competitive position of Chase's businesses. Despite the market decline in the prices of NASDAQ-traded securities during the early part of the second quarter, which produced lower gains at Chase Capital Partners ("CCP"), Chase's private equity business, Chase had a cash operating return on average common equity in the 2000 second quarter of 23%. Chase intends to continue to reposition and strengthen its franchises for revenue growth, while also continuing to be focused on financial and credit discipline. -12- 13 PART I Item 2 (continued) FINANCIAL AND CREDIT DISCIPLINE: Chase seeks to manage its businesses with financial discipline, with attention to risk, capital and expense management. Credit costs decreased 9% in both the second quarter and first six months of 2000, when compared with the same 1999 periods. Nonperforming assets at June 30, 2000 were $1.90 billion, remaining low as a percentage of total assets. The level of nonperforming assets at year-end 2000 is expected to be approximately at the same level as year-end 1999. Credit card charge-offs have continued to decline, while commercial credit costs remained stable. Chase's Tier One Capital ratio was 8.7% at June 30, 2000, compared with 8.4% a year ago. In anticipation of the acquisition of Flemings, Chase did not repurchase any shares of common stock during the 2000 second quarter. Total operating revenue growth was 2% for the 2000 second quarter and 8% for the first half of 2000, primarily due to higher investment banking fees and trading revenues, offset by lower private equity gains. Operating expenses increased 13% and 16%, respectively, in the second quarter and first half of 2000, as a result of higher incentive expenses to support the investment banking and trading businesses and a competitive recruiting environment in these businesses. DIVERSITY OF FRANCHISE: The Global Bank (excluding CCP) had operating revenue growth of 11% for the 2000 second quarter and 17% for the first half, primarily as a result of significant growth in its merger and acquisition ("M&A") advisory and trading businesses. During the second quarter and first half of 2000, CCP had private equity gains of $298 million and $798 million, respectively. These results were driven by realized gains and initial public offerings of investments in the portfolio. Global Services' operating earnings increased 23% and 32%, respectively, in the 2000 second quarter and first half, over the prior year's periods, reflecting strong growth in Chase's securities processing businesses and good expense management. NCS had operating revenues of $2.5 billion in the 2000 second quarter and $4.9 billion for the 2000 first half. These results were relatively flat when compared with the same periods of 1999. Improved results from NCS' regional banking and middle market banking businesses were not enough to offset pressures on credit card margins and mortgage production activities due to rising interest rates. INVESTING FOR GROWTH: One of Chase's strategic priorities is investing for growth - a willingness to build those businesses where it has leadership positions. Recent examples have been Chase's acquisition of Hambrecht & Quist ("H&Q"), which was acquired on December 9, 1999 and the mortgage business of Mellon Bank N.A., which was acquired on September 30, 1999. The Beacon Group, LLC ("Beacon"), a privately-held investment banking firm, was acquired on July 6, 2000 and the acquisition of Flemings was completed on August 1, 2000. These acquisitions are intended to continue to strengthen Chase's ability to benefit from the growth occurring in the global securities markets. See Other Events on page 38 for a further discussion on Flemings and Beacon. At the same time, Chase continues to assess its strategic options, evaluating businesses and their competitive positions. These initiatives include assessing how the internet can strengthen Chase's businesses, the relocations of businesses to improve efficiencies and the exiting of nonstrategic businesses, such as Chase's consumer operations in Panama and Hong Kong. These actions are all intended to position Chase for higher growth in the future. This Management's Discussion and Analysis contains certain forward-looking statements. Those forward-looking statements are subject to risks and uncertainties, and Chase's actual results may differ from those statements. See Chase's reports filed with the Securities and Exchange Commission, in particular the 1999 Annual Report, for a discussion of factors that may cause such differences to occur. See Glossary of Terms on page 43 for a definition of terms used throughout this Form 10-Q. -13- 14 PART I Item 2 (continued) -- 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) SECOND QUARTER 2000 Second Quarter 1999 -- -- REPORTED CREDIT SPECIAL OPERATING Reported Credit Special Operating RESULTS CARD ITEMS BASIS Results Card Items Basis Revenue: (a) (b) (c) (a) (b) (c) ---------- --------- ------- --------- ------- --------- -------- --------- Market-Sensitive $ 1,835 $ -- $ -- $ 1,835 $ 1,836 $ -- $ -- $ 1,836 Less Market-Sensitive 3,581 242 141 3,964 3,780 246 (166) 3,860 --------- ------- ------- --------- -------- ------- -------- -------- Total Revenue 5,416 242 141 5,799 5,616 246 (166) 5,696 Noninterest Expense 3,357 -- -- 3,357 3,068 -- (100) 2,968 --------- ------- ------- --------- -------- ------- -------- -------- Operating Margin 2,059 242 141 2,442 2,548 246 (66) 2,728 Credit Costs 332 242 -- 574 388 246 -- 634 --------- ------- ------- --------- -------- ------- -------- -------- Income Before Restructuring Costs 1,727 -- 141 1,868 2,160 -- (66) 2,094 Restructuring Costs 50 -- (50) -- -- -- -- -- --------- ------- ------- --------- -------- ------- -------- -------- Income Before Taxes 1,677 -- 191 1,868 2,160 -- (66) 2,094 Tax Expense 586 -- 67 653 767 -- (24) 743 --------- ------- ------- --------- -------- ------- -------- -------- Net Income $ 1,091 $ -- $ 124 $ 1,215 $ 1,393 $ -- $ (42) $ 1,351 ========= ======= ======= ========= ======== ======= ======== ======== NET INCOME PER COMMON SHARE ------------------------- Basic $ 0.88 $ 0.98 $ 1.10 $ 1.07 Diluted $ 0.85 $ 0.95 $ 1.06 $ 1.03 ------------------------- -------------------------

SIX MONTHS 2000 Six Months 1999 -- -- -------- Revenue: Market-Sensitive $ 4,042 $ -- $ -- $ 4,042 $ 3,471 $ -- $ -- $ 3,471 Less Market-Sensitive 7,299 496 141 7,936 7,289 515 (166) 7,638 --------- ------- ------- --------- -------- ------- -------- -------- Total Revenue 11,341 496 141 11,978 10,760 515 (166) 11,109 Noninterest Expense 6,847 -- -- 6,847 6,013 -- (100) 5,913 --------- ------- ------- --------- -------- ------- -------- -------- Operating Margin 4,494 496 141 5,131 4,747 515 (66) 5,196 Credit Costs 674 496 -- 1,170 769 515 -- 1,284 --------- ------- ------- --------- -------- ------- -------- -------- Income Before Restructuring Costs 3,820 -- 141 3,961 3,978 -- (66) 3,912 Restructuring Costs 50 --

~~(50) -- -- -- -- -- ---------- - ------ ------- - --------- --- ----- ------- - ------ ------- - Income Before Taxes 3,770 -- 191 3,961 3,978 - - (66) 3,912 Tax Expense 1,319 -- 67 1,386 1,412 - - (24) 1,388 - -------- ----- --- ------- --- ------ ------- - ------- ----- --- ---------~~

~~Net Income $ 2,451 $ -- $ 124 $ 2,575 $ 2,566 $ -- $ (42) $ 2,524~~

~~NET INCOME PER COMMON SHARE ------ -------------- ------ Basic $ 1.98 $ 2.08 $ 2.01 $ 1.98 Diluted $ 1.92 $ 2.01 $ 1.95 $ 1.91 ------- -------------- -------------- -------------- -------------- -------------- -------------- -------------- -------------- --~~

(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 43.

MARKET-SENSITIVE REVENUES Market-sensitive revenues are primarily derived from the sales of the products and services of Chase's extensive Global Bank and CCP franchises. These revenues are typically more sensitive to global market factors than those produced by other Chase businesses. These factors include movements in short-term interest rates, which in turn affects the level of liquidity in the markets, the prices of tradable securities and commodities, and the near-term profitability of companies. In the second quarter of 2000, total market-sensitive revenues were relatively flat from the same period last year and approximately $5 million above the long-term trendline of market-sensitive revenues. For the first six months of 2000, market-sensitive revenues were 16% above the 1999 same-period level. For a further discussion of Chase's market-sensitive revenues, including a discussion of Chase's trendline for its market-sensitive revenues, see pages 21-23 of the 1999 Annual Report.

(in millions)	SECOND QUARTER 2000	SECOND QUARTER 1999	SIX MONTHS 2000	SIX MONTHS 1999
Investment Banking Fees	$ 639	$ 585	$ 1,287	$ 902
Trading-Related Revenue	841	733	1,886	1,570
Securities Gains	57	5	71	161
Private Equity Gains	298	513	798	838
Total Market-Sensitive Revenue	$ 1,835	$ 1,836	$ 4,042	$ 3,471

INVESTMENT BANKING FEES Investment banking continued to produce strong results, with fees in the second quarter and first half of 2000 increasing 9% and 43%, respectively, from 1999. These increases were driven by record merger and acquisition advisory fees and equity underwriting fees, partially offset by a decline from last year's record loan syndication and corporate bond underwriting fees. Results in the second quarter of 2000 were driven by the large number of merger and acquisition and equity underwriting deals, in contrast to the second quarter of 1999, that was characterized by a few large loan syndication deals. Since the beginning of this year, the merger and acquisition practice has been strong and is anticipated to grow, particularly in the European and Asian markets. Chase, in recognition of these business developments, has been deploying resources in these regions. The acquisition of Hambrecht & Quist in late 1999 enabled Chase to enter and actively participate in the New Economy equities underwriting business, a rapidly growing sector. The strong results of the first six months of 2000 were somewhat offset by lower debt underwriting fees, particularly in high-yield debt underwriting, which declined from last year's levels and that of the first quarter of this year because of the rise in interest rates and the lack of certainty in the direction of interest rates. -15- 16 PART I Item 2 (continued) TRADING-RELATED REVENUE Total trading revenues, including related net interest income, rose 15% to $841 million for the 2000 second quarter and rose 20% to $1.89 billion for the first half of 2000. The results reflected gains in most business products, including foreign exchange ("FX"), equities and commodities.

(in millions)	SECOND QUARTER 2000	SECOND QUARTER 1999	SIX MONTHS 2000	SIX MONTHS 1999
Trading Revenue (a)	$ 824	$ 526	$ 1,845	$ 1,144
Net Interest Income Impact (b)	17	207	41	426
Total Trading-Related Revenue	$ 841	$ 733	$ 1,886	$ 1,570
Product Diversification:				
Interest Rate Contracts (c)	$ 231	$ 260	$ 537	$ 582
Foreign Exchange Revenue (d)	258	218	537	417
Equities and Commodities (e)	182	91	407	174
Debt Instruments and Other (f)	170	164	405	397
Total Trading-Related Revenue	$ 841	$ 733	$ 1,886	$ 1,570

(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 slightly in the second quarter and first half of 2000, when compared with the prior-year's respective periods, as a result of the anticipated gradual increase in domestic interest rates in 2000, generating less volatility and fewer opportunities to realize gains. Foreign exchange revenue in the second quarter 2000 increased by $40 million, and for the first six months increased by $120 million, due to increased volatility in foreign markets and client activity. Equities and commodities revenue increased 100% in the 2000 second quarter and 134% for the first six months, in large part as a result of equity trading at Chase H&Q and an increased volume of commodity derivative transactions. The debt instruments and other category recorded strong revenue for the second quarter and first six months of 2000 as a result of market-making and client activities in emerging markets and the U.S. fixed income market. SECURITIES GAINS Securities investments primarily include 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 second quarter of 2000 were $57 million, compared with $5 million in the same period in the prior year. The higher gains were realized in connection with Chase's asset/liability activities during the volatile interest rate environment of the second quarter of 2000. Securities gains in the first half of 2000 were $71 million, a 56% decrease over the same 1999 period. The decline was due to the continuing increase in market interest rates since the middle of last year, reducing the value of the securities in the portfolio. -16- 17 PART I Item 2 (continued) PRIVATE EQUITY GAINS Private equity gains largely result from the business of CCP, one of the world's largest and most diversified private equity investment firms. The declines in private equity gains from the respective 1999 periods were the result of lower stock prices for NASDAQ-traded securities during the early part of the 2000 second quarter, causing a reduction in the market value of these investments, in particular investments that had gone public since the second quarter of 1999. Net gains include cash realized from the sale of both publicly-held and privately-held securities in the portfolio and unrealized changes in the market value of securities, including appreciation as a result of initial public offerings.

(in millions)	SECOND QUARTER 2000	1999	SIX MONTHS 2000	1999
TOTAL INVESTMENTS				
Realized Gains (Cash)	$ 350	$ 207	$ 691	$ 633
Unrealized Gains (Losses)	(52)	306	107	205
Total Gains	$ 298	$ 513	$ 798	$ 838

The level of investments continues to grow. Direct equity investments were $1.7 billion for the first six months of 2000, compared with approximately $800 million for the same 1999 period. The growth of direct equity investments is attributable to new opportunities in several industry groups (and during the first quarter of 2000 an equity market receptive to technology and telecommunications stocks). The carrying values of the investments recorded on Chase's financial statements are net of the interests of investors other than Chase (i.e., participations by third-party investors), and reflect liquidity discounts applied by Chase on these securities. In addition, approximately 75% of the carrying value of the portfolio consists of privately-held securities generally carried at cost, which in management's judgment, approximates fair value. The volatility in the early part of the second quarter of 2000 in the prices of NASDAQ-listed securities had no impact on the carrying value of this portion of the portfolio. Chase believes that CCP's equity-related investments will continue to create value for the Corporation, making substantial contributions to its earnings over time. 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, in any given quarter. The table below shows the direct and fund investment components of Chase's portfolio, totaling $10.9 billion at June 30, 2000.

CHASE CAPITAL PARTNERS INVESTMENT PORTFOLIO

(in millions)	JUNE 30, 2000 CARRYING VALUE	JUNE 30, 2000 COST	December 31, 1999 Carrying Value	December 31, 1999 Cost
~~Total Public Securities (209 companies)~~	~~$ 2,778~~	~~$ 789~~	~~$ 2,735~~	~~$ 741~~
~~Total Private Direct Investments (867 companies)~~	~~5,764~~	~~5,736~~	~~4,275~~	~~4,406~~
~~Total Private Fund Investments (373 funds)~~	~~2,353~~	~~2,337~~	~~1,881~~	~~1,899~~
~~Total Investment Portfolio~~	~~$ 10,895~~	~~$ 8,862~~	~~$ 8,891~~	~~$ 7,046~~

In addition, CCP manages $9.0 billion of leveraged loan/high-yield funds and investments in other equity and asset funds, bringing total funds under management to $19.9 billion. 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 extensive domestic consumer banking business, global services and global private banking franchises and from credit products provided to large corporate and middle- market clients. These revenues generally experience less market volatility than those global banking and CCP revenues which are characterized as market-sensitive. Less market-sensitive revenues increased by 3% in the 2000 second quarter and by 4% in the first half of 2000, reflecting increases in trust, custody and investment management fees and fees for other financial services. These increases were partially offset by a decrease in other revenue. Net interest income ("NII") and credit card revenue remained relatively flat. For a further discussion of less market-sensitive revenues, see pages 24-26 of Chase's 1999 Annual Report.

(in millions)	SECOND QUARTER 2000	SECOND QUARTER 1999	SECOND QUARTER Change	SIX MONTHS 2000	SIX MONTHS 1999	SIX MONTHS Change
~~Net Interest Income (excluding Trading-Related NII)~~	~~$ 2,247~~	~~$ 2,279~~	~~(1)%~~	~~$ 4,512~~	~~$ 4,591~~	~~(2)%~~

~~Less Market-Sensitive Fee Revenue: Trust, Custody and Investment Management Fees 545 461 18% 1,054 875 20% Credit Card Revenue (a) 339 348 (3)% 667 676 (1)% Fees for Other Financial Services 695 587 18% 1,426 1,140 25% -- Total Less Market-Sensitive Fee Revenue 1,579 1,396 13% 3,147 2,691 17% Other Revenue (a) 138 185 (25)% 277 356 (22)% -- Total Less Market-Sensitive Revenue $ 3,964 $ 3,860 3% $ 7,936 $ 7,638 4%~~

(a) Presented on an operating basis.

NET INTEREST INCOME Less market-sensitive 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.

SECOND QUARTER SIX MONTHS -- NET INTEREST INCOME (in millions) 2000 1999 Change 2000 1999 Change ------------------------ ------ ----

-------- ------
---- ------
~~Reported NII~~
~~$ 1,915 $~~
~~2,145 (11)%~~
~~$ 3,876 $~~
~~4,349 (11)%~~
~~Add Impact of~~
~~Credit Card~~
~~Securitizations~~
~~349 341 677~~
~~668 Less~~
~~Trading-~~
~~Related NII~~
~~(17) (207)~~
~~(41) (426) ---~~
~~-------- ------~~
~~---- ----------~~
~~- --------~~
~~Operating NII~~
~~$ 2,247 $~~
~~2,279 (1)% $~~
~~4,512 $ 4,591~~
~~(2)%~~
~~==========~~
~~==========~~
~~==========~~
~~========~~
~~AVERAGE~~
~~INTEREST-~~
~~EARNING~~
~~ASSETS (in~~
~~billions)~~
~~Reported $~~
~~311.6 $ 289.0~~
~~8% $ 308.5 $~~
~~289.9 6%~~
~~Add Credit~~
~~Card~~
~~Securitizations~~
~~19.7 17.7~~
~~19.0 17.8~~
~~Less Trading-~~
~~Related Assets~~
~~(59.0) (51.5)~~
~~(56.1) (50.2) -~~
~~---------- ----~~
~~------ --------~~
~~--- ---------~~
~~Managed $~~
~~272.3 $ 255.2~~
~~7% $ 271.4 $~~
~~257.5 5%~~
~~==========~~
~~========~~
~~==========~~
~~========~~
~~NET YIELD~~
~~ON~~
~~INTEREST-~~
~~EARNING~~
~~ASSETS (a)~~
~~Reported~~
~~2.48% 2.98%~~
~~(50) bp~~
~~2.54% 3.03%~~
~~(49) bp Add~~
~~Impact of~~
~~Securitizations~~
~~.28 .28 -- .27~~
~~.26 1 Impact~~
~~of Trading-~~
~~Related NII~~
~~.55 .33 22 .54~~
~~.31 23 -------~~
~~--- ---------- -~~
~~------- ------~~
~~-- Managed~~

~~3.31% 3.59% (28) bp 3.35% 3.60% (25) bp~~

(a) Disclosed on a taxable equivalent basis. bp Denotes basis points; 100 bp equals 1%.

For the second quarter and first six months of 2000, reported NII declined 11% when compared with each of the same periods in 1999, while operating NII declined only slightly 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). Also affecting both reported and operating NII in the first six 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 7% and 5%, respectively, from the 1999 second quarter and first six months. Contributing to the increases in both periods were higher amounts of liquid assets, domestic consumer loans (primarily residential mortgages) and domestic commercial loans. Partially offsetting these increases was a decline in the average foreign commercial loan portfolio, as Chase reduced its exposure to emerging markets throughout 1999. The net yield on a managed basis decreased 28 basis points in the 2000 second quarter and 25 basis points in the 2000 first six months. The rising interest rate environment that began in the second half of 1999 resulted in generally narrower spreads, particularly in the consumer sector (notably credit cards). Additionally, as a result of decreases in the volume of interest-free funds (noninterest-bearing funds which support interest-earning assets), interest-free funds contributed 4 basis points less to the net yield in the second quarter of 2000 than in the second quarter of 1999, and contributed 8 basis points less in the first half of 2000 than in the first half of 1999.

TRUST, CUSTODY AND INVESTMENT MANAGEMENT FEES

Trust, custody and investment management fees rose to a record level of $545 million in the second quarter of 2000, which was 7% above the 2000 first quarter (the previous record high) and 18% above the prior year's quarter. The two consecutive quarters have resulted in a 20% increase in fees from the 1999 first six months, resulting in record levels for these businesses. These results were attributable to growth in the values of assets under custody and investment management and an increase in flows of investments to foreign markets (where the safekeeping of securities is most profitable).

(in millions)	SECOND QUARTER 2000	SECOND QUARTER 1999	SIX MONTHS 2000	SIX MONTHS 1999
TRUST, CUSTODY AND INVESTMENT MANAGEMENT FEES				
Institutional (a)	$ 345	$ 281	$ 653	$ 531
Personal (b)	147	127	288	247
Mutual Funds (c)	39	37	79	71
Other Trust Fees	14	16	34	26
Total	$ 545	$ 461	$ 1,054	$ 875

(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.

	ASSETS UNDER ADMINISTRATION/CUSTODY		ASSETS UNDER MANAGEMENT	
June 30, (in billions)	2000	1999	2000	1999
Institutional	$ 5,660	$ 4,882	$ 133	$ 107
Personal	115	111	55	51
Mutual Funds	50	43	62	55
Total	$ 5,825	$ 5,036	$ 250	$ 213

CREDIT CARD REVENUE

Credit card revenues include 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 declined slightly from both the second quarter and first half of 1999. The declines were driven by lower late fees as a result of a reduction in customer delinquencies as demonstrated by a more than 70 bp improvement in the managed net charge-off ratios for both periods. The decrease in late fees was partially 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.

	SECOND QUARTER		SIX MONTHS	
(in millions)	2000	1999	2000	1999
Reported Credit Card Revenue	$ 443	$ 438	$ 840	$ 817
Less Impact of Credit Card Securitizations	(104)	(90)	(173)	(141)
Operating Credit Card Revenue	$ 339	$ 348	$ 667	$ 676

FEES FOR OTHER FINANCIAL SERVICES

Fees for other financial services in the second quarter of 2000 increased 18%, when compared with the same period in the prior year. In the first six months of 2000, the fees grew by 25% relative to 1999. The table below provides the significant components of fees for other financial services.

(in millions)	SECOND QUARTER 2000	SECOND QUARTER 1999	SIX MONTHS 2000	SIX MONTHS 1999
Mortgage Servicing Fees	$ 131	$ 77	$ 281	$ 142
Service Charges on Deposit Accounts	103	96	202	185
Fees in Lieu of Compensating Balances	88	94	175	181
Brokerage and Investment Services	76	50	183	93
Commissions on Letters of Credit and Acceptances	61	69	128	138
Insurance Fees	47	41	96	80
Loan Commitment Fees	38	36	72	67
Other Fees	151	124	289	254
Total	$ 695	$ 587	$ 1,426	$ 1,140

MORTGAGE SERVICING FEES in the 2000 second quarter and first six months increased by 70% and 98%, respectively, from the same periods in 1999. The increases were due to a larger servicing portfolio and a lower amortization rate on mortgage servicing rights. The servicing portfolio increased 36% from last year's second quarter as a result of the acquisition of the Mellon Bank Corporation mortgage servicing business at the end of the third quarter of 1999, coupled with lower loan prepayments in the core portfolio. Starting in the latter part of the second quarter of 1999, mortgage interest rates began to rise, which has had the effect of reducing the prepayment rates on mortgage loans which, in turn, has lowered the amortization rate of mortgage servicing rights.   SERVICE CHARGES ON DEPOSITS increased 7% during the second quarter of 2000 and 9% during the first half of 2000, reflecting the benefits of selected pricing initiatives. BROKERAGE AND INVESTMENT SERVICES rose 52% from the 1999 second quarter and 97% from the first half of 1999. The increase was due to significant increases in both daily trading volume and the number of new customers at Brown & Company, coupled with the acquisition of H&Q in the fourth quarter of 1999. The trading volume at Brown & Co. in the second quarter of 2000 was up to 46,000 trades per day compared with 33,000 trades per day in the same quarter of 1999. INSURANCE FEES include fees from credit-related products (such as insuring the payment of credit card 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). In the 2000 second quarter, insurance fees were 15% higher than the 1999 second quarter and 20% higher than the 1999 first six months, primarily due to higher annuity sales and new business relating to life and health insurance. OTHER FEES in 2000 increased 22% from the 1999 second quarter and 14% from the first half 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)	SECOND QUARTER 2000	SECOND QUARTER 1999	SIX MONTHS 2000	SIX MONTHS 1999
~~Residential Mortgage Origination/Sales Activities~~	~~$ 41~~	~~$ 88~~	~~$ 85~~	~~$ 180~~
~~All Other Revenue~~	~~97~~	~~97~~	~~192~~	~~176~~
~~Operating Other Revenue~~	~~138~~	~~185~~	~~277~~	~~356~~
~~Loss on Economic Hedge of the Flemings Purchase Price~~	~~(141)~~	~~--~~	~~(141)~~	~~--~~
~~Gains on Sales of Nonstrategic Assets~~	~~--~~	~~166~~	~~--~~	~~166~~
~~Other Revenue - Credit Card Securitizations~~	~~3~~	~~5~~	~~8~~	~~12~~
~~Reported Other Revenue~~	~~$ --~~	~~$ 356~~	~~$ 144~~	~~$ 534~~

RESIDENTIAL MORTGAGE ACTIVITIES (which include origination and sales of loans and selective dispositions of mortgage servicing rights) in both the second quarter and first six months of 2000 declined 53%, reflecting the impact of the rising interest rate environment in 2000 that unfavorably affected origination volume and gains on loan sales. ALL OTHER REVENUE remained flat in the second quarter of this year compared with the same period in 1999, but was $16 million higher than the first six months of 1999, reflecting the increase in revenues from auto operating leases. The increase for the first half of 2000 was partially offset by a decrease in revenue from the Octagon Investment Fund (which was established in early 1998 and was substantially sold to investors in late 1999) and lower gains from the sale of student loans in 2000. The second quarter and six month results include a $141 million loss 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 will be reflected as a reduction in the purchase price and corresponding goodwill). Results for the 1999 second quarter and first six months 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.   NONINTEREST EXPENSE Total operating noninterest expenses increased 13% in the second quarter of 2000 and 16% in the first half of 2000, when compared with the same periods in 1999. These increases reflected higher incentives related to market-sensitive revenues in the Global Bank, including the acquisition of H&Q in late 1999. The management of operating noninterest expense to support revenue growth is an important objective of Chase's management. Reported noninterest expense for 2000 included $50 million of nonaccruable restructuring costs associated with previously announced relocation programs, while in 1999 it included a special contribution to The Chase Manhattan Foundation.

(in millions, except ratios)	SECOND QUARTER		SIX MONTHS	
	2000	1999	2000	1999
Salaries	$ 1,614	$ 1,416	$ 3,367	$ 2,800
Employee Benefits	252	238	539	493
Occupancy Expense	216	206	442	424
Equipment Expense	274	239	559	482
Other Expense	1,001	869	1,940	1,714
Operating Noninterest Expense	3,357	2,968	6,847	5,913
Restructuring Costs	50	--	50	--
Special Contribution to the Foundation	-	100	-	100
Reported Noninterest Expense	$ 3,407	$ 3,068	$ 6,897	$ 6,013
Operating Overhead Ratio (a)	58%	52%	57%	53%
Cash Operating Overhead Ratio (a) (b)	56%	51%	56%	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 second quarter and first half of 1999 were due to higher incentives, primarily driven by growth in investment banking and trading revenues and the net addition of over 700 full-time equivalent employees. The higher headcount was attributable to the acquisition of H&Q and a mortgage servicing business, partly offset by the impact of staff reductions related to initiatives to streamline support functions and realign business activities in selected areas.

FULL-TIME EQUIVALENT EMPLOYEES	JUNE 30, 2000	June 30, 1999
Domestic Offices	62,273	62,300
Foreign Offices	11,834	11,105
Total Full-Time Equivalent Employees	74,107	73,405

OCCUPANCY AND EQUIPMENT EXPENSE Occupancy expense increased over both 1999 periods primarily due to increased leasing costs related to existing domestic and overseas office spaces, coupled with business expansions and acquisitions in the second half of 1999. Equipment expense rose in both 2000 periods as a result of greater depreciation expense relating to the capitalization of more advanced hardware systems, as well as higher costs for additional software to support ongoing internet business projects throughout various business areas of Chase. OTHER EXPENSE Operating other expense (excluding the special contribution to The Chase Manhattan Foundation) rose 15% from the second quarter of 1999 and 13% from the first half of 1999. The following table presents the components of other expense:

(in millions)	SECOND QUARTER 2000	SECOND QUARTER 1999	SIX MONTHS 2000	SIX MONTHS 1999
Professional Services	$ 186	$ 178	$ 357	$ 340
Marketing Expense	121	114	221	228
Telecommunications	99	97	204	188
Amortization of Intangibles	84	76	169	149
Travel and Entertainment	81	59	143	109
Minority Interest (a)	18	12	30	25
Foreclosed Property Expense	(3)	3	(3)	8
Special Contribution to the Foundation	--	100	--	100
All Other	415	330	819	667
Total	$ 1,001	$ 969	$ 1,940	$ 1,814

(a) Includes REIT minority interest expense of $11 million in each quarter and $22 million in each six months.

The increase in PROFESSIONAL SERVICES for the second quarter and first half of 2000 reflected higher management and systems consultant costs associated with the development of Chase's internet initiatives and the impact of the H&Q acquisition. The spending on internet projects was partly offset by reduced expenditures related to completed Y2K efforts. MARKETING expense increased in the 2000 second quarter but decreased in the first half of 2000, when compared to the same 1999 periods, as a result of the timing differences of various media campaigns. TELECOMMUNICATIONS rose due to higher market data usage stemming from growth in business volume at Chase's Global Bank franchises and the addition of Chase H&Q. AMORTIZATION OF INTANGIBLES increased in connection with the acquisitions in 1999, in particular, H&Q. TRAVEL AND ENTERTAINMENT increased mainly as a result of higher expenses at both domestic and overseas units and the impact of Chase H&Q. ALL OTHER EXPENSE rose reflecting the impact of Chase H&Q and higher employee-related expenditures, such as domestic relocation and executive search/recruitment expenses. 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, such as 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 4 of this Form 10-Q. Chase is continuing to focus on its future expense management and additional relocation initiatives and business initiatives are expected to be announced during the remainder of 2000 and into 2001. CREDIT COSTS Credit costs include credit losses related to Chase's securitized credit card loans. The following table shows the components of credit costs:

SECOND QUARTER SIX MONTHS --- --------------- --------- ----- --------------- -------- (in millions) 2000 1999 2000 1999 ----------- ---------- - --------- ----- ----- ~~Provision for Loan Losses $ 332 $ 388 $ 674 $ 769 Credit Costs Associated with Credit Card Securitizations 242 246 496 515 --------- - -------- ------ ---- --------- Operating Credit Costs $ 574 $ 634 $ 1,170 $ 1,284~~

Credit costs in the second quarter and first half of 2000 decreased $60 million and $114 million, respectively, from the 1999 levels, primarily due to lower credit losses in the consumer portfolio, primarily credit cards. INCOME TAXES Chase recognized income tax expense of $586 million in the second quarter of 2000, compared with $767 million in the second quarter of 1999. For the first half of 2000, Chase recorded income tax expense of $1.3 billion compared with $1.4 billion for the first half of 1999. The effective tax rates were 34.9% in the 2000 second quarter and 35.0% for the 2000 first six months, compared with 35.5% in both 1999 periods. The continued improvement in the effective tax rate was the result of tax planning initiatives. -23- 24 Part I Item 2 (continued) -- LINES OF BUSINESS RESULTS -- The table below provides summary financial information on an operating basis for Chase's four major business franchises. Prior periods have been restated to reflect refinements in management reporting policies or changes to the management organization. For example, commencing with the second quarter of 2000, results for Chase Capital Partners ("CCP") are disclosed separately from the remainder of the Global Bank. In addition, the private equity business of Chase H&Q has been moved to CCP from Global Investment Banking. 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.

GLOBAL BANK (a) CHASE CAPITAL PARTNERS ------------- ------------- ------------ -- ------------- ------------- ------------- - SECOND QUARTER 2000 Over/(Under) 1999 2000 Over/(Under) 1999 -------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ----------- (in millions, except ratios) ~~Operating Revenue $ 2,257 $ 217 11% $ 249 $ (254) (50)% Operating Earnings 540 (19) (3) 128 (169) (57) Cash Operating Earnings (b) 559 (12) (2) 130 (167) (56) Average Common Equity 9,485 66 1 6,297 2,492 65 Average Managed Assets 240,129 20,649 9 11,780 4,172 55 Shareholder Value Added 246 (12) (5) (78) (249) NM Cash Return on Common Equity 23.4% (60) bp 8.0% (2,300) bp Cash Overhead Ratio 58 700 20 1,200 NATIONAL CONSUMER SERVICES GLOBAL SERVICES - --- --- 2000 Over/(Under) 1999 2000 Over/(Under) 1999 -- Operating Revenue $ 2,507 $ 34 1% $ 877 $ 106 14% Operating Earnings 406 32 9 147 27 23 Cash Operating Earnings (b) 443 27 6 163 27 20~~ Average

~~Average Common Equity 8,117 483 6 2,677 (176) (6) Average Managed Assets 144,259 15,345 12 15,737 (767) (5) Shareholder Value Added 175 13 8 75 34 83 Cash Return on Common Equity 21.7% 20 bp 24.2% 540 bp Cash Overhead Ratio 51 100 71 (100) --~~

GLOBAL BANK (a) CHASE CAPITAL PARTNERS -- -- SIX MONTHS 2000 Over/(Under) 1999 2000 Over/(Under) 1999 -- (in millions, except ratios)

~~Operating Revenue $ 4,833 $ 700 17% $ 698 $ (110) (14)% Operating Earnings 1,235 69 6 367 (102) (22) Cash Operating Earnings (b) 1,272 84 7 370 (99) (21) Average Common~~

~~Equity 9,564 (12) -- 6,154 2,473 67 Average Managed Assets 238,854 15,910 7 11,601 4,134 55 Shareholder Value Added 642 86 15 (35) (261) NM Cash Return on Common Equity 26.5% 180 bp 11.9% (1,350) bp Cash Overhead Ratio 56 600 18 900 NATIONAL CONSUMER SERVICES GLOBAL SERVICES - --- 2000 Over/(Under) 1999 2000 Over/(Under) 1999 -- Operating Revenue $ 4,899 $ 24 -- % $ 1,726 $ 231 15% Operating Earnings 721 (6) (1) 281 68 32 Cash Operating Earnings (b) 795 (15) (2) 313 69 28 Average Common Equity 8,114 498 7 2,701 (196) (7) Average Managed Assets 142,766 15,393 12 15,744 (982) (6) Shareholder Value Added 260 (47) (15) 135 82 155 Cash Return on Common~~

~~Equity 19.4% (170) bp 23.0% 630 bp Cash Overhead Ratio 53 300 72 (200)~~ ----- -------------- -------------- -------------- -------------- -------------- -------------- -------------- -------------- --------------

(a) Excludes Chase Capital Partners. (b) Cash Operating Earnings represent operating earnings excluding the amortization of goodwill and certain other intangibles. bp - Denotes basis points; 100bp equals 1%. ==   GLOBAL BANK (EXCLUDING CHASE CAPITAL PARTNERS) Global Bank combines the strengths of a leading commercial bank and a leading investment bank to meet the needs of corporations, institutional investors, financial institutions, governments, entrepreneurs and private clients around the world. The Global 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 45 countries, the Global Bank serves an extensive array of clients, from large corporations with long-standing global relationships to a growing franchise of clients in the fastest growing sectors of the New Economy. Operating revenues in the Global Bank in the second quarter of 2000 increased 11% from the second quarter of 1999. Cash operating earnings and Shareholder Value Added declined 2% and 5%, respectively, from the second quarter of 1999, reflecting increased cash expenses. Cash expenses of $1.32 billion in the second quarter of 2000 increased 26% from the second quarter of last year, but were $60 million lower than in the first quarter of 2000. The principal reasons for the increase were higher incentives related to the growth in market-sensitive revenues and the acquisition of H&Q. In the first half of 2000, operating revenues, cash operating earnings, and Shareholder Value Added increased 17%, 7% and 15%, respectively, reflecting strong investment and private banking results. For a further discussion of Global Bank's products, see the Revenue discussion beginning on page 15. The following table sets forth certain key financial performance measures of the businesses within the Global Bank. ==

(in millions, except ratios) SECOND QUARTER 2000 Over/(Under) 1999 --------- -------------- -------------- ------ -------- -------------- -------------- ------- CASH CASH Cash Cash OPERATING OPERATING OVERHEAD Operating Operating Overhead REVENUES EARNINGS RATIO Revenues Earnings Ratio -------- ------ -- ----- ------ -- -------- --- -- ~~Global Markets $ 996 $ 294 55% (1)% (10)% 600 bp Global Investment Banking 650 121 68 37 5 1,000 Corporate Lending and Portfolio Management 363 125 29 (3) (3) 100 Global Private Bank 285 56 66 33 44 (200) Other Global Bank~~

~~Global Bank (a) (37) (37) NM NM NM NM ---------- ----------- Total $ 2,257 $ 559 58% 11% (2)% 700 bp~~

~~SIX MONTHS Global Markets $ 2,233 $ 714 51% (3)% (11)% 700 bp Global Investment Banking 1,312 243 68 86 106 (300) Corporate Lending and Portfolio Management 733 257 29 (3) (3) 200 Global Private Bank 614 132 64 46 67 (300) Other Global Bank (a) (59) (74) NM NM NM NM ---------- ----------- Total $ 4,833 $ 1,272 56% 17% 7% 600 bp~~

(a) Other Global Bank includes Chase's Global Asset Management and Mutual Funds businesses and discontinued operations. NM Not meaningful. bp Denotes basis points; 100 bp equals 1%. For a discussion of the profiles for each business within the Global Bank, see page 31 of Chase's 1999 Annual Report. The following discussion focuses on the financial highlights of each business for the second quarter and first six months of 2000. -25- 26 Part I Item 2 (continued) GLOBAL MARKETS Operating revenues for Global Markets, although slightly lower than in the second quarter and first six months of 1999, remained strong during 2000. Total trading revenues, including related net interest income, rose 15% to $841 million in the 2000 second quarter and rose 20% to $1.9 billion for the first half of 2000, driven by foreign exchange and equity and commodities trading. Cash operating earnings decreased 10% in the 2000 second quarter, and declined 11% for the first six months of 2000, due to higher incentives and other expenses. 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 $300 million for the second quarter 2000 and $526 million for the first half of 2000, compared with $(11) million and $240 million, respectively, for the same periods in 1999. GLOBAL INVESTMENT BANKING Revenues and cash operating earnings for the Global Investment Bank increased 37% and 5%, respectively, in the 2000 second quarter when compared with the 1999 second quarter. When combined with the particularly strong 2000 first quarter, revenues and cash operating earnings rose 86% and 106%, respectively, in the first half of 2000. These results were driven by record merger and acquisition advisory fees and equity underwriting fees, partially offset by a decline from last year's particularly strong loan syndication and corporate bond underwriting fees. CORPORATE LENDING AND PORTFOLIO MANAGEMENT Corporate Lending and Portfolio Management revenues and cash operating earnings each declined in the second quarter and first six months of 2000, when compared with the same periods in 1999, as a result of the effect of lower average loan levels (due to securitizations), partially offset by higher lending-related fees. GLOBAL PRIVATE BANK Global Private Bank revenues increased to $285 million in the second quarter of 2000, a 33% increase from the same period a year ago. For the first half of 2000, revenues increased 46% and cash operating earnings increased 67% from the same prior-year period. The revenue increases for both periods were due to broad-based growth globally and the inclusion of revenues from the Executive Financial Services Division at Chase H&Q. As of June 30, 2000, the Global Private Bank had over $170 billion in client assets under management. CHASE CAPITAL PARTNERS Chase Capital Partners is one of the world's largest and most diversified private equity investment firms with approximately $10.9 billion in direct and fund investments. In addition, CCP manages $9 billion of leveraged loan/high-yield funds and investments in other equity and asset funds, bringing total funds under management to $19.9 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 -------- -------- ----- -------- -------- --- -- ~~Second Quarter $ 249 $ 130 20% (50)% (56)% 1,200 bp Six Months 698 370 18 (14) (21) 900 ----- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- -------------~~

bp Denotes basis points; 100 bp equals 1%. == Operating revenues and cash operating earnings decreased 50% and 56%, respectively, in the 2000 second quarter as a result of the lower stock prices for NASDAQ-traded securities during the early part of the quarter, which principally affected the publicly-held securities within CCP's investment portfolio (approximately 25% of the total portfolio). Revenues and cash operating earnings declined 14% and 21%, respectively, in the first six months of 2000, principally due to the market declines of the 2000 second quarter, partially offset by cash gains from the sales of securities. -26- 27 Part I Item 2 (continued) 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 branch and ATM networks, internet banking, telephone and direct mail. Operating revenues for National Consumer Services increased to $2.5 billion, an increase of 1% over the second quarter of 1999. Cash operating earnings of $443 million increased by 6% for the second quarter of 2000. This increase was driven by regional banking, the retail investment businesses, and middle market banking, partially offset by continuing weak origination volumes and pressures on credit card margins due to rising interest rates. Operating revenues for the first six months of 2000 were flat when compared with the first six months of 1999; cash operating earnings were 2% lower than the same period in 1999. 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. Results for NCS over the remainder of 2000 are expected to reflect the benefits of expense management, good credit quality and moderating revenue growth. Management expects that results for NCS in the second half of this year will be similar to the first half. The following table sets forth certain key financial performance measures of the businesses within NCS.
==

SECOND 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 $ 941 $ 133 36% (6)% 3% 200 bp Regional Banking Group 647 123 65 11 26 (500) Chase Home Finance 318 74 60 8 - - 400 Diversified Consumer Services 281 40 60 (1) (2) 300 Middle Markets 270 63 55 4 11 (100) Other NCS 50 10 NM NM NM NM ------------------ Total $ 2,507 $ 443 51% 1% 6% 100 bp~~

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

~~-- SIX 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 $ 1,883 $ 238 36% (5)% (2)% 200 bp Regional Banking Group 1,268 240 66 10 25 (400) Chase Home Finance 642 143 61 12 2 400 Diversified Consumer Services 479 28 69 (12) (63) 1,200 Middle Markets 538 126 55 7 19 (300) Other NCS 89 20 NM NM NM NM ---------- -------- Total $ 4,899 $ 795 53% -- % (2)% 300 bp~~

NM Not meaningful. bp Denotes basis points; 100 bp equals 1%. 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 second quarter and first six months financial highlights of each business. -27- 28 PART I Item 2 (continued) CHASE CARDMEMBER SERVICES Cash operating earnings for Chase Cardmember Services for the second quarter of 2000 were up 3% when compared with the second quarter of 1999, reflecting significantly improved credit quality. Expenses were down in the second quarter despite higher technology and e-commerce investments. Operating revenues declined in the second quarter and first half of 2000, reflecting reduced net interest spreads due to rising interest rates and a lower level of late and overlimit fees, partly offset by higher consumer purchase volumes. REGIONAL BANKING GROUP Regional Banking Group revenues rose 11% from the second quarter of 1999 and cash operating earnings grew by 26%, with similar increases in revenues and cash operating earnings from the first six months of 1999, reflecting higher deposit levels in the small business sector, the benefit from higher interest rates, growth in fees and disciplined expense management. CHASE HOME FINANCE Chase Home Finance revenues increased to $318 million, an 8% increase from second quarter of 1999, and rose to $642 million, a 12% increase from the first six months of 1999. Cash operating earnings were flat compared with the 1999 second quarter, and increased 2% when compared with the first six months of 1999. Growth in servicing fee income for both 2000 periods was partially offset by declines in mortgage production activities due to the rising interest rate environment. Origination volume declined in the first half 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 quarter were $18.2 billion and included originations from the retail, wholesale and correspondent (traditional and negotiated) channels. DIVERSIFIED CONSUMER SERVICES Revenues from Diversified Consumer Services were $281 million in the second quarter of 2000, a 1% decrease from the same quarter in 1999. Continued growth in the investment businesses were partially offset by the effect of higher interest rates and weak auto lease origination activity. Additionally, 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 12% and 63%, respectively, in the first six months of 2000. Revenues from the advice-based investment business rose to $129 million for the first six months of 2000, an 11% increase when compared with the same period last year. MIDDLE MARKETS Middle Market revenues were $270 million, an increase of 4% from the second quarter of 1999, and were $538 million, an increase of 7% from the first six months of 1999. Cash operating earnings increased 11% over the prior-year quarter and 19% over the prior-year six months. These results reflect disciplined expense management, continued strength in new business and financing activities during 2000, and higher deposit volumes and spreads. -28- 29 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 -------- -------- ----- -------- -------- ----- ~~Second Quarter $ 877 $ 163 71% 14% 20% (100) bp Six Months 1,726 313 72 15 28 (200) ---------------------- bp Denotes basis points; 100 bp equals 1%.~~

In the second quarter of 2000, Global Services' operating revenues increased 14% over the prior-year quarter to $877 million, reflecting increased activity in all of its businesses. Cash operating earnings for Global Services for the second quarter of 2000 increased 20% when compared with the 1999 second quarter. Shareholder Value added increased to $75 million, an 83% increase over the prior year quarter. In the first half of 2000, operating revenues, cash operating earnings and Shareholder Value Added increased 15%, 28% and 155%, respectively. Global Investor Services, Chase's custody business, experienced an 18% and 23% rise in operating revenues in the second quarter and first six months of 2000, respectively, when compared with the same periods a year ago. During the 2000 second quarter, total assets under custody grew 16%, with cross-border assets under custody increasing 29%, when compared with the 1999 second quarter. Operating revenues at Capital Markets Fiduciary Services, Chase's institutional trust business, increased 14% from the 1999 second quarter and 21% from the 1999 first six months, reflecting continued growth through expansion into new markets and the benefit of servicing structured issues (asset-and mortgage-backed securities transactions) in the U.S. as well as Europe.

Operating revenues at Chase Treasury Solutions, Chase's cash management and payments business, increased 8% in the 2000 second quarter and increased 5% in the 2000 first half, when compared with the prior-year periods, benefiting from rising rates and the resulting impact on balances maintained by customers.

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 second quarter of 2000 and 1999, Corporate and the other support units had cash operating earnings of $4 million and $7 million, respectively. For the first six months of 2000 and 1999, there was a cash operating loss of $6 million and $38 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.

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.

(in millions)	CREDIT-RELATED ASSETS		NONPERFORMING ASSETS		PAST DUE 90 DAYS & OVER AND ACCRUING	
	JUNE 30, 2000	Dec 31, 1999	JUNE 30, 2000	Dec 31, 1999	JUNE 30, 2000	Dec 31, 1999
CONSUMER LOANS:						
Domestic Consumer:						
1-4 Family Residential Mortgages	$ 47,557	$ 44,262	$ 269	$ 286	$ --	$ --
Credit Card - Reported	12,095	15,633	33 (b)	40 (b)	216	280
Credit Card Securitizations (a)	19,861	17,939	--	--	324	348
Credit Card - Managed	31,956	33,572	33	40	540	628
Auto Financings	18,788	18,442	70	83	1	2
Other Consumer	6,399	6,902	4	7	51	65
Total Domestic Consumer	104,700	103,178	376	416	592	695
Foreign Consumer	2,928	2,800	25	22	10	15
TOTAL CONSUMER LOANS	107,628	105,978	401	438	602	710
COMMERCIAL LOANS:						
Domestic Commercial:						
Commercial and Industrial	50,135	48,097	499	380	69	23
Commercial Real Estate	3,070	3,636	42	51	13	5
Financial Institutions	6,689	4,211	11	12	--	--

~~-------- ------------ -- -------- --------- ------ -- --------- Total Domestic Commercial 59,894 55,944 552 443 82 28 Foreign Commercial: Commercial and Industrial 26,323 25,179 747 642 -- 4 Commercial Real Estate 233 125 -- -- -- -- -- Financial Institutions 3,275 3,598 18 96 20 20 Foreign Governments 2,680 3,274 34 41 -- -- ------------- ------- ---- --------- -------- -------- --------- Total Foreign Commercial 32,511 32,176 799 779 20 24 ----------- ----------- --------- -------- -------- ----- --- TOTAL COMMERCIAL LOANS 92,405 88,120 1,351 1,222 102 52 Derivative and FX Contracts (c) 29,915 33,611 53 34 -- 1 ------------- ----- ------ --------- ------ -- -------- -------- TOTAL COMMERCIAL CREDIT-RELATED 122,320 121,731 1,404 1,256 102 53 - ----------- ----------- --------- -------- ---- ---- --------- TOTAL MANAGED CREDIT-RELATED $ 229,948 $ 227,709 $ 1,805 $ 1,694 $ 704 $ 763 ========== ========= ----- ---- -------- ======== ======== Assets Acquired as Loan Satisfactions 94 102 - -------- -------- TOTAL NONPERFORMING ASSETS $ 1,899 $ 1,796 ========= ========~~

(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 $230 billion at June 30, 2000 increased 1%, compared with year-end 1999. Consumer managed credit-related assets increased $1.7 billion, largely in the 1-4 family residential mortgage portfolio, and commercial loans rose $4.3 billion, notably in the domestic commercial and industrial loan portfolio, while derivative and foreign exchange instruments declined $3.7 billion. Chase's credit-related portfolio is balanced between commercial and consumer assets, with consumer assets comprising approximately 47% 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 June 30, 2000. Management currently believes that Chase's nonperforming assets at December 31, 2000 will be approximately at the same level as December 31, 1999, although the amount of nonperforming assets may modestly increase or decrease in any given quarter over the remainder of the year. Net charge-offs in the managed portfolio were $574 million in the second quarter of 2000, a decline of $60 million from the second quarter of 1999, reflecting decreases in net charge-offs in the managed credit card portfolio. Management expects that credit costs in 2000, on a managed basis, will remain relatively stable over the remainder of the year and will be of a similar magnitude to total credit costs incurred in 1999. For the consumer portfolio, management expects net charge-off rates in 2000 will be lower than in 1999; however, reported net charge-offs will vary depending on the level of credit card securitizations completed during the year. The commercial charge-off rate varies more than the consumer charge-off rate, and over time Chase expects annual commercial net charge-offs to be in a range of 40-60 bp. Management expects the commercial charge-off rate for the remainder of 2000 to remain relatively stable with the level for the first six months of 2000. AVERAGE ANNUAL NET CHARGE-OFF RATES

SECOND QUARTER SIX MONTHS -------------------------- ----------------------- 2000 1999 2000 1999 ----------- ----------- ---------- ---------- ~~CONSUMER LOANS: 1-4 Family Residential Mortgages .09% .08% .08% .05% Credit Card-Managed (a) 5.09 5.80 5.25 5.95 Auto Financings .47 .42 .46 .43 Other Consumer (b) 1.71 2.01 1.88 1.95 Total Consumer Loans 1.81 2.13 1.89 2.16 COMMERCIAL LOANS: Total Commercial Loans .40 .39 .36 .39 Total Managed Loans 1.16 1.33 1.19 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 $108 billion at June 30, 2000, an increase of $1.7 billion since year-end. Consumer net charge-offs, on a managed basis, were $482 million and $1,006 million for the second quarter and first six months of 2000, compared with $548 million and $1,110 million 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, or to improve slightly, over the remainder of the year. RESIDENTIAL MORTGAGE LOANS: Residential mortgage loans were $47.6 billion at June 30, 2000, a $3.3 billion increase from year-end balances, while the level of nonperforming residential mortgage loans decreased 6%. The loss rates of .09% for the 2000 second quarter and .08% for the first six months of 2000 reflect the continued strong credit quality of this portfolio. -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 $32.6 billion for the second quarter of 2000 were relatively flat when compared with the same period of 1999. During the 2000 second quarter, net charge-offs as a percentage of average credit card receivables decreased to 5.09%, compared with 5.80% in the prior-year period. Loans over 90 days past due dropped to 1.68% of the portfolio at June 30, 2000, compared with 1.80% at June 30, 1999. Management anticipates that the managed credit card net charge-off ratio for the full-year 2000 will be lower than full-year 1999. AUTO FINANCINGS: Auto financings outstanding remained stable at June 30, 2000 when compared with year-end 1999. The charge-off rate of .47% for the 2000 second quarter is indicative of this portfolio's selective approach to asset origination. Total originations were $5.1 billion for the first six months of 2000, compared with $6.7 billion for the same 1999 period. OTHER CONSUMER LOANS: The level of other domestic consumer loans of $6.4 billion at June 30, 2000 represents a decrease of $0.5 billion from year-end levels. Net charge-offs related to the portfolio decreased in both the second quarter and first six 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 $4.3 billion since year-end. Commercial net charge-offs in the second quarter of 2000 were $92 million, compared with $86 million in the second quarter of 1999. For the first half of 2000, commercial net charge-offs were $164 million, compared with $173 million for the same 1999 period. COMMERCIAL AND INDUSTRIAL: The domestic commercial and industrial portfolio increased $2.0 billion from 1999 year-end, reflecting general business activity. Net charge-offs in the 2000 second quarter amounted to $64 million, or 53 bp on an annual basis. The foreign commercial and industrial portfolio totaled $26.3 billion at June 30, 2000, an increase of 5% from the 1999 year-end level. Nonperforming foreign commercial and industrial loans were $747 million, an increase of $105 million from year-end 1999. Foreign net charge-off levels for the second quarter of 2000 decreased to $21 million, or by 64%, 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 $2.2 billion during 2000 when compared with year-end, primarily in the domestic portion of the portfolio. Nonperforming financial institution loans decreased 73% to $29 million, primarily due to one counterparty in the foreign portfolio returning to performing status. FOREIGN GOVERNMENTS: Foreign government loans were $2.7 billion at June 30, 2000, a $0.6 billion decrease from year-end levels. Nonperforming foreign government loans decreased to $34 million, or by 17%, 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 June 30, 2000 and December 31, 1999.

AT JUNE 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 15% 85% 33% 28% 15% 90% 27% 34% 1 to 5 Years 45 12 64 41 46 8 69 38 Over 5 Years 40 3 3 31 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 the Federal Financial Institutions Examination Council ("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 JUNE 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) $ 5.2 $ 2.0 $ 2.4 $ 2.3 $ 7.3 $ 2.0 $ 8.8 $ 2.1~~ EMERGING ASIA ~~International Monetary Fund ("IMF") Countries: South Korea $ 0.4 $ 0.2 $ 1.1 $ 0.8 $ 0.9 $ -- $ 1.4 $ -- Indonesia 0.6 0.1 0.1 0.1 0.7 -- 0.9 -- Thailand 0.2 -- 0.7 0.2 0.7 -- 0.7 -- ------- ------ ------- ------ ------ ------ ------ ------ Subtotal 1.2 0.3 1.9 1.1 2.3 -- 3.0 -- Other Emerging Asia 3.0 0.5 6.4 5.4 4.5 -- 3.4 -- ------ ------ ------ ------ ------ ------ ------ ------ TOTAL EMERGING ASIA (e) $ 4.2 $ 0.8 $ 8.3 $ 6.5 $ 6.8 $ -- $ 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.

ALLOWANCE FOR CREDIT LOSSES Loans: Chase's allowance for loan losses is intended to cover probable credit losses as of June 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 residual component. For a further discussion of the specific, expected and residual components of the allowance for loan losses, see page 44 of Chase's 1999 Annual Report. The allowance for loan losses remained at $3.5 billion at June 30, 2000, consistent with the level at 1999 year-end. Based upon management's current expectations regarding credit quality over the remainder of the year, it does not anticipate the need to increase Chase's allowance for loan losses over the next two quarters. Lending-Related Commitments: Chase also has an allowance for its lending-related commitments, using a methodology similar to that for the loan portfolio. -33- 34 Part 1 Item 2 (continued) The following table represents Chase's allowance for credit losses at June 30, 2000 and 1999.

JUNE 30, --------------------------------- (in millions, except ratios) 2000 1999 ----------- ----------- ~~Allowance for Loan Losses $ 3,459 $ 3,554 -- Allowance for Loan Losses to: Nonperforming Loans 197% 238% Loans at Period-End 1.92 2.03 Average Loans (Six Month Average) 1.94 2.05 -- Allowance for Credit Losses on Lending-Related Commitments $ 170 $ 170 --~~

Chase deems its allowances to be adequate (i.e., sufficient to absorb losses that may currently exist but are not yet identifiable). -- 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 June 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 JUNE 30, 2000 --------------------------------- AVERAGE MINIMUM MAXIMUM AT JUNE 30, At June 30, (in millions) VAR VAR VAR 2000 1999 --- Trading Portfolio $ 26.3 $ 20.3 $ 41.8 $ 27.4 $ 23.8 Market Risk-Related A/L Activities 74.9 60.4 99.8 67.8 80.9 Less: Portfolio Diversification (20.2) NM NM (17.0) (20.7) ------- ------- ------- -- -------- ---------- Total VAR $ 81.0 $ 67.6 $ 106.3 $ 78.2 $ 84.0 ======= ======= ======= ======= ======= --

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. -34- 35 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 June 30, 2000, Chase posted positive daily market risk-related revenue for 253 out of 262 business trading days, with 88 business days exceeding positive $20 million. Chase incurred no daily trading losses in excess of negative $15 million over the past 12 months. [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 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 June 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 TWELVE MONTHS ENDED JUNE June JUNE 30, 2000 2000 1999 ------------------------------------- ----------- ----------- (in millions) AVERAGE MINIMUM MAXIMUM -- Stress Test Loss - Pre-Tax $ (213) $ (112) $ (397) $ (222) $ (177)

-35- 36 PART I Item 2 (continued) INVESTMENT PORTFOLIO AND ASSET/LIABILITY ACTIVITIES Chase also has market risk exposure in its investment portfolios 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 June 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 3.7% of projected net income for full year 2000. At June 30, 1999, Chase's exposure under the same scenario was approximately 2.6% of projected 1999 net income. 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 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 June 30, 2000, Chase's largest potential NII stress test loss was estimated to be approximately 12.4% of projected net income for full year 2000. At year-end 1999, Chase's exposure was estimated to be approximately 8% of projected net income for full year 2000. Value-at-Risk: See the VAR Aggregate Exposure section on page 34 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 ($4.0) million (pre-tax), indicating that the market value of Chase's A/L positions would have declined by approximately $4.0 million for every one basis point increase in interest rates along the interest rate yield curve. This compares with a directional BPV of ($5.0) million at June 30, 1999. The following table also shows that the economic value of Chase's investment portfolio and A/L activities would have declined by $11.3 million (pre-tax) for every one basis point widening of interest spreads, the same as at June 30, 1999.

MARKET RISK-RELATED A/L ACTIVITIES --------------------------------- TWELVE-MONTH PERIOD ENDED JUNE 30, 2000 -------------------------------------- AT JUNE 30, At June 30, (in millions) AVERAGE MINIMUM MAXIMUM 2000 1999 -- --------------- Directional Risk $ (4.2) $ (1.6) $ (6.8) $ (4.0) $ (5.0) Basis Risk (10.4) (8.0) (13.2) (11.3) (11.3)

Economic Value Stress Testing. Chase utilizes several historical and hypothetical scenarios when performing its economic value stress tests. As of June 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 June 30, 2000 and December 31, 1999.

JUNE 30, December 31, (in millions) 2000 1999 Change ------------ -------------- ------ A/L Derivative Contracts: Net Deferred Gains $ 209 $ 205 $ 4 Net Unrecognized Losses (a) (935) (877) (58) ----------- --------- -------- Net A/L Derivative Losses $ (726) $ (672) $ (54) ========= ========= ======= --

(a) These net unrecognized losses do not include the net favorable impact from the assets/liabilities being hedged by these derivative contracts. == -36- 37 PART I Item 2 (continued) -------------------------------------- --------------------------------------- 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 June 30, 2000 remained strong, with capital ratios well in excess of regulatory guidelines. At June 30, 2000, the Tier 1 and Total Capital ratios were 8.7% and 12.4%, respectively, and the Tier 1 leverage ratio was 6.8%. Management's long-term target range for the Tier 1 Capital ratio is 8% to 8.25%; however, this target may not always be maintained on a quarter-to-quarter basis in light of changing economic conditions and business needs. The following table shows the sources and uses of Chase's Tier 1 Capital.

2ND QUARTER SIX MONTHS FULL YEAR (in billions) 2000 2000 1999 1998 -------------- --------------- ------------------- SOURCES OF FREE TIER 1 CAPITAL Cash Operating Earnings Less Dividends $ 0.9 $ 1.9 $ 4.3 $ 2.9 Preferred Stock and Equivalents/Special Items (0.3) (0.4) 0.2 (0.7) Capital for Internal Asset Growth (0.8) (0.6) (1.0) (0.3) ------- --------- ------ ------ Total Sources of Free Cash Flow` $ (0.2) $ 0.9 $ 3.5 $ 1.9 ======= ======= ======= ======= USES OF FREE TIER 1 CAPITAL Increases in Capital Ratios $ 0.1 $ 0.5 $ 0.1 $ 1.2 Acquisitions -- -- 1.1 0.8 Repurchases Net of Stock Issuances for Employee Plans (0.3) 0.4 2.3 (0.1) ------ -------- ----- ------ Total Uses of Free Cash Flow $ (0.2) $ 0.9 $ 3.5 $ 1.9 ======= ======= ======= =======

During the first half of 2000, $0.9 billion of free cash flow was generated, which was primarily earmarked to support the acquisition of Flemings in August 2000. 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. Under its equity repurchase program, which became effective January 19, 2000, Chase may repurchase up to $5 billion of its common stock in the open market or through negotiated transactions, in addition to any amounts that may need to be purchased to provide for issuances under Chase's dividend reinvestment plan and its various stock-based employee benefit plans. There were no repurchases of Chase common stock during the 2000 second quarter. Stock repurchases are planned to resume after the Flemings acquisition is completed and Chase's Tier 1 Capital ratio returns to management's target range of 8% to 8.25%, which is anticipated to occur by year-end 2000. At June 30, 2000, the total capitalization of Chase (the sum of Tier 1 and Tier 2 Capital) was $38.0 billion, an increase of $1.5 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. 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 six months of 2000, Chase issued $5.6 billion of long-term debt, while $1.7 billion of long-term debt matured. Additionally, in the second quarter of 2000, $100 million of 10.96% cumulative preferred stock was redeemed. -37- 38 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 is currently 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 half of 2000. Management does not anticipate that Chase will incur any additional material costs related to this project. The Securities and Exchange Commission 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. -- 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 June 30, 2000. -- ACCOUNTING DEVELOPMENTS -- For a discussion of accounting developments related to derivatives and the allowance for loan losses, see the Accounting and Reporting Development section on page 55 of the 1999 Annual Report. -- OTHER EVENTS -- On August 1, 2000 Chase acquired Flemings. The consideration issued to Flemings' shareholders consisted of 2.6 billion pound sterling 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 expensed over the two years following the acquisition. Flemings is a global asset management and investment banking firm based in London. 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. -38- 39 Part 1 Item 2 (continued)

THE CHASE MANHATTAN CORPORATION FINANCIAL HIGHLIGHTS (IN MILLIONS, EXCEPT PER SHARE DATA AND RATIOS) SECOND QUARTER SIX MONTHS ------------------------------------ ----------------------------------- Over/(Under) Over/(Under) 2000 1999 2qtr99 2000 1999 1999 ---- ---- ------ ---- ---- ---- ~~AS REPORTED BASIS Revenue $ 5,416 $ 5,616 (4)% $ 11,341 $ 10,760 5% Noninterest Expense (excluding Restructuring Costs) 3,357 3,068 9 6,847 6,013 14 Restructuring Costs 50 -- NM 50 -- NM Provision for Loan Losses 332 388 (14) 674 769 (12) Net Income 1,091 1,393 (22) 2,451 2,566 (4) Net Income per Common Share: Basic 0.88 1.10 (20) 1.98 2.01 (1) Diluted 0.85 1.06 (20) 1.92 1.95 (2) Cash Dividends Declared 0.32 0.27 19 0.64 0.54 19 Book Value at Period End 19.43 17.36 12 Share Price at Period End 46.06 57.67 (20) Performance Ratios: ------------------ Return on Average Common Equity (a) 19% 25% (600) bp 21% 23% (200) bp Return on Average Assets (a) 1.11 1.55 (44) 1.25 1.42 (17) --~~ ~~OPERATING BASIS (b) Revenue $ 5,799 $ 5,696 2% $ 11,978 $ 11,109 8% Noninterest Expense 3,357 2,968 13 6,847 5,913 16 Credit Costs (c) 574 634 (9) 1,170 1,284 (9) Earnings 1,215 1,351 (10) 2,575 2,524 2 Earnings per Common Share: Basic 0.98 1.07 (8) 2.08 1.98 5 Diluted 0.95 1.03 (8) 2.01 1.91 5 Performance Ratios: ------------------ Return on Average Common Equity (a) 21.0% 24.3% (330) bp 22.5% 22.5% -- bp Return on Average Managed Assets (a) 1.18 1.43 (25) 1.26 1.33 (7) Common Dividend Payout Ratio 33 26 700 31 28 300 Overhead Ratio 58 52 600 57 53 400 Cash Basis: ---------- Cash Earnings (d) $ 1,299 $ 1,427 (9)% $ 2,744 $ 2,673 3% Diluted Cash Earnings per Common Share 1.02 1.09 (6) 2.15 2.03 6 Shareholder Value Added 542 696 (22) 1,243 1,197 4 Cash Return on Average Common Equity (a) 23% 26% (300) bp 24% 24% -- bp Selected Balance Sheet Items at Period End: (e) -- Managed Loans $ 200,033 $ 191,985 4% Total Managed Assets 415,906 373,812 11 --~~

(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.

-39- 40 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 JUNE 30, 2000 June 30, 1999 ------ --------------------------------- ------ ---------------------------------- AVERAGE RATE Average Rate BALANCE INTEREST (ANNUALIZED) Balance Interest (Annualized) ------- -------- ----------- ------- -------- ---- -------- ~~ASSETS Deposits with Banks $ 4,598 $ 101 8.85% $ 6,103 $ 161 10.55% Federal Funds Sold and Securities Purchased under Resale Agreements 33,849 451 5.36% 32,145 389 4.87% Trading Assets - Debt and Equity Instruments 30,822 478 6.24% 24,920 411 6.61% Securities: Available-for-Sale 62,512 946~~

~~6.09% (b) 51,571 731 5.69% (b) Held-to-Maturity 781 13 6.57% 1,196 18 6.30% Loans 179,020 3,634 8.16% 173,067 3,168 7.34% ------------ ------ ------------ ------ Total Interest-Earning Assets 311,582 5,623 7.26% 289,002 4,878 6.77% Allowance for Loan Losses (3,413) (3,493) Cash and Due from Banks 15,204 14,293 Trading Assets - Risk Management Instruments 30,600 27,043 Other Assets 42,111 34,212 ------------ ------------ Total Assets $ 396,084 $ 361,057 ============ ============ LIABILITIES Domestic Retail Deposits $ 62,774 594 3.80% $ 61,732 530 3.44% Domestic Negotiable Certificates of Deposit and Other Deposits 16,271 264 6.54% 19,278 169 3.52% Deposits in Foreign Offices 91,646 1,228 5.40% 77,646 859 4.44% ------------ ------ ------------ ------ Total Time and Savings Deposits 170,691 2,086 4.92% 158,656 1,558 3.94% ------------ ------ ------------ ------ Short-Term and Other Borrowings: Federal Funds Purchased and Securities Sold Under Repurchase Agreements 62,870 871 5.57% 50,564 548 4.35% Commercial Paper 5,271 81 6.20% 4,980 57 4.58% Other Borrowings (c) 16,850 264 6.28% 15,189 246 6.49% ------------ ------ ------------ ------ Total Short-Term and Other Borrowings 84,991 1,216 5.75% 70,733 851 4.82% Long-Term Debt 23,109 397 6.90% 19,783 319 6.46% -~~

~~---------- -------- -- --------- -------- Total Interest-Bearing Liabilities 278,791 3,699 5.34% 249,172 2,728 4.39% ------- ---- ------- -------- --- -------- Noninterest-Bearing Deposits 50,780 47,652 Trading Liabilities - Risk Management Instruments 26,240 26,791 Other Liabilities 15,889 13,878 ----------- - ---------- Total Liabilities 371,700 337,493 ----------- ---------- PREFERRED STOCK OF SUBSIDIARY 550 550 ----------- ---- ------- STOCKHOLDERS' EQUITY Preferred Stock 926 1,028 Common Stockholders' Equity 22,908 21,986 ----- ------ ----------- Total Stockholders' Equity 23,834 23,014 ----------- - ---------- Total Liabilities, Preferred Stock of Subsidiary and Stockholders' Equity $ 396,084 $ 361,057 =========== =========== INTEREST RATE SPREAD 1.92% 2.38% ==== NET INTEREST INCOME AND NET YIELD ON INTEREST-EARNING ASSETS $ 1,924 (a) 2.48% $ 2,150 (a) 2.98% ========= ==== ========= -----~~

-- (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 June 30, 2000 and June 30, 1999, the annualized rate for available-for-sale securities based on historical cost was 5.84% and 5.61%, respectively. (c) Includes securities sold but not yet purchased and structured notes. --- -40- 41 Part 1 Item 2 (continued) THE CHASE MANHATTAN CORPORATION AVERAGE CONSOLIDATED BALANCE SHEET, INTEREST AND RATES (TAXABLE-EQUIVALENT INTEREST AND RATES; IN MILLIONS)

SIX MONTHS ENDED Six Months Ended JUNE 30, 2000 June 30, 1999 --------------------- -------------------- --------------------- ------------------- AVERAGE RATE Average Rate BALANCE INTEREST (ANNUALIZED) Balance Interest (Annualized) -------

-------- ----------- ------- -------- ---- -------- ~~ASSETS Deposits with Banks $ 5,633 $ 235 8.40% $ 6,527 $ 345 10.65% Federal Funds Sold and Securities Purchased under Resale Agreements 32,539 897 5.54% 29,635 770 5.24% Trading Assets - Debt and Equity Instruments 29,576 895 6.08% 24,824 829 6.74% Securities: Available-for-Sale 61,909 1,871 6.08% (b) 54,592 1,547 5.72% (b) Held-to-Maturity 827 27 6.49% 1,339 41 6.24% Loans 178,029 7,114 8.04% 172,993 6,377 7.43% ------- ---- ------- -------- --- --------- Total Interest-Earning Assets 308,513 11,039 7.20% 289,910 9,909 6.89% Allowance for Loan Losses (3,414) (3,491) Cash and Due from Banks 15,338 15,106 Trading Assets - Risk Management Instruments 30,993 28,244 Other Assets 42,182 34,208 ----- ------ ----------- Total Assets $ 393,612 $ 363,977~~

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

~~LIABILITIES Domestic Retail Deposits $ 62,787 1,140 3.65% $ 61,478 1,040 3.41% Domestic Negotiable Certificates of Deposit and Other Deposits 16,325 526 6.48% 20,851 370 3.58% Deposits in Foreign Offices 92,681 2,385 5.18% 78,475 1,746 4.49% ------- ---- ------- -------- --- --------- Total Time and Savings Deposits 171,793 4,051 4.74% 160,804 3,156 3.96% ----------- -- ----- ------------ --- ----- Short-Term and Other Borrowings: Federal Funds Purchased~~

~~and Securities Sold Under Repurchase Agreements 59,837 1,629 5.47% 50,753 1,117 4.44% Commercial Paper 5,989 176 5.90% 5,121 117 4.62% Other Borrowings (c) 17,428 540 6.23% 14,276 531 7.49% ----------- ------- ----------- ------- Total Short-Term and Other Borrowings 83,254 2,345 5.66% 70,150 1,765 5.07% Long-Term Debt 21,956 751 6.88% 19,237 630 6.60% ----------- ------- ----------- ------- Total Interest-Bearing Liabilities 277,003 7,147 5.19% 250,191 5,551 4.47% ----------- ------- ----------- ------- Noninterest-Bearing Deposits 50,828 47,815 Trading Liabilities - Risk Management Instruments 25,697 27,982 Other Liabilities 15,894 14,074 ----------- ----------- Total Liabilities 369,422 340,062 ----------- ----------- PREFERRED STOCK OF SUBSIDIARY 550 550 ----------- ----------- STOCKHOLDERS' EQUITY Preferred Stock 927 1,028 Common Stockholders' Equity 22,713 22,337 ----------- ----------- Total Stockholders' Equity 23,640 23,365 ----------- ----------- Total Liabilities, Preferred Stock of Subsidiary and Stockholders' Equity $ 393,612 $ 363,977 =========== =========== INTEREST RATE SPREAD 2.01% 2.42% ==== NET INTEREST INCOME AND NET YIELD ON INTEREST-EARNING ASSETS $ 3,892(a) 2.54% $ 4,358 (a) 3.03% ======~~

5.03%

--- (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 six months ended June 30, 2000 and June 30, 1999, the annualized rate for available-for-sale securities based on historical cost was 5.83% and 5.69%, respectively. (c) Includes securities sold but not yet purchased and structured notes. --- -41- 42 PART I Item 2 (continued) THE CHASE MANHATTAN CORPORATION QUARTERLY FINANCIAL INFORMATION (IN MILLIONS, EXCEPT PER SHARE DATA)

2000 1999 ------ -- SECOND FIRST Fourth Third Second First QUARTER QUARTER Quarter Quarter Quarter Quarter --- ~~INTEREST INCOME Loans \$ 3,631 \$ 3,480 \$ 3,451 \$ 3,288 \$ 3,165 \$ 3,209 Securities 952 933 872 762 747 835 Trading Assets 479 416 477 399 411 418 Federal Funds Sold and Securities Purchased under Resale Agreements 451 446 329 352 389 381 Deposits with Banks 101 134 212 195 161 184 -- Total Interest Income 5,614 5,409 5,341 4,996 4,873 5,027 -- INTEREST EXPENSE Deposits 2,086 1,965 1,786 1,650 1,558 1,598 Short-Term and Other Borrowings 1,216 1,129 1,018 870 851 914 Long-Term Debt 397 354 312 306 319 311 -- Total Interest Expense 3,699 3,448 3,116 2,826 2,728 2,823 -- NET INTEREST~~

INCOME 1,915

~~INCOME 1,915 1,961 2,225 2,170 2,145 2,204 Provision for Loan Losses 332 342 454 398 388 381~~

~~NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES 1,583 1,619 1,771 1,772 1,757 1,823~~

~~NONINTEREST REVENUE Investment Banking Fees 639 648 499 486 585 317 Trust, Custody and Investment Management Fees 545 509 469 457 461 414 Credit Card Revenue 443 397 440 441 438 379 Fees for Other Financial Services 695 731 719 637 587 553 Trading Revenue 824 1,021 531 462 526 618 Securities Gains (Losses) 57 14 (59) (1) 5 156 Private Equity Gains 298 500 1,307 377 513 325 Other Revenue -- 144 135 162 356 178~~

~~Total Noninterest Revenue 3,501 3,964 4,041 3,021 3,471 2,940~~

~~NONINTEREST EXPENSE Salaries 1,614 1,753 1,461 1,417 1,416 1,384 Employee Benefits 252 287 233 238 238 255 Occupancy Expense 216 226 224 218 206 218 Equipment Expense 274 285 278 255 239 243~~

~~Restructuring Costs 50 -- 48 -- -- -- Other Expense 1,001 939 983 853 969 845 -- Total Noninterest Expense 3,407 3,490 3,227 2,981 3,068 2,945 -- INCOME BEFORE INCOME TAX EXPENSE 1,677 2,093 2,585 1,812 2,160 1,818 Income Tax Expense 586 733 892 625 767 645 -- NET INCOME 1,091 $ 1,360 $ 1,693 $ 1,187 $ 1,393 $ 1,173 -------- ======== ======== ======== ======== ======== NET INCOME APPLICABLE TO COMMON STOCK $ 1,074 $ 1,344 $ 1,677 $ 1,168 $ 1,375 $ 1,155 ======== ======== ======== ======== ======== ======== NET INCOME PER COMMON SHARE Basic $ 0.88 $ 1.10 $ 1.37 $ 0.95 $ 1.10 $ 0.91 ======== ======== ======== ======== ======== ======== Diluted $ 0.85 $ 1.06 $ 1.32 $ 0.92 $ 1.06 $ 0.88 ======== ======== ======== ======== ======== ========~~

-- 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 7-10, 13-15, 18, 24-25, 27, 29-30, 33-34, 37-38, 44, 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, 34, 36) BPV: Basis Point Value. 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 36) Cash Operating Earnings: Operating earnings excluding the impact of amortization of goodwill and certain other intangibles. (Pages 10, 24-27) Chase USA: Chase Manhattan Bank USA, National Association. (Page 9) 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 11, 22, 24) REIT: A real estate investment trust subsidiary of Chase. (Page 22) 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 7, 9) 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 second quarter and six months include a loss resulting from the economic hedge of the purchase price of Fleming prior to its acquisition. The 1999 second quarter and six months included gains from sales of nonstrategic assets and a special contribution to The Chase Manhattan Foundation. (Page 11) Stress Testing: A risk management tool used to measure market risk in an extreme market environment. (Page 35) Value-at-Risk ("VAR"): A risk measurement tool used to measure the potential overnight loss from adverse market movements. (Pages 34-36) -43- 44 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 ("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 $1.2 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 second 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: April 3, 2000 - 323 shares. -44- 45 PART II - OTHER INFORMATION continued Item 4. Submission of Matters to a Vote of Security Holders The following is a summary of matters submitted to vote at the Annual Meeting of Stockholders of the Corporation. The Annual Meeting of Stockholders was held on May 16, 2000. Shares below do not give effect to the three-for-two stock split. A total of 698,761,993 shares, or 85.0% of the 821,907,970 shares entitled to vote at the Annual Meeting, were represented at the meeting. (A) Election of Directors The following fourteen (14) directors were elected to hold office until the 2001 Annual Meeting or until their successors are elected and have qualified.

	Votes Received	Votes Withheld
~~Hans W. Becherer~~	~~694,162,957~~	~~4,599,036~~
~~Frank A. Bennack Jr.~~	~~694,103,943~~	~~4,658,050~~
~~Susan V. Berresford~~	~~694,139,478~~	~~4,622,515~~
~~M. Anthony Burns~~	~~694,230,402~~	~~4,531,591~~
~~H. Laurance Fuller~~	~~694,217,831~~	~~4,544,162~~
~~Melvin R. Goodes~~	~~694,123,310~~	~~4,638,683~~
~~William H. Gray III~~	~~693,471,227~~	~~5,290,766~~
~~William B. Harrison Jr.~~	~~694,101,383~~	~~4,660,610~~
~~Harold S. Hook~~	~~694,019,991~~	~~4,742,002~~
~~Helene L. Kaplan~~	~~681,926,953~~	~~16,835,040~~
~~Henry B. Schacht~~	~~681,803,330~~	~~16,958,663~~
~~Andrew C. Sigler~~	~~693,710,730~~	~~5,051,263~~
~~John R. Stafford~~	~~692,104,812~~	~~6,657,181~~
~~Marina v.N. Whitman~~	~~694,051,085~~	~~4,710,908~~

(B) (1) Ratifying Independent Accountants A proposal to ratify PricewaterhouseCoopers LLP as independent accountants was approved by 99.82% of the votes cast. The proposal received a "for" vote of 694,755,346 and an "against" vote of 1,273,716. The number of votes abstaining was 2,732,931. There were no broker non-votes. (2) Amendments to the Restated Certificate of Incorporation A proposal to approve amendments to the Restated Certificate of Incorporation to increase the number of authorized shares of common stock and effect the 3-for-2 stock split was approved by 95.45% of the votes cast. The proposal received a "for" vote of 664,708,615 and an "against" vote of 31,663,168. The number of votes abstaining was 2,390,210. There were no broker non-votes. (3) Amendments to the 1996 Long-Term Incentive Plan A proposal to approve amendments to the 1996 Long-Term Incentive Plan was approved by 68.47% of the votes cast. The proposal received a "for" vote of 409,781,256 and an "against" vote of 188,682,359. The number of votes abstaining was 5,070,992. There were 95,227,386 broker non-votes.

(4) Stockholder Proposal Re: Political Contributions A proposal by Evelyn Y. Davis requiring that management publish annual reports of political contributions made by Chase was rejected by 96.32% of the votes cast. The vote "for" was 20,924,284 and the vote "against" was 548,914,715. The number of votes abstaining was 33,577,165 and there were 95,345,829 broker non-votes. (5) Stockholder Proposal Re: Loans to HIPC Countries A proposal by the Sisters of Charity of St. Elizabeth and other church groups that the Board of Directors develop a policy for the cancellation of loans to Heavily Indebted Poor Countries (HIPCs) was rejected by 97.96% of the votes cast. The vote "for" was 11,473,256 and the vote "against" was 550,515,104. The number of votes abstaining was 41,431,199 and there were 95,342,434 broker non-votes. (6) Stockholder Proposal Re: Reports on Underwriting Criteria A proposal submitted by Trillium Asset Management, on behalf of Greg and Maria-Jobin Leeds, that the Board of Directors issue a report on underwriting criteria relating to a transaction's impact on the environment, human rights and risk to the company's reputation was rejected by 93.62% of the votes cast. The vote "for" was 35,800,820 and the vote "against" was 525,747,994. The number of votes abstaining was 41,870,170 and there were 95,343,009 broker non-votes. (7) Stockholder Proposal Re: Director Nomination Procedures A proposal by Richard A. Dee requesting that the Board of Directors adopt a policy requiring the Governance Committee to nominate two candidates for each directorship to be filled upon voting at the annual

meetings was rejected by 96.78% of the votes cast. The vote "for" was 18,244,691 and the vote "against" was 548,540,635. The number of votes abstaining was 36,725,298 and there were 95,251,369 broker non-votes. (8) Stockholder Proposal Re: Confidential Voting A proposal by Mark Seidenberg that the Board of Directors take the necessary steps to ensure that all proxies, ballots and voting tabulations be kept permanently confidential was approved by 93.81% of the votes cast. The vote "for" was 651,197,419 and the vote "against" was 42,966,235. The number of votes abstaining was 4,540,334 and there were 58,005 broker non-votes. -46- 47 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 (B) Reports on Form 8-K: Chase filed five reports on Form 8-K during the quarter ended June 30, 2000, as follows: Form 8-K dated April 11, 2000: Chase announced an offer to acquire Robert Fleming Holdings Limited for 2,573 million pound sterling cash and $3,622 million in Chase common stock. Form 8-K dated April 19, 2000: Chase announced the results of operations for the first quarter of 2000. Form 8-K dated May 16, 2000: Chase announced that its shareholders approved a three-for-two stock split and an increase in authorized shares from 1.5 billion to 4.5 billion shares. Form 8-K dated June 12, 2000: In connection with the 3-for-2 stock split approved by shareholders on May 16, 2000, Chase announced that the additional shares issued as a result of the split were distributed on June 9, 2000, and filed financial data restated for the 3-for-2 stock split. Form 8-K dated June 19, 2000: Chase disclosed its management's views on certain credit-related issues, including net charge-offs and nonperforming assets. -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 August 14, 2000 By /s/ Joseph L. Sclafani --------------- --- Joseph L. Sclafani Executive Vice President and Controller [Principal Accounting Officer] -48- 49 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 35 Bar Graph entitled "Histogram of Daily Market Risk-Related Revenue for the twelve months ended June 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 28 42 51 44 40 21 30 - 35 Over 35 13 14 Millions of Dollars 0 - (5) (5) - (10) (10) - (15) (15) - (20) Over (20) Number of trading days revenue was within the above prescribed negative range 7 1 1 0 0~~

50 INDEX TO EXHIBITS SEQUENTIALLY NUMBERED

EXHIBIT NO.	EXHIBITS	PAGE AT WHICH LOCATED
~~11~~	~~Computation of earnings per common share~~	~~50~~
~~12(a)~~	~~Computation of ratio of earnings to fixed charges~~	~~51~~
~~12(b)~~	~~Computation of ratio of earnings to fixed charges and preferred stock dividend requirements~~	~~52~~
~~27~~	~~Financial Data Schedule~~	~~53~~