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SUBJECT: Submits util proposal to consummate two sale & leaseback transactions on 861217. See financial Info

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November 26, 1986

Director of Nuclear Reactor Regulation
Attention: Frank J. Miraglia, Director
Division of Pressurized Water Reactor Licensing-B
Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Supplemental Application in Respect of Sale and Leaseback Transactions by Public Service Company of New Mexico Dated October 15, 1986 - Palo Verde Nuclear Generating Station Unit 1 and Unit 2

(Docket Nos. STN 50-528 and STN 50-529)

Dear Mr. Miraglia:

As undertaken in the above-captioned Supplemental Application (the Supplemental Application), the undersigned, on behalf of Public Service Company of New Mexico (PNM), provides the following information:

(i) Closing Date: PNM proposes to consummate two sale and leaseback transactions on December 17, 1986, one with respect to all of the Remaining Unit 1 Interest (as defined in the Supplemental Application; other capitalized terms used herein, unless otherwise defined, also having the meanings specified in the Supplemental Application) and one with respect to all of the Remaining Unit 2 Interest. The proposed closing date is at least seven (7) days following

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December 5, 1986, the date specified for the expiration of the comment period in the Federal Register notice (51 F.R. 40275, November 5, 1986) relating to the Supplemental Application.

(ii) Identity of Equity Investor: The Equity Investor will be a direct or indirect subsidiary of The Chase Manhattan Corporation (such subsidiary being herein referred to as Chase). Chase is the Equity Investor with which PNM consummated the August 1, 1986 sale and leaseback transaction with respect to Palo Verde Unit 1 (see paragraph (ii) under the caption "Background" in the Supplemental Application). The then currently available interim and annual financial statements for The Chase Manhattan Corporation were forwarded to the Commission by the undersigned under cover of letter dated June 10, 1986.

(iii) Equity Investment: Chase is expected to provide an equity investment of $15,000,000 (20% of the equipment cost relating to the Remaining Unit 1 Interest) and $7,000,000 (20% of the equipment cost relating to the Remaining Unit 2 Interest), for a total of $22,000,000 for the two transactions. The debt portions (80% of aggregate equipment cost relating to the Remaining Units 1 and 2 Interests) are expected to be funded with $88,000,000 of the proceeds of issuance by First PV Funding Corporation of its Lease Obligation Bonds, Series 1986B, on November 25, 1986.

(iv) Supporting Information: Pursuant to PNM's undertakings under the caption "Supporting Information" in the Supplemental Application, enclosed herewith for each of PNM, Bank of Boston Corporation (parent of The First National Bank of Boston, the Owner Trustee) and The Chase Manhattan Corporation is such corporation's most recently filed

Quarterly Report on Securities and Exchange Commission Form 10-Q. These reports include financial statements for each such corporation. As is clear from PNM's previous submissions to the Commission, no Equity Investor will, as a result of its interest in a PVNGS unit, have any liability for payment of operating or decommissioning costs of or costs of capital improvements for such unit. PNM is and remains responsible for these and similar items.

PNM respectfully requests, therefore, that a further amendment to each of Facility Operating License NPF-41 and NPF-51 be issued as requested in the Supplemental Application not later than December 12, 1986.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

Timothy Michael Toy

Timothy Michael Toy

Copies with enclosures to:

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8612040420

PUBLIC SERVICE COMPANY OF NEW MEXICO

Sale and Leaseback Transactions with respect to Palo Verde Nuclear Generating Station Unit 1 and Unit 2 (Docket Nos. STN-528 and STN-529)

Supplemental Financial Information with respect to the Prospective Equity Investor, the Owner Trustee and Public Service Company of New Mexico

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November 26, 1986

6091.30.2898.06:1

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For Quarter Ended: September 30, 1986

Commission file number: 1-5945

The Chase Manhattan Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2633613 (I.R.S. Employer Identification No.)
1 Chase Manhattan Plaza, New York, New York (Address of principal executive offices)	10081 (Zip Code)

212-552-2222
(Registrant's telephone number, including area code)

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____

The number of shares outstanding of the registrant's common stock (par value $12.50 per share) was 80,407,582 at September 30, 1986.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Consolidated Statement of Condition of The Chase Manhattan Corporation and its subsidiaries (the "Corporation") as of September 30, 1986, December 31, 1985, and September 30, 1985, the Consolidated Statement of Income for the quarters and the nine months ended September 30, 1986 and 1985, the Statement of Changes in Common Stockholders' Equity for the nine months ended September 30, 1986 and 1985, and the Consolidated Statement of Changes in Financial Position for the nine months ended September 30, 1986 and 1985, are set forth on the following pages.

The interim consolidated financial statements are unaudited. However, in the opinion of Management, all adjustments, consisting only of normal recurring accruals, necessary for the fair presentation of the financial position, results of operations and changes in financial position for such periods have been made.

Prior periods' financial statements have been reclassified to conform with the current financial statement presentations.

The Chase Manhattan Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF CONDITION

($ in thousands)	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Assets			
Cash and Due from Banks	$ 4,146,593	$ 5,574,055	$ 5,087,234
Interest-Bearing Deposits Placed with Banks	5,177,904	4,671,046	5,271,001
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,223,817	1,174,371	1,566,282
Trading Account Assets	1,735,144	1,344,495	1,456,415
Investment Securities:			
U.S. Treasury Securities	1,903,501	1,839,207	1,572,866
Federal Agency Securities	31,865	330,259	260,291
State and Political Subdivision Securities	2,058,407	2,410,373	2,151,669
Other Bonds, Notes and Debentures	1,683,979	1,408,541	1,226,469
Federal Reserve Bank and Other Stock Investments	165,053	134,012	124,004
Total Investment Securities (Estimated Market Value of $5,933,000, $6,098,000 and $5,204,000, Respectively)	5,842,805	6,122,392	5,335,299
Loans	63,326,371	61,930,527	61,591,300
Less: Reserve for Possible Loan Losses	1,334,165	907,672	872,399
Loans, Net	62,792,206	61,022,855	60,718,901
Customers' Liability on Acceptances	2,669,197	2,820,471	3,658,162
Accrued Interest Receivable	849,085	1,028,986	1,011,606
Premises and Equipment	1,123,769	913,580	856,574
Other Assets	3,471,147	3,013,189	2,846,291
Total Assets	$90,031,657	$87,685,442	$87,707,765
Liabilities and Stockholders' Equity			
Deposits:			
Domestic Offices:			
Noninterest-Bearing	$12,196,513	$13,499,638	$11,837,900
Interest-Bearing	19,377,177	19,130,323	18,437,256
Overseas Offices:			
Noninterest-Bearing	2,075,823	1,939,120	1,895,830
Interest-Bearing	28,468,173	26,783,968	29,053,974
Total Deposits	62,117,686	61,353,049	61,224,960
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	4,705,917	4,131,793	4,143,067
Commercial Paper	2,828,471	3,483,501	3,688,295
Other Borrowed Money	4,958,715	4,671,994	3,794,662
Acceptances Outstanding	2,678,157	2,828,696	3,665,332
Accrued Interest Payable	703,755	668,961	748,652
Accounts Payable, Accrued Expenses and Other Liabilities	4,356,312	3,282,175	3,595,554
	82,349,013	80,420,169	80,860,522
Long-Term Notes and Debentures	2,857,898	2,806,499	2,608,633
Total Liabilities	85,206,911	83,226,668	83,469,155
Preferred Stock (Without Par Value-Authorized Shares of 50,000,000, 20,000,000 and 20,000,000, Respectively):			
Redeemable Preferred Stock: 616,379 Shares Outstanding	61,638	61,638	61,638
Nonredeemable Preferred Stock: 12,039,737 Shares Outstanding	601,987	601,987	601,987
Common Stockholders' Equity:			
Common Stock (Par Value $12.50 Per Share):			
Authorized Shares: 9/30/86 250,000,000; 12/31/85 125,000,000; 9/30/85 125,000,000			
Outstanding Shares: 9/30/86 80,407,582; 12/31/85 77,157,724; 9/30/85 38,203,372	1,005,095	964,472	477,542
Surplus	343,900	276,288	742,198
Foreign Exchange Translation Adjustments	(25,525)	(22,265)	(24,346)
Retained Earnings	2,837,661	2,576,654	2,479,591
Total Common Stockholders' Equity	4,161,131	3,795,149	3,674,985
Total Liabilities and Stockholders' Equity	$90,031,667	$87,685,442	$87,707,765

The Chase Manhattan Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

($ in thousands, except per common share data)	Quarter Ended September 30, 1986	Quarter Ended September 30, 1985	Nine Months Ended September 30, 1986	Nine Months Ended September 30, 1985
Interest Income				
Interest and Fees on Loans	$1,546,531	$1,755,003	$4,948,890	$5,371,428
Interest on Bank Deposit Placings	111,961	130,551	352,189	365,217
Interest and Dividends on Investment Securities:				
Interest on U.S. Treasury Securities	43,039	49,044	12[illegible],983	147,589
Federal Agency Securities	2,364	7,310	16,799	18,015
State and Political Subdivision Securities Exempt from Federal Income Taxes	37,782	37,876	122,792	111,594
Other Bonds, Notes and Debentures	34,034	45,153	136,933	140,812
Dividends on Federal Reserve Bank and Other Stock Investments	3,190	3,293	7,944	7,868
	120,409	142,676	409,451	425,678
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	18,084	21,300	90,728	69,498
Interest on Trading Account Assets	25,666	18,611	75,980	54,213
Total Interest Income	1,822,651	2,068,141	5,877,238	6,[illegible]
Interest Expense				
Deposits	783,888	1,031,908	2,575,666	3,269,464
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	93,552	116,825	352,796	336,706
Commercial Paper	45,156	62,346	156,164	205,049
Other Borrowed Money	97,127	86,585	375,304	280,976
Long-Term Notes and Debentures	57,889	60,407	183,933	178,341
Total Interest Expense	1,077,612	1,359,071	[illegible]	4,270,536
Net Interest Income	745,039	709,070	2,233,375	2,015,698
Provision for Possible Loan Losses	190,000	110,000	455,000	310,000
Net Interest Income After Provision for Possible Loan Losses	555,039	599,070	1,778,375	1,705,698
Other Operating Income				
Fees and Commissions	276,562	228,404	801,062	646,585
Foreign Exchange Trading Income	54,821	48,231	177,934	126,915
Trading Account Profits (Losses)	17,993	3,022	49,413	19,355
Investment Securities Gains (Losses)	51,152	28,776	137,932	78,084
Other Income	105,244	12,848	161,385	62,583
Total Other Operating Income	505,772	321,281	1,327,726	934,422
Other Operating Expenses				
Salaries and Employee Benefits:				
Salaries	341,482	280,038	983,047	801,709
Profit Sharing	26,082	22,351	72,347	60,943
Other Employee Benefits	98,245	72,336	266,341	209,273
	465,809	374,725	1,321,735	1,071,925
Net Occupancy	94,530	67,869	242,899	188,549
Equipment Rentals, Depreciation and Maintenance	67,428	59,456	206,062	171,068
Other Expenses	233,720	196,327	698,661	556,020
Total Other Operating Expenses	861,487	698,377	2,469,357	1,987,562
Income Before Taxes	199,324	221,97[illegible]	636,744	652,458
Applicable Income Taxes	61,219	72,550	209,180	238,320
Net Income	$ 138,105	$ 149,[illegible]	$ [illegible]	$ [illegible]
Net Income Applicable to Common Stock	$ 124,217	$ 132,[illegible]	$ 38[illegible],819	$ [illegible]
Average Shares Outstanding	80,193,207	75,898,308	79,223,224	74,716,348
Earnings Per Common Share:				
Primary, Based on Average Shares Outstanding	$ 1.55	$ 1.74	$ 4.83	$ 4.65
Assuming Full Dilution	$ 1.53	$ 1.68	$ 4.73	$ 4.47
Cash Dividends Declared Per Common Share	$ 0.51 1/4	$ 0.47 1/2	$ 1.53 3/4	$ 1.42 1/2

The Chase Manhattan Corporation and Subsidiaries and
The Chase Manhattan Corporation (Company Only)

STATEMENT OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

($ in thousands)	Nine Months Ended September 30, 1986	Nine Months Ended September 30, 1985
Common Stock		
Balance at Beginning of Period (77,157,724 Shares and 36,659,653 Shares, Respectively)	$ 964,472	$ 458,246
Conversion of Capital Notes and Debentures (1,459,039 Shares and 456,945 Shares, Respectively)	18,238	5,712
Exercise of Stock Options (230,419 Shares and 59,461 Shares, Respectively)	2,880	743
Shares Issued Pursuant to Dividend Reinvestment Plan (920,150 Shares and 544,576 Shares, Respectively)	11,502	6,807
Shares Issued Pursuant to Floating Rate Subordinated Notes Due 1996 (640,250 Shares and 482,737 Shares, Respectively)	8,003	6,034
Balance at End of Period (80,407,582 Shares and 38,203,372 Shares, Respectively)	1,005,095	477,542
Surplus		
Balance at Beginning of Period	276,288	678,342
Conversion of Capital Notes and Debentures	23,334	20,425
Exercise of Stock Options	2,887	1,724
Shares Issued Pursuant to Dividend Reinvestment Plan	23,611	21,863
Shares Issued Pursuant to Floating Rate Subordinated Notes Due 1996	17,780	19,844
Balance at End of Period	343,900	742,198
Foreign Exchange Translation Adjustments		
Balance at Beginning of Period	(22,265)	(18,730)
Aggregate Translation Gain (Loss) After Applicable Income Taxes (Benefits) of $(24,585) and $(25,042), Respectively	(3,260)	(5,616)
Balance at End of Period	(25,525)	(24,346)
Retained Earnings		
Balance at Beginning of Period	2,576,654	2,241,199
Net Income	427,564	414,138
Cash Dividends Declared:		
Redeemable Preferred Stock	(3,324)	(3,324)
Nonredeemable Preferred Stock	(41,943)	(66,466)
Common Stock	(121,290)	(105,956)
Balance at End of Period	2,837,661	2,479,591
Total Common Stockholders' Equity	$[illegible],161,131	$3,674,965

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

($ in thousands)	Nine Months Ended September 30, 1986	1985
Funds Provided		
Net Income	$ 427,564	$ 414,138
Add (Deduct) Noncash Items Included in Net Income:		
Depreciation and Amortization of Premises and Equipment	125,404	100,244
Provision for Possible Loan Losses	455,000	310,000
Amortization of Discount on Long-Term Notes and Other Borrowed Money	8,347	7,197
Deferred Income Taxes (Benefits)	36,230	(14,143)
Funds Provided from Operations	1,052,545	817,436
Issuance of:		
Common Stock	108,235	83,152
8 1/2% Notes Due 1996	248,998	-
Floating Rate Notes Due 2000	-	250,000
Extendable Notes Due 1997	-	249,683
French Franc Floating Rate Bonds Due 1993	-	37,359
Floating Rate Notes Due 1991	250,000	-
Increases in:		
Deposits	764,637	1,544,949
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	574,124	-
Other Borrowed Money	36,547	308,415
Accounts Payable, Accrued Expenses and Other Liabilities	1,072,701	1,041,702
Decreases in:		
Cash and Due from Banks	1,427,462	-
Investment Securities	279,587	-
Loans, Before Charge-Offs	-	135,436
Accrued Interest Receivable	179,901	180,343
Other-Net	139,530	-
Total Funds Provided	$6,134,267	$4,648,480
Funds Used		
Cash Dividends Declared:		
Redeemable Preferred Stock	$ 3,324	$ 3,324
Nonredeemable Preferred Stock	41,943	66,466
Common Stock	121,290	105,956
Conversion of Convertible Capital Notes and Subordinated Debentures into Common Stock	41,576	26,143
Repurchase of Capital Notes (4.70% Due 1989)	362	361
Retirement of Capital Notes (8 3/4% Due 1986)	200,000	-
Retirement of Capital Notes (4 7/8% Due 1993)	809	-
Retirement of Capital Notes (4.60% Due 1990)	-	402
Defeasance of Capital Notes (4.60% Due 1990)	3,833	-
Foreign Exchange Translation Adjustments	3,260	5,616
Increases in:		
Cash and Due from Banks	-	889,433
Interest-Bearing Deposits Placed With Banks	1,506,856	915,810
Federal Funds Sold and Securities Purchased Under Resale Agreements	49,446	273,077
Trading Account Assets	390,649	101,844
Investment Securities	-	89,493
Loans, Before Charge-Offs	2,322,338	-
Premises and Equipment	335,593	163,272
Other Assets	457,958	987,926
Decreases in:		
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	-	337,223
Commercial Paper	655,030	720,571
Accrued Interest Payable	-	55,078
Other-Net	-	6,485
Total Funds Used	$6,134,267	$4,648,480

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

Consolidated net income for the third quarter of 1986 was $138 million, or $1.55 per common share, compared with consolidated net income of $149 million, or $1.74 per common share, for the third quarter of 1985. The net income per common share amount for the third quarter of 1986 reflects the impact of lower levels of income and an increased number of common shares outstanding, partially offset by a reduction of preferred stock dividend requirements.

Third quarter 1986 net income, compared with the third quarter of 1985, reflected increased net interest income and other operating income, including increases in most fee-based income categories, foreign exchange trading income, dealer trading account profits, and gains from the sales of investment securities. Reflected in third quarter 1986 net income was a gain of $60 million after taxes from the sale of Computer Power, Inc., a subsidiary company providing data processing services to the mortgage banking industry. Reflected in third quarter 1985 net income was approximately $8 million after taxes due to the cumulative impact on Chase's leveraged lease financing portfolio resulting from New York state and city income tax rate changes.

More than offsetting the third quarter 1986 favorable factors were increases in operating expenses and a substantial increase in the provision for possible loan losses. Included in third quarter 1986 operating expenses were approximately $30 million of one-time charges relating to selective reductions in Chase's domestic and overseas office network. Excluding these one-time charges, third quarter 1986 operating expenses were essentially flat compared with the second quarter of 1986. The provision for possible loan losses increased by $80 million over the third quarter of 1985 and by $55 million over the second quarter of 1986. Net loan charge-offs were $118 million in the third quarter of 1986 compared with $119 million in the second quarter of 1986 and $73 million in the third quarter of 1985.

Consolidated net income for the first nine months of 1986 was $428 million, compared with $414 million for the first nine months of 1985. On a per common share basis, net income for the first nine months of 1986 was $4.83 compared with $4.65 for the first nine months of last year.

Earnings Summary

	Third Quarter		Nine Months	
($ in millions)	1986	1985	1986	1985
Net Interest Income	$ 745	$ 709	$2,233	$2,016
Provision for Possible Loan Losses	190	110	455	310
Other Operating Income:				
Fee-Based	277	228	801	646
Nonfee-Based	228	93	527	238
Other Operating Expenses	861	698	2,469	1,938
Income Before Taxes	199	222	637	652
Applicable Income Taxes	61	73	209	238
Net Income	$ 138	$ 149	$ 428	$ 414

Profitability ratios based on net income and the period-end book value per common share for the third quarter and first nine months of 1986 and 1985 were as follows:

	Third Quarter		Nine Months	
	1986	1985	1986	1985
Profitability Ratios				
Return on Average Assets	.61%	.68%	.64%	.64%
Return on Average Common Stockholders' Equity	12.1 %	14.7 %	13.0 %	13.4 %
Book Value				
Common Stockholders' Equity per Common Share			$51.75	$48.10

Net Interest Income - Taxable Equivalent Basis*

Net interest income on a taxable equivalent basis for the third quarter of 1986 was $815 million, up 6% compared with $767 million for the third quarter of last year.

On a taxable equivalent basis, the spread between the average rate earned on interest-earning assets and the average rate paid to fund such assets, including the effect of noninterest-bearing sources, was 4.16% for the third quarter of 1986, compared with 4.07% for the third quarter of 1985.

For the first nine months of 1986 net interest income on a taxable equivalent basis totaled $2,455 million, up 12% compared with $2,195 million for the first nine months of 1985. The net interest rate spread for the first nine months increased to 4.30% from 3.96% for the first nine months last year, and average interest-earning assets increased by approximately $2.2 billion from the $74.1 billion average level reported for the first nine months of 1985. The leveraged lease recalculation resulting from New York income tax rate changes had a negative pretax impact on third quarter and nine months 1985 net interest income on a taxable equivalent basis of approximately $17 million (on a financial statement basis of approximately $14 million, more than offset by a reduction in the third quarter and nine months provision for income taxes of approximately $22 million).

Domestic net interest income on a taxable equivalent basis for the third quarter of 1986 was $559 million, up 15% compared with $485 million for the third quarter of last year. The increase in domestic net interest income was attributable to a higher volume of interest-earning assets and to generally lower rates paid on interest-bearing liabilities. Domestic net interest income for the first nine months of 1986 was $1,636 million, compared with $1,400 million for the first nine months of 1985.

Third quarter 1986 overseas net interest income on a taxable equivalent basis was $256 million, down 9% compared with $282 million for the third quarter of last year. Overseas net interest income decreased in the third quarter of 1986 due to a lower volume of interest-earning assets and a narrower interest rate spread. Overseas net interest income for the first nine months of 1986 was $819 million, compared with $795 million for the first nine months of 1985. The increase in the nine month period was attributable to generally lower rates paid on interest-bearing liabilities.

Average loans recorded in domestic offices increased approximately $4.9 billion, or 19% over the third quarter of 1985. Average loans recorded in domestic offices for the first nine months of 1986 increased approximately $4.1 billion, or 17%, over the average amount recorded for the first nine months of 1985.

*Net interest income on a taxable equivalent basis was higher by $70 million and $58 million for the third quarter of 1986 and the third quarter of 1985, respectively, than comparable net interest income amounts reported on a financial statement basis. These taxable equivalent amounts have been adjusted (by applying a combined U.S. federal, state and local income tax rate of approximately 51% for both 1986 and 1985) to recognize the differential between interest income that is exempt from income taxes and interest income that is fully taxable.

Average loans recorded in overseas offices decreased approximately $3.7 billion, or 10% from the third quarter of 1985. Average loans recorded in overseas offices for the first nine months of 1986 were $33.4 billion, down approximately 9%, from $36.8 billion for the first nine months of last year. Average loans recorded in overseas offices included approximately $5.2 billion and $5.7 billion of loans to U.S. commercial borrowers for the nine months ended September 30, 1986 and 1985, respectively

Net Interest Income and Interest Rate Spreads - Taxable Equivalent Basis

($ in millions)	Third Quarter 1986	Third Quarter 1985	Nine Months 1986	Nine Months 1985
Domestic Offices				
Interest Earned	$ 995	$ 906	$2,968	$2,746
Interest Paid(1)	436	421	1,332	1,346
Net Interest Income	$ 559	$ 485	$1,636	$1,400
—as a % of Gross Interest-Earning Assets	6.10%	6.12%	6.27%	6.07%
Overseas Offices				
Interest Earned	$ 898	$1,220	$3,131	$3,719
Interest Paid(1)	642	938	2,312	2,924
Net Interest Income	$ 256	$ 282	$ 819	$ 795
—as a % of Gross Interest-Earning Assets	2.46%	2.58%	2.65%	2.46%
Corporation Consolidated				
Interest Earned	$1,893	$2,126	$6,099	$6,465
Interest Paid	1,078	1,359	3,644	4,270
Net Interest Income	$ 815	$ 767	$2,455	$2,195
—as a % of Gross Interest-Earning Assets	4.16%	4.07%	4.30%	3.96%

(1) Includes appropriate allocations for the cost of time deposits received by overseas offices for domestic use and the cost of domestic monies raised for use in overseas offices.

Capital and Liquidity Management

Discussions regarding both capital management and liquidity management are set forth on pages 30, 31 and 32 of The Chase Manhattan Corporation Annual Report 1985 filed as Exhibit 13 to the registrant's Report on Form 10-K for the year ended December 31, 1985, portions of which were incorporated by reference in the Report on Form 10-K (the "1985 Annual Report").

During the first nine months of 1986, there were no material changes from the capital and liquidity positions disclosed in the 1985 Annual Report.

Primary and Secondary Capital*

($ in millions)	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Primary Capital:			
Common Stockholders' Equity	$4,161	$3,795	$3,675
Minority Interest in Consolidated Subsidiaries	4	3	2
Mandatory Convertible Securities (Net of Note Fund)	723	782	802
Reserve for Possible Loan Losses	1,034	908	872
Nonredeemable Preferred Stock	602	602	602
Total Primary Capital	6,524	6,090	5,953
Secondary Capital:			
Redeemable Preferred Stock	62	62	62
Long-Term Notes and Debentures	2,135	2,024	1,806
Total Secondary Capital	2,197	2,086	1,868
Total Capital	$8,721	$8,176	$7,821
End of Period Capital as % of Gross Assets:			
Primary Capital	7.16%	6.87%	6.71%
Total Capital	9.58%	9.23%	8.82%

*Based on Federal Reserve Board definition.
Gross Assets consist of Total Assets and the Reserve for Possible Loan Losses.

Provision and Reserve for Possible Loan Losses

The provision for possible loan losses for the third quarter of 1986 was $190 million, up $80 million from $110 million for the third quarter of 1985 and up $55 million over the second quarter of 1986. The increase in the provision over the third quarter of 1985 was primarily in recognition of higher levels of consumer loan net charge-offs and conditions prevailing in certain developing countries. The $55 million increase in the provision over the second quarter of 1986 was primarily in recognition of conditions currently prevailing in certain Latin American countries. Third quarter 1986 net loan charge-offs totaled $118 million, compared with $73 million for the third quarter a year ago. Domestic net loan charge-offs for the third quarter of 1986 increased $36 million over the third quarter of 1985, to approximately $93 million. Third quarter 1986 domestic consumer net loan charge-offs, primarily attributable to credit card activities, were approximately $66 million, compared with approximately $34 million for the third quarter of 1985. Third quarter 1986 international net loan charge-offs were approximately $25 million, an increase of approximately $9 million over the third quarter of last year.

The provision for possible loan losses was $455 million for the first nine months of 1986, compared with $310 million for the first nine months of 1985. Net loan charge-offs totaled $352 million for the first nine months of 1986, compared with $216 million for the same period last year. First nine months 1986 domestic net loan charge-offs were approximately $256 million, up $102 million over the same period last year. Domestic consumer net loan charge-offs for the first nine months of 1986, primarily attributable to credit card activities, were approximately $195 million, compared with approximately $83 million for the same period last year. First nine months 1986 international net loan charge-offs were approximately $96 million, an increase of approximately $34 million over the same period last year.

At September 30, 1986, the balance in the reserve for possible loan losses was $1,034 million and represented 1.62% of loans outstanding. This ratio compares with 1.47% at year-end 1985 and 1.42% at September 30, 1985.

Analysis of Loan Loss Experience

($ in millions)	Third Quarter 1986	Third Quarter 1985	Nine Months 1986	Nine Months 1985
Loan Charge-Offs	$ 142	$ 90	$ 426	$ 277
Less: Loan Recoveries	24	17	74	61
Net Loan Charge-Offs	$ 118	$ 73	$ 352	$ 216
Provision for Possible Loan Losses	$ 190	$ 110	$ 455	$ 310

Reserve for Possible Loan Losses

($ in millions)	September 30, 1986	September 30, 1985
At End of Period	$1,034	$ 872
As a % of Total Loans	1.62%	1.42%

Net Loan Charge-Offs and Loan Loss Experience Ratios

($ in millions)	Third Quarter 1986	1985	Nine Months 1986	1985
Net Loan Charge-Offs				
Domestic - Consumer (2)	$ 66	$ 34	$195	$ 83
- Commercial and Other	27	23	61	71
Total Domestic	93	57	256	154
International	25	16	96	62
Total	$118	$ 73	$352	$216
Loan Loss Experience Ratios (Annualized) (3)				
Domestic - Consumer (2)	2.19%	1.53%	2.37%	1.39%
- Commercial and Other	.49	.44	.38	.45
Total Domestic	1.09	.77	1.06	.71
International	.35	.19	.43	.25
Total	.75%	.47%	.76%	.47%

(2) Loans to Individuals for Personal Expenditures and 1-4 Family Residential Properties.

(3) Net Loan Charge-offs as a percentage of average loans.

Nonaccrual, Reduced Rate and Past Due Loans

Nonaccrual and reduced rate loans were approximately $1.9 billion at September 30, 1986, compared with approximately $2.0 billion at year-end 1985 and approximately $2.4 billion at September 30, 1985. Nonaccrual and reduced rate loans equaled 3.0% of total loans at September 30, 1986. At December 31, 1985 and September 30, 1985, the comparable ratios were 3.3% and 3.9%, respectively.

Accruing loans past due 90 days or more were $228 million at September 30, 1986, compared with $211 million and $189 million at year-end 1985 and September 30, 1985, respectively.

The negative impact on third quarter 1986 earnings from nonaccrual and reduced rate loans was approximately $23 million after taxes, compared with $16 million after taxes for the third quarter of 1985. The negative impact of nonaccrual and reduced rate loans on nine months 1986 net income was approximately $59 million after taxes compared with the $51 million after-tax impact reported for the first nine months of 1985.

Nonaccrual and Reduced Rate Loans

($ in millions)	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Nonaccrual Loans:			
Real Estate Loans	$ 324	$ 250	$ 221
Loans to Banks and Other Financial Institutions	114	111	141
Commercial and Industrial Loans	1,334	1,500	1,857
Other Loans	110	144	172
Total Nonaccrual Loans	1,882	2,005	2,391
Reduced Rate Loans:			
Real Estate Loans	3	4	7
Loans to Banks and Other Financial Institutions	-	7	8
Commercial and Industrial Loans	14	19	17
Total Reduced Rate Loans	17	30	32
Total Nonaccrual and Reduced Rate Loans	$1,899	$2,035	$2,423
Distribution of Nonaccrual and Reduced Rate Loans:			
Domestic Loans	$ 961	$ 804	$ 824
International Loans	938	1,231	1,599
Total Nonaccrual and Reduced Rate Loans	$1,899	$2,035	$2,423

Real estate properties acquired in satisfaction of loans totaled $88 million at September 30, 1986, compared with $100 million and $99 million at year-end 1985 and September 30, 1985, respectively.

Country Risk

During the third quarter of 1986, Chase continued to cooperate with the international financial community, including the International Monetary Fund (IMF), in efforts to satisfactorily resolve various issues relating to the debt obligations of certain countries in Latin America and elsewhere. While some progress has been made, in light of the liquidity problems affecting these countries, it is possible that the amount of Chase's cross-border outstandings in nonaccrual status may increase in the future.

The principal countries in Latin America which have been affected by such liquidity problems and in which, at September 30, 1986, Chase had cross-border outstandings exceeding 1% of its total assets are shown in the table below together with the approximate amounts of Chase's extensions of credit to public and private sector borrowers in those countries and the approximate principal amounts of nonaccrual loans included in such extensions of credit.

($ in Millions)	Total Cross-Border Outstandings	Extensions of Credit: Public Sector	Extensions of Credit: Private Sector	Nonaccrual Loans
Brazil	2,800	1,740	910	4
Mexico	1,610	1,230	360	89
Venezuela	1,180	860	310	30
Argentina	970	700	240	50

At September 30, 1986, Chase's cross-border outstandings to borrowers in Chile were approximately $670 million or .75% of total assets, including extensions of credit of approximately $500 million and $160 million, to public and private sector borrowers, respectively. Approximately $ 2 million of loans to Chilean private sector borrowers were in nonaccrual status at September 30, 1986.

Brazil

The 1985-1986 Financing Plan became effective on September 4, 1986. Under the Plan, the 1985 maturing amounts of cross-border medium-term debt (Chase share: $250 million), the cruzado equivalent of which was deposited in the Central Bank of Brazil, will be repaid over seven years, with a five year grace period. The interest rate on the deposits will be the London Interbank Offered Rate (LIBOR) plus 1 1/8% retroactive to January 18, 1986. The 1985 deposits are available for re-lending to public sector and private sector borrowers at interest rates of LIBOR plus 1 1/8% and LIBOR plus 1 1/4%, respectively, repayable over seven years with a five year grace period. The cruzado equivalent of 1986 maturing amounts of cross-border medium-term debt are to be deposited by the borrowers in the Central Bank. Subject to such payment being made, the Central Bank will open interest-bearing, U.S. dollar denominated, deposit accounts in the amount of the principal maturity in favor of the lender and guaranteed by the Federal Republic of Brazil. The interest rate on the deposits, which are not available for re-lending, will be LIBOR plus 1 1/8% effective as of January 18, 1986. It is intended that both the 1985 deposits (or loans made from the proceeds) and the 1986 deposits will be included in a multi-year rescheduling agreement to be negotiated later this year.

The $9.5 billion (Chase share: $371 million) facility for trade finance and the $5.3 billion (Chase share: $118 million) of interbank deposits were extended to March 31, 1987.

For the third quarter of 1986, Chase recorded total income on cross-border outstandings to public and private sector borrowers in Brazil of approximately $67 million and approximately $77 million of interest payments were received in cash. With the exception of approximately $106 million, with respect to 1986 maturities, received at the Central Bank pursuant to the deposit arrangement described above, minimal principal payments were received in the third quarter of 1986. The negative impact of Chase's cross-border nonaccrual loans to Brazilian borrowers on Chase's net income for the third quarter of 1986 was not material.

Mexico

The Multi-Year Debt Restructuring agreements which became effective in the first quarter of 1986 encompassed a) an amendment of the 1983 $5.0 billion new money Credit Agreement with Mexico and a prepayment of $1.2 billion principal amount (Chase share: $30 million) loaned thereunder, b) the multi-year restructuring of approximately $43.7 billion (Chase share: approximately $930 million) of maturities [illegible] public sector debt to commercial banks falling due during 1985-[illegible] a 12 year period ending in 1998 and, c) the adjustment of interest ra[illegible] the restructured debt retroactive to January 1, 1985.

In March 1985, prepayment was made of $250 million (Chase share: $6 million) of the amount loaned under the 1983 $5.0 billion new money Credit Agreement. The remainder of the prepayment, which was expected to have been made in 1985 was postponed to October 1986 and as a result of the proposed restructuring agreement described below would be amortized over the remaining life of its existing agreement (1989-1994).

Of Chase's approximately $930 million share in the Multi-Year Debt Restructuring, approximately $665 million carried a weighted average spread of 1 9/16% over the prevailing prime rate and approximately $265 million carried a weighted average spread of 11/16% over LIBOR. Following the restructuring the estimated weighted average spread on Chase's approximately $930 million share is 15/16% over LIBOR and is scheduled to increase over time to 1 1/4% over LIBOR in 1992 through 1998. However, the interest rates and repayment schedules are subject to the proposed agreement described below.

In the third quarter of 1986, the Mexican Government, the IMF, the International Bank for Reconstruction and Development (World Bank) and other multilateral agencies, together with the Bank Advisory Group for Mexico announced agreements in principle which, among other things, provide for a) a recasting of the maturity of the deferred $950 million prepayment on the 1983 new money Credit Agreement to quarterly installments to be paid from 1989 to 1994, which is the present maturity structure pertaining to the $8.8 billion of new term money borrowed since mid 1982, b) the amendment of the amortization schedule of the approximately $43.7 billion of restructured debt to extend repayment dates by approximately seven years with a final maturity of 2006, c) $6 billion in new money from commercial banks, of which $500 million would be guaranteed by the World Bank under a $1.0 billion co-financing, d) a $500 million commercial bank contingency co-financing, of which $250 million would be guaranteed by the World Bank, e) a $1.2 billion commercial bank contingency financing in connection with a $500 million IMF

contingency financing, f) adjustment in interest rates on the debt in a-e above to provide a margin, retroactive January 1, 1987, of 13/16% over LIBOR or a domestic reference rate, and, g) other facilities to be made available by the IMF and World Bank in support of Mexico's economic program of growth-oriented adjustment and structural reform.

Details of the agreement, which must be approved by Mexico's creditor banks, remain to be negotiated.

At September 30, 1986, Chase's cross-border outstandings to Mexican public sector borrowers were current as to payment of principal and interest. During the third quarter of 1986, Chase received minimal principal payments on cross-border outstandings to public sector borrowers in Mexico. For the third quarter of 1986, Chase recorded income of approximately $28 million on such outstandings and approximately $20 million in interest was received in cash. During the same period, Chase recorded income on cross-border outstandings to Mexican private sector borrowers of approximately $6 million and $5 million of interest was received in cash. The negative impact of Chase's approximately $89 million of cross-border nonaccrual loans to private sector borrowers in Mexico on Chase's net income for the third quarter of 1986 was approximately $1 million after taxes.

Venezuela

Agreements covering the restructuring of $21.2 billion (Chase share: approximately $800 million) of Venezuelan public sector debt that were signed on February 26, 1986, became effective on October 3, 1986. These agreements call for a down payment of approximately $750 million (Chase share: approximately $26 million) and the restructuring of all maturities falling due between March 22, 1983 and December 31, 1988 (approximately $20.5 billion), to be repaid over a 12-year period ending on June 30, 1997. The restructured principal is to be repriced on extension dates beginning in November, 1986, and the effect on Chase is approximately as follows:

Before Restructuring		After Restructuring	
Approximate Principal ($ in Millions)	Average Interest Rate (a)	Approximate Principal ($ in Millions)	Interest Rate
$ 600	Prime	$ 400	Domestic reference rate (b) plus 1.125%
$ 200	LIBOR plus 1.39%	$ 400	LIBOR plus 1.125%

(a) At September 30, 1986, weighted by principal outstanding.
(b) As defined in the agreements.

The following table compares the amount of interest income reported in the third quarter of 1986 related to the restructured principal with that which would have been reported on a pro forma basis had that principal been restructured as of January 1, 1986:

($ in Millions)

Principal to be Restructured	Actual Interest Income Reported	Pro Forma Interest Income Accrual Basis After Restructuring
$ 800	$ 15	$ 14

At September 30, 1986, Chase's cross-border Venezuela public sector debt was current as to payment of principal and interest.

Chase recorded approximately $25 million as income on cross-border outstandings to Venezuelan public and private sector borrowers in the third quarter of 1986 and Chase received approximately $28 million in interest payments in cash. Minimal principal payments were received.

The negative impact of the approximately $30 million in nonaccrual loans to Venezuelan private sector borrowers on Chase's net income for the third quarter of 1986 was not material.

During the third quarter, Venezuela repealed legislation, enacted in July 1986, and outlined in Chase's 1986 second quarter Form 10-Q, which would have affected the manner in which foreign exchange may be made available to Venezuelan private sector debtors for the purpose of servicing their officially registered net foreign currency indebtedness.

Also during the third quarter, the Government of Venezuela requested the Bank Advisory Committee of Venezuela to consider changes in the terms of the public sector restructuring that would lengthen the maturities and reduce the interest rate spreads on the restructured debt.

Argentina

At September 30, 1986, Chase's cross-border Argentine public sector loans were substantially current as to payment of principal and interest although delays are being experienced in the payment of interest on some loans. In the third quarter of 1986, Chase reported total income on cross-border outstandings to public and private sector borrowers in Argentina of $20 million and received interest payments of approximately $18 million in cash. Chase received no material principal payments on cross-border outstandings to Argentine borrowers in the third quarter of 1986.

The negative impact on Chase's net income of the approximately $50 million in cross-border nonaccrual loans to Argentine private sector borrowers in the third quarter of 1986 was not material.

Other Operating Income

Third quarter 1986 other operating income totaled $505 million, compared with $321 million for the third quarter of 1985. Third quarter 1986 other operating income included increases of approximately $49 million in fee-based income (investment banking fee income, included in other fee-based income in the accompanying table, was up 45%) and $7 million in foreign exchange trading income. Net gains, before applicable income taxes, from investment securities transactions were $31 million for the third quarter 1986 compared with $29 million for the third quarter 1985. Income taxes applicable to investment securities gains were $25 million compared with $14 million for the third quarter of 1985. Dealer trading account profits were up $15 million from the third quarter of 1985. Included in other nonfee-based income was a gain of $100 million ($60 million after taxes) from the sale of Computer Power, Inc., a subsidiary company.

Net foreign exchange translation losses on Chase's investments in overseas branches, subsidiaries and associated companies in the third quarter of 1986 were approximately $6 million, compared with gains of approximately $2 million for the third quarter of 1985. On an after-tax basis, net foreign exchange translation losses in the third quarter of both 1986 and 1985 were approximately $3 million.

Other operating income for the first nine months of 1986 totaled $1,328 million, compared with $934 million for the first nine months of 1985. First nine months of 1986 other operating income included increases of $155 million in fee-based income (investment banking fee income, included in other fee-based income in the accompanying table, was up 61%), $51 million in foreign exchange trading income and $29 million in dealer trading account profits. Pre-tax gains from dispositions of securities acquired in satisfaction of loans for the first nine months of 1986 totaled approximately $28 million, compared with approximately $7 million for the same period of 1985. Net gains, before applicable income taxes, from investment securities transactions were $138 million for the first nine months of 1986 compared with $78 million for the first nine months of 1985. Income taxes applicable to investment securities gains were $69 million for the first nine months of 1986, compared with $39 million for the first nine months of 1985. First nine months 1986 other nonfee-based income included gains from the sale of Computer Power, Inc., as previously mentioned, and the sale of the remaining portion of Chase's minority interest in a leasing company in Japan of $14 million ($9 million after taxes). Included in first nine months 1985 other nonfee-based income was a gain of $22 million ($15 million after taxes) resulting from the sale of a portion of Chase's minority interest in a leasing company in Japan.

Net foreign exchange translation losses on Chase's investments in overseas branches, subsidiaries and associated companies were approximately $14 million, compared with net gains of approximately $7 million for the first nine months of 1986 and 1985, respectively. On an after-tax basis, net foreign exchange translation losses were approximately $7 million and $8 million for the first nine months of 1986 and 1985, respectively.

Other Operating Income (Cont'd)

Other Operating Income (4)

($ in millions)	Third Quarter 1986	Third Quarter 1985	Nine Months 1986	Nine Months 1985
Fee-Based Income:				
International Business Fees	$ 39	$ 41	$ 122	$120
Trust and Fiduciary Investment Fees	69	48	194	140
Consumer Banking Fees	61	53	186	157
Other Fee-Based Income	108	86	299	229
Total Fee-Based Income	277	228	801	646
Nonfee-Based Income:				
Foreign Exchange Trading Income	55	48	178	127
Trading Account Profits (Losses)	18	3	49	20
Investment Securities Gains (Losses)	51	29	138	78
Other Nonfee-Based Income	104	13	162	63
Total Nonfee-Based Income	228	93	527	288
Total Other Operating Income	$505	$321	$1,328	$934

(4) 1985 restated for comparability with current period classifications.

Other Operating Expenses

Third quarter 1986 other operating expenses totaled $861 million, up 23% from the $698 million reported for the third quarter of 1985. For the first nine months of 1986, other operating expenses were $2,469 million, up 24% from the $1,985 million reported for the first nine months of 1985. The increases in operating expenses are primarily related to strategic areas of emphasis such as nationwide expansion, investment banking and domestic and international consumer activities. Included in the third quarter and first nine months of 1986 were approximately $32 million and $78 million, respectively, of expenses applicable to recent acquisitions. For the comparable periods in 1985, those expenses were approximately $5 million. The adverse impact of foreign exchange rate changes on expenses of overseas offices amounted to approximately $22 million in the third quarter and $68 million for the first nine months of 1986. In addition, third quarter 1986 operating expenses included approximately $30 million of one-time charges relating to selective reductions in Chase's domestic and overseas office network, which will be more than recovered in annual savings in the future. Excluding this $30 million increase, third quarter 1986 operating expenses were essentially flat compared with second quarter 1986.

Other Operating Expenses (5)

($ in millions)	Third Quarter 1986	Third Quarter 1985	Nine Months 1986	Nine Months 1985
Salaries and Employee Benefits	$466	$375	$1,322	$1,[illegible]
Net Occupancy	94	68	243	189
Equipment Rentals, Depreciation and Maintenance	67	59	206	171
Other Expenses	234	196	698	556
Total Other Operating Expenses	$861	$698	$2,469	$1,985

(5) 1985 restated for comparability with current period classifications.

Provision for Income Taxes

The provision for income taxes was $61 million for the third quarter of 1986, compared with $73 million for the third quarter of 1985. For the first nine months of 1986, the provision for income taxes totaled $209 million compared with $238 million for the same period of 1985. The decrease in the provision for income taxes for the first nine months of 1986 compared with the same period of 1985 was primarily due to a lower level of pre-tax income, an increase in income exempt from federal income taxes and the mix of income. In addition, the cumulative impact of the New York income tax rate changes applicable to leveraged lease financings reduced Chase's third quarter and nine months 1985 provision for income taxes by approximately $22 million.

The Chase Manhattan Corporation and Subsidiaries

Stockholder Data

($ in thousands, except per common share data)

	1986 3rd Qtr.	1986 2nd Qtr.	1985 3rd Qtr.	Nine Months Ended September 30, 1986	Nine Months Ended September 30, 1985
Quarterly Cash Dividends					
Common Stock:					
Per Share	$.51 1/4	$.51 1/4	$.47 1/2	$1.53 3/4	$1.42 1/2
Aggregate	$ 40,721	$ 40,507	$ 39,924	$121,293	$125,956
Preferred Stock:					
6 3/4% Series B	502	502	502	1,506	1,506
7.60% Series C	606	606	606	1,818	1,818
10 1/2% Series D	3,281	3,281	3,281	9,843	9,843
Floating Rate Series E	5,375	5,440	6,875	17,345	22,376
Floating Rate Series F	4,233	[illegible]	6,101	14,755	34,247
Total Preferred Stock	[illegible]	14,85[illegible]	17,365	45,267	69,790
Total Cash Dividends	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Cash Dividends Paid on Common Stock as a Percentage of Net Income Applicable to Common Stock	32.94%	30.80%	27.19%	31.68%	30.53%
Total Cash Dividends Paid as a Percentage of Net Income	39.74	37.98	35.66	38.95	42.44
Earnings Ratios					
Net Income as a Percentage of:					
Average Total Interest-Earning Assets, Net	.71%	.77%	.80%	.76%	.76%
Average Total Assets	.61	.63	.68	.64	.64
Average Common Stockholders' Equity(1)	12.13	13.52	14.63	12.97	13.38
Average Common Stockholders' Equity and Nonredeemable Preferred Stock(1)	11.63	12.73	14.08	12.47	13.50
Average Common Stockholders' Equity and Total Preferred Stock	11.59	12.67	13.97	12.40	13.40
Leverage Ratios-Averages					
Common Stockholders' Equity as a Percentage of:					
Loans, Net	6.59%	6.47%	5.87%	6.44%	5.71%
Total Interest-Earning Assets, Net	5.29	5.24	4.83	5.24	4.73
Total Assets	4.49	4.42	4.12	4.45	4.02
Common Stockholders' Equity, Total Preferred Stock and Long-Term Notes and Debentures	53.59	52.26	52.26	52.63	52.54
Common Stockholders' Equity and Nonredeemable Preferred Stock as a Percentage of:					
Loans, Net	7.52%	7.46%	6.96%	7.42%	6.70%
Total Interest-Earning Assets, Net	6.08	6.03	5.63	6.04	5.55
Total Assets	5.16	5.10	4.81	5.12	4.72
Common Stockholders' Equity and Total Preferred Stock as a Percentage of:					
Loans, Net	7.62%	7.56%	6.96%	7.52%	6.80%
Total Interest-Earning Assets, Net	6.16	6.12	5.73	6.12	5.64
Total Assets	5.23	5.17	4.88	5.19	4.79
Common Stockholders' Equity Per Common Share	$ 51.75	$ 50.84	$ 48.10	$ 51.75	$ 48.10
Capital Ratios - at Quarter End					
Primary Capital (2) as a Percentage of Total Gross Assets	7.14%	6.97%	6.71%		
Total Capital (2) as a Percentage of Total Gross Assets	9.58	9.31	8.82		
The Chase Manhattan Bank, N.A. and Subsidiaries					
Primary Capital (3) as a Percentage of Total Gross Assets	7.34	7.03	6.88		
Total Capital (3) as a Percentage of Total Gross Assets	7.57	7.20	7.26		

(1) Based on Net Income, adjusted as applicable.
(2) Based on Federal Reserve Board definition.
(3) Based on Office of the Comptroller of the Currency definition.

Market Prices of Preferred and Common Stock**	1986 3rd Qtr.	1986 2nd Qtr.	1985 3rd Qtr.	Nine Months Ended September 30, 1986	Nine Months Ended September 30, 1985
Preferred Stock, 6 3/4% Series B					
High	$ 91	$ 90	$ 63	$ 93	$ 63
Low	84	82	59	42	55
Close	88	84 1/2*	63*	88	63*
Preferred Stock, 7.60% Series C					
High	99 1/2	100	73 3/4	100	74
Low	89	87 1/2	72 1/2	69	60 1/2
Close	99*	99*	72 1/8*	95*	72 1/8*
Preferred Stock, 10 1/2% Series D					
High	57 1/4	56 1/2	48 1/2	57 1/4	48 1/2
Low	53	52 3/4	45 1/2	49 1/4	40 3/4
Close	54 1/4	53 1/2	46 3/8	54 1/4	46 3/8
Preferred Stock, Floating Rate Series E					
High	53 1/2	54 1/8	56 1/4	55 1/4	56 1/4
Low	51 1/2	51 7/8	53 1/2	51 1/2	52 1/4
Close	52 1/4	52 3/8	54 1/3*	52 1/4	54 1/3*
Preferred Stock, Floating Rate Series F					
High	52 3/8	53 1/2	56 3/8	54 1/2	56 3/8
Low	49 1/2	50 1/4	52	49 1/2	51 3/4
Close	52 1/2	51 3/8	52 1/2	52 1/2	52 1/2
Common Stock					
High	45 1/4	49 1/2	31 15/16	49 1/2	31 15/16
Low	35 1/2	39 3/8	24 1/2	34	23 1/4
Close	36 3/8	44 3/8	24 9/16	36 3/8	24 9/16

*No sales, based on average of bid and asked prices.
**The high, low and closing sales prices for transactions reported on the composite tape.

The Chase Manhattan Corporation (Company Only)

BALANCE SHEET

($ in thousands)	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Assets			
Cash in Banks-Demand Deposits:			
The Chase Manhattan Bank, N.A.	$ 2,121	$ 6,013	$ 5,781
Other Banks	12	4,778	4,431
Short-Term Money Market Instruments:			
Time Deposits with Banks:			
The Chase Manhattan Bank, N.A.	1,445,394	2,748,369	2,997,139
Other Banks	150,010	66,216	112,473
U.S. Treasury Securities	44,445	–	–
Total Short-Term Money Market Instruments	1,639,849	2,814,585	3,109,612
Notes Receivable from Nonbanking Subsidiaries	2,798,033	1,849,793	1,695,466
Accounts Receivable from The Chase Manhattan Bank, N.A.	93,867	51,937	89,966
Other Stock Investments	68,160	41,360	32,860
Subordinated Debenture Receivable from The Chase Manhattan Bank, N.A.	400,000	400,000	400,000
Investments in Subsidiaries (at Equity in Net Assets):			
Banking Subsidiaries:			
The Chase Manhattan Bank, N.A.	4,603,441	4,454,725	4,369,286
Other Banking Subsidiaries	894,330	705,971	585,142
Nonbanking Subsidiaries	399,222	343,571	335,973
Accrued Interest Receivable:			
Banking Subsidiaries	10,835	26,865	28,843
Nonbanking Subsidiaries	21,712	21,643	19,251
Other	1,940	1,822	1,611
Other Assets	77,424	94,149	81,754
Total Assets	$11,010,946	$10,817,212	$10,759,976
Liabilities and Stockholders' Equity			
Commercial Paper	$ 2,837,365	$ 3,351,756	$ 3,582,982
Other Borrowed Money	823,081	573,648	574,620
Accounts Payable, Accrued Expenses and Other Liabilities	168,606	290,683	298,468
	3,829,052	4,216,087	4,456,070
Long-Term Notes and Debentures	2,357,138	2,142,351	1,965,296
Total Liabilities	6,186,190	6,358,438	6,421,366
Preferred Stock (Without Par Value-Authorized Shares of 50,000,000, 20,000,000 and 20,000,000, Respectively):			
Redeemable Preferred Stock:			
616,379 Shares Outstanding	61,638	61,638	61,638
Nonredeemable Preferred Stock:			
12,039,737 Shares Outstanding	601,987	601,987	601,987
Common Stockholders' Equity:			
Common Stock (Par Value $12.50 Per Share): 9/30/86, 12/31/85, 9/30/85			
Authorized Shares: 250,000,000; 125,000,000; 125,000,000			
Outstanding Shares: 80,407,582; 77,157,724; 38,203,372	1,005,095	964,472	477,542
Surplus	343,900	276,288	742,198
Foreign Exchange Translation Adjustments	(25,525)	(22,265)	(24,346)
Retained Earnings	2,837,661	2,576,654	2,479,591
Total Common Stockholders' Equity	4,161,131	3,795,149	3,674,985
Total Liabilities and Stockholders' Equity	$11,010,946	$10,817,212	$10,759,976

The Chase Manhattan Bank, N.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CONDITION

($ in thousands)	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Assets			
Cash and Due from Banks	$ 3,820,451	$ 5,208,200	$ 4,733,575
Interest-Bearing Deposits Placed with Banks	5,974,796	4,566,219	5,150,460
Federal Funds Sold and Securities Purchased Under Resale Agreements	2,693,130	2,458,090	1,538,847
Trading Account Assets	1,714,824	1,331,638	1,445,548
Investment Securities:			
U.S. Treasury Securities	1,721,715	1,721,697	1,449,431
Federal Agency Securities	198	290,391	240,892
State and Political Subdivision Securities	1,991,572	2,185,798	1,940,020
Other Bonds, Notes and Debentures	1,656,772	1,357,862	1,159,880
Federal Reserve Bank and Other Stock Investments	85,853	82,509	82,459
Total Investment Securities (Estimated Market Value of $5,528,000, $5,596,000 and $4,725,000, Respectively)	5,456,110	5,638,257	4,872,682
Loans	51,762,788	52,176,137	54,208,193
Less: Reserve for Possible Loan Losses	765,079	699,054	723,331
Loans, Net	50,997,709	51,477,083	53,484,862
Customers' Liability on Acceptances	2,654,407	2,810,159	3,644,418
Accrued Interest Receivable	762,247	1,002,649	988,410
Premises and Equipment	917,076	753,834	711,229
Other Assets	2,859,592	2,474,067	2,526,868
Total Assets	$77,85[illegible],342	$77,720,196	$79,596,899
Liabilities and Stockholder's Equity			
Deposits:			
Domestic Offices:			
Noninterest-Bearing	$11,234,793	$12,677,180	$11,069,562
Interest-Bearing	14,611,813	14,629,437	14,388,198
Overseas Offices:			
Noninterest-Bearing	2,075,823	1,939,120	1,895,830
Interest-Bearing	29,910,081	29,500,685	32,050,374
Total Deposits	57,832,510	58,746,422	59,403,964
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	4,727,245	3,972,397	4,109,921
Other Borrowed Funds	2,451,996	3,160,191	2,669,197
Acceptances Outstanding	2,663,367	2,818,384	3,651,587
Accrued Interest Payable	575,651	611,150	663,721
Accounts Payable, Accrued Expenses and Other Liabilities	4,127,326	2,925,095	3,218,201
	72,378,395	72,233,639	73,716,591
Long-Term Notes and Debentures	868,806	1,031,832	1,011,022
Total Liabilities	73,246,[illegible]	73,265,[illegible]	74,727,613
Stockholder's Equity:			
Capital Stock (Par Value $15.00 Per Share):			

	9/30/86	12/31/85	9/30/85	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Authorized Shares	61,744,445	61,744,445	61,744,445			
Outstanding Shares	50,371,225	50,009,247	49,849,642	755,568	750,139	747,745

	Sept. 30, 1986	Dec. 31, 1985	Sept. 30, 1985
Surplus	1,796,126	1,772,407	1,764,674
Foreign Exchange Translation Adjustments	(25,771)	(22,345)	(24,344)
Undivided Profits	2,077,518	1,954,524	1,881,211
Total Stockholder's Equity	4,603,441	4,454,725	4,369,266
Total Liabilities and Stockholder's Equity	$77,850,342	$77,720,196	$79,596,899

Member Federal Deposit Insurance Corporation

The Chase Manhattan Corporation and Subsidiaries

Average Balances, Interest and Average Rates-Taxable Equivalent

($ in millions)	Third Quarter 1986 Average Balance	Third Quarter 1986 Interest	Third Quarter 1986 Average Rate	Second Quarter 1986 Average Balance	Second Quarter 1986 Interest	Second Quarter 1986 Average Rate	Third Quarter 1985 Average Balance	Third Quarter 1985 Interest	Third Quarter 1985 Average Rate
Assets									
Interest-Earning Assets:									
Interest-Bearing Deposits Placed with Banks	$ 6,110	$ 112	7.27%	$ 6,044	$ 121	8.28%	$ 5,461	$ 130	9.41%
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,822	34	7.82	1,252	23	7.50	1,061	21	8.04
Trading Account Assets	1,422	27	7.44	1,047	23	8.73	791	20	9.91
Investment Securities:									
Domestic Offices:									
U.S. Treasury Securities	2,144	43	7.92	1,998	42	8.80	1,980	40	9.90
Federal Agency Securities	93	2	10.04	236	5	9.90	284	7	10.19
State and Political Subdivision Securities	1,847	61	13.16	2,049	60	13.28	1,999	64	12.99
Other Securities	217	5	7.98	227	5	8.48	249	8	13.00
Total Domestic Offices	4,300	111	10.23	4,420	120	10.95	4,463	130	11.50
Overseas Offices	1,818	42	9.23	1,640	39	9.30	1,263	46	14.61
Total Investment Securities	6,128	153	9.93	6,060	159	10.52	5,746	176	12.19
Loans:									
Domestic Offices	30,261	863	11.17	28,578	832	11.40	25,381	743	11.42
Overseas Offices	32,750	730	8.84	33,386	798	9.30	36,447	1,036	11.27
Total Loans	63,011	1,593	9.96	61,963	1,630	10.55	61,818	1,779	11.42
Less: Reserve for Possible Loan Losses*	968	-	-	946	-	-	847	-	-
Loans, Net	62,043	1,593	10.11	61,318	1,630	10.71	60,971	1,779	11.42
Total Interest-Earning Assets,* Net	76,717	1,893	9.44	76,443	1,960	10.30	74,024	2,126	11.27
Summary-Gross Interest-Earning Assets									
Domestic Offices	36,329	998	10.86	34,707	983	11.34	31,484	906	11.43
Overseas Offices	41,346	898	8.47	41,681	977	9.40	43,417	1,220	11.15
Total Gross Interest-Earning Assets	77,685	1,893	9.44	76,390	1,960	10.30	74,871	2,126	11.27
Noninterest-Earning Assets:									
Cash and Due from Banks	4,841			5,023			4,387		
Customers' Liability on Acceptances	2,584			2,766			3,912		
Other Assets	4,042			6,087			4,596		
Total Noninterest-Earning Assets	11,467			13,863			12,853		
Total Assets	$90,184			$89,316			$86,877		
Liabilities and Stockholders' Equity									
Interest-Bearing Liabilities:									
Interest-Bearing Deposits:									
Domestic Offices:									
Savings and Negotiable Order of Withdrawal Deposits	$ 2,064	$ 27	5.17%	$ 1,964	$ 26	5.30%	$ 1,922	$ 26	5.26%
Savings Certificates and Small Time Account Deposits	432	9	8.33	427	9	8.31	380	9	9.30
Money Market Deposits	9,262	130	5.62	9,431	144	6.19	7,809	136	6.83
Negotiable Certificates of Deposit	512	8	6.32	576	10	6.94	874	17	7.80
Other Time Deposits	6,771	148	8.76	7,361	149	8.32	7,312	153	8.31
Total Domestic Offices	19,021	322	6.84	19,474	339	6.96	18,383	341	7.35
Overseas Offices	29,241	462	6.27	28,892	493	6.91	30,286	491	9.06
Total Interest-Bearing Deposits	48,262	784	6.30	48,366	832	6.93	48,669	1,232	8.41
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	5,419	94	6.79	5,286	96	7.49	5,889	136	9.13
Other Borrowed Money:									
Domestic Offices	5,814	103	7.31	5,736	114	7.90	5,479	111	8.30
Overseas Offices	1,336	39	14.06	1,664	41	9.70	1,205	33	11.64
Total Other Borrowed Money	7,150	142	7.90	7,400	155	8.19	6,684	144	8.96
Long-Term Notes and Debentures	2,885	58	8.08	2,946	62	8.33	2,606	61	9.20
Total Interest-Bearing Liabilities	64,226	1,078	6.66	63,767	1,147	7.22	63,817	1,359	8.56
Summary-Interest-Bearing Liabilities									
Domestic Offices	25,640	436	6.74	24,540	441	7.21	22,204	421	7.52
Overseas Offices	38,586	642	6.60	39,227	706	7.22	40,813	938	9.12
Total Interest-Bearing Liabilities	64,226	1,078	6.66	63,767	1,147	7.22	63,017	1,359	8.56
Noninterest-Bearing Liabilities:									
Deposits in Domestic Offices	11,430			11,307			9,660		
Deposits in Overseas Offices	2,087			1,957			1,470		
Acceptances Outstanding	2,596			2,775			3,960		
Accounts Payable, Accrued Expenses and Other Liabilities	4,519			4,822			4,328		
Total Noninterest-Bearing Liabilities	21,432			20,116			19,018		
Total Liabilities	85,658			84,702			82,635		
Redeemable Preferred Stock	42			42			62		
Nonredeemable Preferred Stock	602			602			602		
Common Stockholders' Equity	4,082			3,960			3,578		
Total Liabilities and Stockholders' Equity	$90,184			$89,316			$86,877		
Taxable Equivalent Net Interest Income and Average Interest Rate Spread		$ 815	3.01%		$ 813	3.08%		$ 767	2.71%
Net Interest Income as a Percentage of Gross Interest-Earning Assets			4.16%			4.27%			4.07%

* Reserve for possible loan losses is excluded from calculations of average balances and average rates, as appropriate.

NOTE: Loan amounts include nonaccrual and reduced rate loans, as applicable.

The Chase Manhattan Corporation and Subsidiaries

Average Balances, Interest and Average Rates—Taxable Equivalent

($ in millions)	Nine Months Ended September 30, 1986 Average Balance	Interest	Average Rate	Nine Months Ended September 30, 1985 Average Balance	Interest	Average Rate
Assets						
Interest-Earning Assets:						
Interest-Bearing Deposits Placed with Banks	$ 5,689	$ 352	8.28%	$ 5,156	$ 365	9.46%
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,058	91	11.46**	1,175	69	7.91
Trading Account Assets	1,216	81	8.88	725	58	10.70
Investment Securities:						
Domestic Offices:						
U.S. Treasury Securities	1,919	125	8.71	1,868	148	10.57
Federal Agency Securities	215	17	10.41	216	18	11.12
State and Political Subdivision Securities	2,024	201	13.25	1,966	194	13.20
Other Securities	223	14	8.68	264	21	10.65
Total Domestic Offices	4,381	357	10.89	4,314	381	11.80
Overseas Offices	1,703	158	12.42	1,149	143	16.63
Total Investment Securities	6,084	515	11.32	5,463	524	12.82
Loans:						
Domestic Offices	28,876	2,519	11.66	24,786	2,256	12.17
Overseas Offices	33,356	2,541	10.18	36,768	3,193	11.61
Total Loans	62,232	5,060	10.87	61,554	5,449	11.84
Less: Reserve for Possible Loan Losses*	947	-	-	809	-	-
Loans, Net	61,285	5,060	10.87	60,745	5,449	11.84
Total Interest-Earning Assets,* Net	75,332	6,099	10.69	73,264	6,465	11.67
Summary—Gross Interest-Earning Assets						
Domestic Offices	34,901	2,968	11.37	30,815	2,746	11.91
Overseas Offices	41,378	3,131	10.12	43,258	3,719	11.50
Total Gross Interest-Earning Assets	76,279	6,099	10.69	74,073	6,465	11.67
Noninterest-Earning Assets:						
Cash and Due from Banks	4,953			[illegible]		
Customers' Liability on Acceptances	2,684			4,336		
Other Assets	5,813			4,338		
Total Noninterest-Earning Assets	13,450			12,940		
Total Assets	$88,782			$86,204		
Liabilities and Stockholders' Equity						
Interest-Bearing Liabilities:						
Interest-Bearing Deposits:						
Domestic Offices:						
Savings and Negotiable Order of Withdrawal Deposits	$ 1,983	$ 77	5.22%	$ 1,899	$ 74	5.20%
Savings Certificates and Nest Egg Account Deposits	407	26	8.63	404	26	8.72
Money Market Deposits	9,314	431	6.19	7,446	414	7.41
Negotiable Certificates of Deposit	586	31	7.02	907	57	8.49
Other Time Deposits	7,105	448	8.43	7,351	515	9.36
Total Domestic Offices	19,395	1,013	6.99	18,007	1,086	8.06
Overseas Offices	28,875	1,563	7.23	30,966	2,184	9.43
Total Interest-Bearing Deposits	48,270	2,576	7.13	48,973	3,270	8.92
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	5,127	353	9.20	4,797	336	9.37
Other Borrowed Money:						
Domestic Offices	5,662	337	7.97	5,474	362	8.85
Overseas Offices	1,642	194	15.90	1,136	124	14.54
Total Other Borrowed Money	7,304	531	9.73	6,610	486	9.83
Long-Term Notes and Debentures	2,888	184	8.52	2,469	178	9.66
Total Interest-Bearing Liabilities	63,589	3,644	7.66	62,869	4,270	9.08
Summary—Interest-Bearing Liabilities						
Domestic Offices	24,690	1,332	7.21	21,913	1,346	8.21
Overseas Offices	38,899	2,312	7.95	40,956	2,924	9.55
Total Interest-Bearing Liabilities	63,589	3,644	7.66	62,869	4,270	9.08
Noninterest-Bearing Liabilities:						
Deposits in Domestic Offices	11,308			9,572		
Deposits in Overseas Offices	1,925			1,378		
Acceptances Outstanding	2,695			4,354		
Accounts Payable, Accrued Expenses and Other Liabilities	4,655			3,900		
Total Noninterest-Bearing Liabilities	20,583			19,204		
Total Liabilities	84,172			82,073		
Redeemable Preferred Stock	62			62		
Nonredeemable Preferred Stock	602			602		
Common Stockholders' Equity	3,946			3,467		
Total Liabilities and Stockholders' Equity	$88,782			$86,204		
Taxable Equivalent Net Interest Income and Average Interest Rate Spread		$2,455	3.03%		$2,195	2.59%
Net Interest Income as a Percentage of Gross Interest-Earning Assets			4.30%			3.96%

* Reserve for possible loan losses is excluded from calculations of average balances and average rates, as appropriate.
** Reflects the first quarter impact of the extraordinarily high level of local interest rates which prevailed in certain South American countries.
Note: Loan amounts include nonaccrual and reduced rate loans, as applicable.

The Chase Manhattan Corporation and Subsidiaries

Consolidated Average Loan Balances*

($ in millions)	1986 3rd Qtr.	1986 2nd Qtr.	1985 3rd Qtr.	Nine Months Ended September 30, 1986	Nine Months Ended September 30, 1985
Domestic Offices:					
Real Estate Loans:					
Secured by 1-4 Family Residential Properties	$ 3,764	$ 3,212	$ 2,218	$ 3,235	$ 1,942
Other Real Estate Loans	4,306	4,129	2,974	4,167	2,927
Loans to Mortgage Companies	667	472	300	493	284
Loans to Other Financial Institutions	1,201	1,220	1,548	1,245	1,676
Loans for Purchasing or Carrying Securities	614	567	608	587	576
Commercial and Industrial Loans	7,900	7,780	8,799	7,929	9,127
Loans to Individuals for Personal Expenditures	8,223	7,733	6,548	7,794	6,020
Lease Financings	1,223	1,515	1,167	1,350	1,047
Tax-Exempt Loans	2,098	1,642	1,189	1,801	1,150
Other Loans	810	744	504	707	490
Total Domestic Offices, Gross	30,706	[illegible]	25,855	29,308	25,239
Less: Unearned Discount	445	436	504	432	453
Total Domestic Offices	30,261	28,578	25,351	28,876	24,766
Overseas Offices**	32,971	33,603	36,661	33,574	36,962
Less: Unearned Discount	221	218	194	218	194
Total Overseas Offices	32,750	33,385	36,467	33,356	36,768
Total Average Loans	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
**Loans in overseas offices include loans to U.S. commercial borrowers	$ 5,261	$ 5,167	$ 5,777	$ 5,160	$ 5,667

Consolidated Analysis of Loan Loss Experience*

($ in thousands)	1986 3rd Qtr.	1986 2nd Qtr.	1985 3rd Qtr.	Nine Months Ended September 30, 1986	Nine Months Ended September 30, 1985
Reserve for Possible Loan Losses at Beginning of Period	$ 955,859	$934,835	$820,690	$ 907,672	$761,439
Net Loan Charge-Offs:					
Domestic Loans:					
Commercial and Industrial Loans	21,859	19,737	24,236	47,236	72,201
Loans to Financial Institutions	(806)	(72)	(67)	(953)	(177)
Loans for Purchasing or Carrying Securities	-	-	-	(81)	(3)
Real Estate Loans	5,327	1,582	(542)	13,075	(488)
Loans to Individuals for Personal Expenditures	66,067	65,259	33,881	195,266	82,710
Lease Financings	493	604	103	1,830	67
Other Loans	(19)	(169)	(314)	(197)	(192)
Total Domestic Net Loan Charge-Offs	92,921	86,941	57,297	256,176	[illegible]
International Loans:					
Commercial and Industrial Loans	12,661	17,273	11,385	55,088	26,062
Real Estate Loans	(403)	3,980	(529)	3,717	362
Loans to Individuals for Personal Expenditures	4,329	2,674	2,992	9,827	5,371
Loans to Foreign Governments and Official Institutions	4,872	7,890	1,309	22,393	29,948
Other Loans	4,054	515	538	4,691	29
Total International Net Loan Charge-Offs	25,513	32,332	15,695	95,716	[illegible]
Total Net Loan Charge-Offs	118,434	119,273	72,992	351,892	[illegible]
Provision Charged to Expenses	190,000	135,000	110,000	455,000	310,000
Reserves of Acquired Subsidiaries	-	-	9,923	5,489	16,783
Foreign Exchange Translation Adjustments	6,740	5,297	4,778	17,896	67
Reserve for Possible Loan Losses at End of Period	$[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]

*Prior period amounts have been reclassified for comparative purposes.

The Chase Manhattan Corporation and Subsidiaries

Funds Borrowed

($ in thousands)*	1986 Sept. 30,	June 30,	March 31,	1985 Dec. 31,	Sept. 30,
Federal Funds Purchased	$ 3,494,918	$ 3,949,104	$ 2,662,949	$ 2,585,402	$ [illegible],363,036
Securities Sold Under Repurchase Agreements	1,210,999	1,163,015	1,319,836	1,546.391	2,[illegible],031
Total	4,705,917	5,112,119	3,98[illegible],785	4,131,793	4,[illegible]43,367
Commercial Paper:					
Company	2,810,365	3,190,708	3,116,410	3,337,981	3,567,949
Subsidiaries of Bank	18,106	77,955	126,091	145,520	[illegible]20,346
Total	2,828,471	3,268,663	3,242,501	3,[illegible],501	3,688,295
Other Borrowed Money:					
Maturing Within One Year:					
Banking Subsidiaries of Company	1,274,151	1,155,108	1,086,008	904,793	504,017
Nonbanking Subsidiaries of Company	100,669	104,476	113,489	100,678	83,329
Bank:					
Domestic Offices	1,056,676	1,068,330	548,966	1,276,361	1,129,833
Overseas Offices	944,357	1,063,222	1,268,296	1,389,786	1,013,239
Maturing After One Year:					
Company:					
Floating Rate Notes (Due 1991)	250,000	-	-	-	-
Floating Rate Extendable Notes (Due 1992)	299,869	299,841	299,813	299,784	299,756
Floating Rate Extendable Notes (Due 1997)	249,834	249,805	249,775	249,746	249,717
Floating Rate Notes (Due 1999)	23,378	23,383	24,118	24,118	25,147
Banking Subsidiaries of Company	331,040	181,053	[illegible]9,790	81,694	88,107
Nonbanking Subsidiary of Company	-	4,610	7,269	-	-
Bank:					
Domestic Offices	869	869	869	866	2,654
Overseas Offices	427,872	435,358	427,723	344,168	398,863
Total	4,958,715	4,586,[illegible]	4,[illegible]	4,67[illegible]	3,794,662
Total Funds Borrowed	$12,493,[illegible]	$1[illegible],266,[illegible]	$[illegible]	$[illegible]	$[illegible]

The Chase Manhattan Corporation and Subsidiaries

Long-Term Notes and Debentures

($ in thousands)	1986 Sept. 30,	1986 June 30,	1986 March 31,	1985 Dec. 31,	1985 Sept. 30,
Company:					
Convertible Capital Notes (4 7/8% Due 1993)	$ -	$ -	$ 6,759	$ 7,245	$ 7,626
Convertible Subordinated Debentures (6 1/2% Due 1996)	22,143	23,929	25,862	57,282	57,374
Notes Issued with Detachable Equity Contracts (15 1/2% Due 1992)	150,000	150,000	150,000	150,000	150,000
Notes (5 1/2% Due 1996)	249,056	249,031	249,006	-	-
Zero Coupon Notes (Due 1992)	80,893	78,257	75,515	72,964	70,499
Sinking Fund Debentures (8 1/2% Due 2009)	74	74	-	-	-
Floating Rate Notes (Due 2009)	282,311	282,311	282,385	282,385	282,385
Floating Rate Subordinated Notes (Due 1995)	348,930	348,901	348,872	348,843	348,814
Floating Rate Subordinated Notes (Due 1996)	398,731	398,698	398,665	398,632	398,598
Floating Rate Subordinated Notes (Due 1997)	175,000	175,000	175,000	175,000	-
Floating Rate Subordinated Notes (Due 2000)	250,000	250,000	250,000	250,000	250,000
Floating Rate Subordinated Notes (Due 2009)	400,000	400,000	400,000	400,000	400,000
Total	2,357,138	2,356,101	2,362,064	2,142,351	1,965,296
Chase Manhattan National Corporation:					
Debentures (6 1/4% Due 1992)	7,250	7,250	7,250	7,250	7,250
Debentures (8 1/2% Due 1996)*	21,090	21,090	21,090	21,090	21,090
Chase Lincoln First Bank N.A. Capital Notes (4.70% Due 1989)	3,614	3,614	3,974	3,976	3,975
Total	31,954	31,954	32,314	32,316	32,315
Bank:					
Capital Notes (8 3/4% Due 1986)	-	-	200,000	200,000	200,000
Capital Notes (4.60% Due 1990)	-	-	3,768	3,833	3,886
Floating Rate Notes (Due 1993)**	150,000	150,000	150,000	150,000	150,000
Deutsche Mark Bearer Bonds (6% Due 1993)**	29,735	32,976	31,284	32,300	29,297
French Franc Floating Rate Bonds (Due 1992)***	113,259	106,967	105,152	97,485	90,744
French Franc Floating Rate Bonds (Due 1993)***	52,854	49,918	49,071	45,493	42,347
Swiss Franc Bonds (4% Due 1993)**	36,280	33,203	31,594	30,288	28,750
Nederlandse Credietbank N.V. Notes and Debentures	86,658	83,620	81,325	72,433	65,998
Floating Rate Subordinated Debenture (Due 1996)	400,000	400,000	400,000	400,000	400,000
Total	868,836	856,684	1,052,694	1,031,832	1,011,022
Less: Investment by the Company in Floating Rate Subordinated Debenture of the Bank (Due 1996)	400,000	400,000	400,000	400,000	400,000
Total Long-Term Notes and Debentures	$2,857,928	$2,844,739	$3,047,072	$2,806,499	$2,608,633

*Guaranteed by the Company.

**Issued by Chase Manhattan Overseas Banking Corporation, a wholly owned subsidiary of the Bank, and guaranteed by the Company

***Issued by Chase Manhattan S.A., a wholly owned subsidiary of the Bank, and guaranteed by the Company.

The Chase Manhattan Corporation and Subsidiaries

Consolidated Statement of Income

($ in thousands, except per common share data)	1986 3rd Qtr.	1986 2nd Qtr.	1986 1st Qtr.	1985 4th Qtr.	1985 3rd Qtr.
Interest Income					
Interest and Fees on Loans	$1,546,531	$1,593,492	$1,808,867	$1,802,486	$1,735,003
Interest on Bank Deposit Placings	111,961	124,910	115,318	121,013	130,351
Interest and Dividends on Investment Securities:					
Interest on U.S. Treasury Securities	43,039	41,872	40,072	43,857	49,044
Federal Agency Securities	2,364	5,385	9,050	7,356	7,310
State and Political Subdivision Securities Exempt from Federal Income Taxes	37,782	41,778	43,232	38,509	37,875
Other Bonds, Notes and Debentures	34,034	32,157	70,742	57,354	45,153
Dividends on Federal Reserve Bank and Other Stock Investments	3,190	2,338	2,416	2,373	3,293
	120,409	123,530	165,512	149,249	142,676
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	18,084	23,408	49,236	35,919	21,300
Interest on Trading Account Assets	25,666	22,143	28,171	22,704	19,611
Total Interest Income	[illegible]	1,887,483	2,167,104	[illegible]	[illegible]
Interest Expense					
Deposits	783,888	832,055	959,723	1,006,231	1,031,908
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	93,552	98,125	161,119	125,090	116,825
Commercial Paper	45,156	54,164	56,844	60,547	63,346
Other Borrowed Money	97,127	100,632	177,545	144,668	86,585
Long-Term Notes and Debentures	57,889	62,623	63,421	61,705	60,457
Total Interest Expense	1,077,612	1,147,599	1,418,652	[illegible]	[illegible]
Net Interest Income	745,039	739,884	748,452	733,232	709,070
Provision for Possible Loan Losses	190,000	135,000	130,000	125,000	110,000
Net Interest Income After Provision for Possible Loan Losses	555,039	604,884	618,452	[illegible]	599,070
Other Operating Income					
Fees and Commissions	276,562	282,913	241,580	262,220	223,404
Foreign Exchange Trading Income	54,821	62,836	60,277	46,470	48,231
Trading Account Profits (Losses)	17,993	9,255	22,173	11,460	3,022
Investment Securities Gains (Losses)	51,152	46,577	40,204	20,021	28,776
Other Income	105,244	47,354	9,085	41,138	12,848
Total Other Operating Income	505,772	[illegible]	373,319	381,309	[illegible]
Other Operating Expenses					
Salaries and Employee Benefits:					
Salaries	341,482	322,500	319,065	311,613	280,038
Profit Sharing	26,082	25,763	20,502	22,489	22,351
Other Employee Benefits	98,245	83,233	84,863	63,641	72,536
	465,809	431,496	424,430	397,743	[illegible]
Net Occupancy	94,530	77,187	71,182	68,055	67,869
Equipment Rentals, Depreciation and Maintenance	67,428	70,767	67,867	54,700	59,456
Other Expenses	233,720	254,963	209,978	223,718	196,327
Total Other Operating Expenses	861,487	834,413	773,457	744,216	695,377
Income Before Taxes	199,324	219,106	218,314	245,125	221,974
Applicable Income Taxes	61,219	73,337	74,624	94,445	72,550
Net Income	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Net Income Applicable to Common Stock	$ 124,217	$ 131,192	$ 127,408	$ 133,184	$ 137,343
Average Shares Outstanding	80,193,207	79,308,817	78,156,253	76,789,734	75,398,388
Earnings Per Common Share:					
Primary, Based on Average Shares Outstanding	$ 1.55	$ 1.65	$ 1.63	$ 1.74	$ 1.74
Assuming Full Dilution	$ 1.53	$ 1.62	$ 1.59	$ 1.68	$ 1.68
Cash Dividends Declared Per Common Share	$ .31 1/4	$ .31 1/4	$ .31 1/4	$ .37 1/2	$ .37 1/2

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

	Page
Exhibit 11 Statement re: Computation of Earnings Per Common Share for the quarters and nine months ended September 30, 1986 and 1985.	34
Exhibit 12 Statement re: Computation of Consolidated Ratios of Earnings to Fixed Charges for the nine months ended September 30, 1986 and 1985.	35
Exhibit 28 Summarized Financial Information - Chase Manhattan National Corporation	36

(b) Reports on Form 8-K

The registrant filed a report on Form 8-K during the quarter ended September 30, 1986:

Date of Report		Items Reported
7/14/86	-	News release announcing the Corporation's earnings for the quarter ended June 30, 1986.

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)

By Michael P. Esposito Jr.
(Michael P. Esposito, Jr.)
(Executive Vice President and Controller)

November 4, 1986.

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarter Ended September 30, 1986

Commission file number 1-6522

BANK OF BOSTON CORPORATION

(Exact name of Registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	04-2471221 (I.R.S. Employer Identification No.)
100 Federal Street, Boston, Massachusetts (Address of principal executive office)	02110 (Zip Code)
Registrant's telephone number, including area code	(617) 434-2200

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____

Number of outstanding shares of the Registrant's sole class of Common Stock as of November 5, 1986	39,780,786

Total number of pages contained in this report is 104

Exhibit Index is located on page 32

BANK OF BOSTON CORPORATION

INDEX

LIST OF TABLES

BANK OF BOSTON CORPORATION

Consolidated Financial Summary - (dollars in millions, except share amounts)

(Taxable equivalent basis) Quarters Ended	September 30 1986	September 30 1985
Net interest revenue after provision for credit losses	$ 255.6	$ 180.0
Other operating income	135.2	118.9
Other operating expense	265.0	212.2
Net income	62.3	46.5
Loans and lease financing	22,181.4	17,091.6
Total assets	31,897.9	24,934.3
Deposits	19,540.1	16,749.0
Total stockholders' equity	1,608.0	1,365.7
Per common share (1):		
Net income:		
Primary	$ 1.49	$ 1.12
Fully diluted	$ 1.41	$ 1.12
Dividends declared	$ .33	$ .30
Book value (at period end)	$ 35.28	$ 31.61
Common stock price range:		
Low	36 5/8	22 3/8
High	44 1/2	27 5/8
Selected ratios (annualized):		
Return on average assets	.81%	.75%
Return on average common equity	17.11%	14.24%
Capital ratios:		
Primary	6.68%	6.88%
Total	9.15%	8.59%

Nine Months Ended	September 30 1986	September 30 1985
Net interest revenue after provision for credit losses	$ 708.6	$ 551.5
Other operating income	411.7	307.4
Other operating expense	785.9	602.2
Net income	168.0	130.0
Per common share (1):		
Net income:		
Primary	$ 4.00	$ 3.20
Fully Diluted	$ 3.78	$ 3.20
Dividends declared	$ .99	$ .90
Selected ratios (annualized):		
Return on average assets	.77%	.75%
Return on average common equity	15.87%	14.05%

(1) All per common share amounts reflect the two-for-one stock split effective March, 1986.

BANK OF BOSTON CORPORATION and Subsidiaries

Consolidated Balance Sheet

(in thousands)

ASSETS	September 30 1986	December 31 1985
Cash and due from banks	$ 1,859,200	$ 1,859,000
Interest bearing deposits in other banks	1,623,539	2,102,030
Federal funds sold and securities purchased under agreements to resell	142,069	199,365
Trading account securities (market value of $655,000 in 1986 and $638,000 in 1985)	654,198	637,310
Investment securities:		
U.S. Treasury	1,235,044	856,129
U.S. Government agencies and corporations	1,105,132	116,770
States and political subdivisions	684,350	466,500
Other	723,220	471,071
Total investment securities (market value of $3,849,000 in 1986 and $1,939,000 in 1985)	3,747,746	1,910,470
Loans and lease financing:		
United States Operations	18,007,418	15,285,502
International Operations	4,173,998	4,335,823
Total loans and lease financing (net of unearned income of $212,230 in 1986 and $223,437 in 1985)	22,181,416	19,621,325
Reserve for possible credit losses (Note B)	(358,956)	(313,664)
	21,822,460	19,307,661
Precious metals assets	77,231	166,504
Premises and equipment	452,242	443,859
Due from customers on acceptances	430,376	656,963
Accrued interest receivable	342,884	346,122
Other assets	745,908	667,056
TOTAL ASSETS	$31,897,853	$28,296,340

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION and Subsidiaries

Consolidated Balance Sheet, continued

(in thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30 1986	December 31 1985
Deposits:		
Domestic offices:		
Non-interest bearing	$ 4,016,161	$ 4,102,150
Interest bearing	9,902,083	9,254,495
Overseas offices:		
Non-interest bearing	371,443	309,892
Interest bearing	5,250,382	5,547,520
Total deposits	19,540,069	19,214,058
Funds borrowed:		
Federal funds purchased	2,787,837	2,055,291
Term federal funds purchased	1,566,025	306,740
Securities sold under agreements to repurchase	1,618,004	982,058
Commercial paper	1,026,510	1,136,021
Other funds borrowed	1,094,763	959,505
Acceptances outstanding	430,876	661,904
Accrued and deferred income taxes	84,256	103,753
Accrued expenses and other liabilities	732,583	797,557
Notes payable (Note C)	1,408,926	604,866
TOTAL LIABILITIES	30,289,849	26,621,753
Commitments & Contingent Liabilities (Note D)		
Stockholders' Equity:		
Preferred stock without par value:		
Authorized shares - 10,000,000		
Issued shares - Series A - 1,045,712	52,286	52,286
Series B - 1,576,068	78,803	78,803
Series C - 775,390	77,539	77,539
Common stock:		
Par value per share - $2.25 in 1986 and $4.50 in 1985		
Authorized shares - 100,000,000 in 1986 and 40,000,000 in 1985		
Issued shares - 39,665,949 in 1986 and 19,597,210 in 1985	89,248	88,187
Surplus	224,679	211,130
Retained earnings	1,089,851	971,450
Cumulative translation adjustments	(4,402)	(4,808)
TOTAL STOCKHOLDERS' EQUITY	1,608,004	1,474,5[illegible]
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$31,897,853	$28,296,3[illegible]

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION and Subsidiaries

Consolidated Statement of Income

(in thousands, except share amounts)

	Quarters Ended September 30 1986	Quarters Ended September 30 1985	Nine Months Ended September 30 1986	Nine Months Ended September 30 1985
Interest income:				
Loans and lease financing, including fees	$590,852	$543,903	$1,787,316	$1,714,888
Trading account securities	8,600	15,627	25,612	67,989
Investment securities	76,314	70,127	204,418	195,163
Federal funds sold and securities purchased under agreements to resell	5,102	15,791	36,032	84,640
Deposits with banks	49,351	53,687	148,251	216,080
Precious metals	1,477		7,251	
Total interest income	731,696	699,135	2,208,680	2,278,760
Interest expense:				
Deposits of domestic offices	156,924	135,669	493,479	370,249
Deposits of overseas offices	127,864	160,686	425,925	634,348
Funds borrowed	135,182	172,023	434,978	632,154
Notes payable	26,106	11,420	66,253	34,467
Total interest expense	446,076	479,798	1,420,635	1,671,[illegible]
Net interest revenue	285,620	219,337	788,245	607,542
Provision for credit losses (Note B)	50,000	50,000	130,000	90,000
Net interest revenue after provision for credit losses	235,620	169,337	658,245	517,542
Other operating income:				
Financial service fees	57,387	44,387	159,229	126,228
Trust and agency fees	30,886	21,970	91,674	60,601
Trading account profits and commissions	5,762	1,407	4,576	7,355
Investment portfolio gains	822	13,104	6,442	13,537
Other income	40,303	37,989	149,785	99,6[illegible]7
Total other operating income	135,160	116,857	411,706	307,[illegible]
Other operating expense:				
Salaries	119,236	91,142	343,402	253,290
Employee benefits	21,242	19,656	67,977	59,684
Occupancy expense	24,594	19,274	71,779	54,602
Equipment expense	21,118	17,403	64,574	49,242
Other expense	78,792	64,684	238,146	185,372
Total other operating expense	264,982	212,159	[illegible]35,876	602,190
Income before income taxes	105,798	76,035	284,073	222,700
Provision for income taxes	43,507	29,533	116,074	92,731
NET INCOME	$ 62,291	$ 46,502	$ 167,999	$ [illegible]29,969
Per common share (Notes E and F):				
Net income:				
Primary	$ 1.49	$ 1.12	$ 4.00	$ 3.20
Fully diluted	$ 1.41	$ 1.12	$ 3.78	$ 3.20
Dividends declared	$ .33	$ .30	$ .99	$ .90
Average number of common shares (Note F):				
Primary	39,627,588	39,017,748	39,471,992	38,863,144
Fully diluted	42,829,589	39,017,748	42,371,567	38,863,144

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION and Subsidiaries

Consolidated and Parent Company Statement of Changes in Stockholders' Equity

(in thousands)

	Quarters Ended September 30	
	1986	1985
Balance, beginning of period	$1,556,411	$1,330,509
Net income	62,291	46,502
Common stock issued in connection with:		
Dividend reinvestment plan	3,995	3,048
Employee benefit plans	641	97
Cash dividends declared:		
Preferred stock - Series A	(795)	(1,182)
Preferred stock - Series B	(1,198)	(1,560)
Preferred stock - Series C	(1,077)	
Common stock	(13,096)	(11,714)
Translation adjustments, net of tax	832	37
Balance, end of period	$1,608,004	$1,365,737

	Nine Months Ended September 30	
	1986	1985
Balance, beginning of period	$1,474,587	$1,165,444
Net income	167,999	129,969
Stock issuance:		
Preferred stock - Series B issued in connection with acquisition of Colonial Bancorp, Inc.		78,803
Common stock issued in connection with:		
Dividend reinvestment plan	11,354	9,441
Employee benefit plans	3,256	1,225
Cash dividends declared:		
Preferred stock - Series A	(2,750)	(3,734)
Preferred stock - Series B	(4,051)	(1,560)
Preferred stock - Series C	(3,667)	
Common stock	(39,130)	(35,019)
Translation adjustments, net of tax	406	1,168
Balance, end of period	$1,608,004	$1,365,737

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION and Subsidiaries

Consolidated Statement of Changes in Financial Position

(in thousands)

	Nine Months Ended September 30 1986	Nine Months Ended September 30 1985
Funds were provided from:		
Net income	$ 167,999	$ 129,969
Non-cash charges included in net income:		
Provision for credit losses	130,000	90,000
Depreciation and amortization	46,971	35,506
Deferred income taxes	(1,400)	19,270
Funds provided from operations	343,570	274,745
Increase in:		
Deposits	325,974	148,606
Funds borrowed	2,653,524	1,353,913
Notes payable	804,060	165,317
Decrease in:		
Cash and due from banks		216,232
Interest bearing deposits in other banks	478,491	61,430
Federal funds sold and securities purchased under agreements to resell	57,296	318,226
Precious metals assets	89,273	
Due from customers on acceptances	226,587	390,482
Issuance of stock:		
Preferred		78,803
Common	14,610	10,666
	$4,993,385	$ 3,018,420
Funds were used for:		
Cash dividends declared:		
Preferred stock	$ 10,468	$ 5,294
Common stock	39,130	35,019
Acquisition of bank subsidiary:		
Assets acquired		1,574,529
Liabilities assumed		(1,470,726)
Increase in:		
Cash and due from banks	200	
Investment and trading account securities	1,859,200	698,403
Loans and lease financing	2,645,753	1,543,351
Decrease in:		
Acceptances outstanding	231,028	398,531
Other, net	207,606	234,019
	$4,993,385	$ 3,018,420

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION

Parent Company Balance Sheet

(in thousands)

ASSETS	September 30 1986	December 31 1985
Cash and due from banks	$ 1,716	$ 873
U.S. Treasury securities (market value of $809,800 in 1986 and $504,500 in 1985)	801,080	499,982
Loans (net of reserve for possible credit losses of $2,000 in 1986 and in 1985)	536,517	112,000
Advances to subsidiaries:		
Bank subsidiaries	17,512	11,435
Nonbank subsidiaries	1,483,518	1,246,037
Investments in subsidiaries:		
Bank subsidiaries	1,569,674	1,463,632
Nonbank subsidiaries	264,639	228,327
Accrued interest receivable:		
Subsidiaries	4,277	5,338
Other	16,799	22,667
Other assets	11,912	9,223
TOTAL ASSETS	$4,707,644	$3,599,514
LIABILITIES AND STOCKHOLDERS' EQUITY		
Funds borrowed	$1,781,911	$1,597,861
Dividends payable	13,089	12,934
Accrued interest payable:		
Subsidiaries	4,725	8,159
Other	15,250	11,734
Advance from nonbank subsidiary	90,000	90,000
Notes payable (Note C)	1,191,899	400,000
Other liabilities	2,766	4,219
TOTAL LIABILITIES	3,099,640	2,124,927
TOTAL STOCKHOLDERS' EQUITY	1,608,004	1,474,587
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,707,644	$3,599,514

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION

Parent Company Statement of Income

(in thousands)

	Quarters Ended September 30		Nine Months Ended September 30	
	1986	1985	1986	1985
Operating income:				
Dividends from bank subsidiaries	$12,908	$11,862	$ 37,601	$ 25,438
Interest income:				
U.S. Treasury securities	12,241	28,044	33,496	70,862
Loans	10,704	3,442	19,219	11,555
Advances to subsidiaries:				
Bank	276		994	
Nonbank	26,825	24,941	84,809	70,081
Investment portfolio gains		7,295		7,295
Total operating income	62,954	75,584	176,119	185,231
Operating expense:				
Interest expense:				
Funds borrowed	24,497	43,416	80,807	114,917
Advance from nonbank subsidiary	3,508	3,508	10,408	10,408
Notes payable	20,081	6,068	47,849	20,189
Other expense	187	90	238	150
Total operating expense	48,273	53,082	139,302	145,664
Income before income taxes and equity in undistributed net income of subsidiaries	14,681	22,502	36,817	39,567
Provision (benefit) for income taxes	966	4,638	(281)	6,481
Income before equity in undistributed net income of subsidiaries	13,715	17,864	37,098	33,086
Equity in undistributed net income of subsidiaries	48,576	28,638	130,901	96,883
NET INCOME	$62,291	$46,502	$167,999	$129,969

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION

Parent Company Statement of Changes in Financial Position

(in thousands)

	Nine Months Ended September 30 1986	1985
Funds were provided from:		
Net income	$ 167,959	$ 129,969
Less equity in undistributed net income of subsidiaries	130,901	96,883
Funds provided from operations	37,058	33,086
Increase in:		
Funds borrowed	184,030	862,470
Notes payable	791,899	100,000
Decrease in:		
Loans		47,600
Cash and due from banks		653
Issuance of stock:		
Preferred		78,803
Common	14,610	10,666
	$1,027,637	$1,133,308
Funds were used for:		
Cash dividends declared:		
Preferred stock	$ 10,468	$ 5,294
Common stock	39,130	35,019
Increase in:		
Cash and due from banks	843	
U.S. Treasury securities	301,098	705,580
Advances to subsidiaries	243,558	255,033
Investments in subsidiaries	11,047	112,436
Loans	424,517	
Other, net	(3,024)	19,946
	$1,027,637	$1,133,308

The accompanying notes are an integral part of these financial statements.

BANK OF BOSTON CORPORATION

Notes to Financial Statements

A. The accompanying consolidated and parent company financial statements of Bank of Boston Corporation (Corporation) are unaudited. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information contained herein have been made. This information should be read in conjunction with the Corporation's 1985 Annual Report on Form 10-K.

B. Reserve for Possible Credit Losses:

An analysis of the Reserve for Possible Credit Losses is as follows:

	Quarters Ended September 30		Nine Months Ended September 30	
	1986	1985	1986	1985
Balance, beginning of period	$342,413	$265,879	$ 313,664	$242,384
Reserve of acquired company				13,857
Provision	50,000	50,000	130,000	90,000
Domestic credit losses:				
Commercial, industrial and financial	(18,639)	(11,185)	(41,549)	(14,185)
Real estate	(489)	(14)	(1,194)	(1,022)
Loans to individuals	(10,567)	(2,874)	(29,703)	(7,090)
Lease financing	(25)	(106)	(298)	(381)
International credit losses	(14,595)	(17,686)	(45,950)	(54,564)
Total credit losses	(44,315)	(31,865)	(118,694)	(77,242)
Domestic recoveries:				
Commercial, industrial and financial	3,553	729	16,608	9,758
Real estate	8	53	18	137
Loans to individuals	2,436	614	4,917	1,916
Lease financing	206	276	261	435
International recoveries	4,655	5,138	12,182	9,579
Total recoveries	10,858	6,810	33,986	21,825
Net credit losses	(33,457)	(25,055)	(84,708)	(55,417)
Balance end of period	$358,956	$290,824	$ 358,956	$290,824

C. Notes Payable:

On January 30, 1986, the Corporation issued $100 million principal amount of 7 3/4% Convertible Subordinated Debentures maturing June 15, 2011. The Debentures are unsecured obligations of the Corporation, convertible at the option of the holder into common stock of the Corporation at $35 1/8 per share, subject to adjustment in certain events, and are redeemable at the option of the Corporation at prices decreasing from 107.75% in 1986 to 100.78% in 1994 and thereafter at 100% of the principal amount plus, in each case, accrued interest. Interest is payable semiannually on June 15 and December 15 of each year.

On February 10, 1986, the Corporation issued $250 million principal amount of Subordinated Floating Rate Notes maturing in February 2001. Interest is payable at 1/8 of 1% over the London interbank offered rates (LIBOR) for three-month Eurodollar deposits, with such rate determined quarterly. Such interest is subject to a minimum rate of 5% per annum and a maximum rate of 19 3/4% per annum. At September 30, 1986, the interest rate was 6 5/8%. The Notes may be redeemed at the option of the Corporation at 100% of the principal amount on and after the interest payment date in February 1989.

On July 2, 1986, the Corporation issued $100 million Australian Dollar Notes due July 2, 1989, which effectively have a floating interest rate based on six-month LIBOR minus 35 basis points. The effective interest rate at September 30, 1986 was 6.52%. The Notes are not redeemable prior to maturity.

On July 3, 1986, the Corporation issued $250 million of Variable Coupon Renewable Notes. The Notes have a variable interest rate tied to U.S. Treasury rates, with such rate determined quarterly. At September 30, 1986, the interest rate was 6.10%. The initial maturity of the Notes is approximately one year; however, the Notes contain an automatic renewal feature, which will result in continual extension of the maturity unless the holder elects to terminate the feature. The Notes are redeemable at the option of the Corporation, as a whole or in part, on and after June 28, 1990.

On August 26, 1986, the Corporation issued $125 million principal amount of Floating Rate Subordinated Notes maturing in August 1998. Interest is payable at 1/20 of 1% over the LIBOR for three-month Eurodollar deposits, with such rate determined quarterly. Such interest is subject to a maximum rate of 19 3/4% per annum. At September 30, 1986, the interest rate was 6.05%. The Notes may be redeemed at the option of the Corporation, in whole or in part, on and after the interest payment date in August 1989. The Notes qualify as primary capital for U.S. regulatory purposes as a result of an equity commitment feature.

D. Commitments and Contingent Liabilities:

In the normal course of business, there are outstanding a number of commitments to extend credit, letters of credit, guarantees and letters of indemnity, as well as agreements to purchase or sell securities, foreign exchange or interest. Certain of these commitments represent various degrees and types of risk to the Corporation and its subsidiaries, including credit, interest rate, foreign exchange rate and liquidity risk. In many cases, the commitments involving interest and foreign exchange result from decisions to hedge overall interest rate and foreign exchange risk. In the opinion of management, the Corporation's outstanding commitments do not represent unusual risks for the Corporation and losses, if any, resulting from them will not be material.

The Corporation and its subsidiaries are defendants in a number of legal proceedings arising in the normal course of business. Management, after reviewing all actions and proceedings pending against or involving the Corporation and its subsidiaries, considers that the aggregate liability or loss, if any, resulting from the final outcome of these proceedings will not be material.

E. Net Income Per Share:

Primary net income per common share is computed by dividing net income, reduced by preferred stock dividends, by the weighted average number of common shares outstanding for each period presented.

Fully diluted net income per common share is computed by dividing net income reduced by preferred stock dividends and increased by the interest, net of income tax, recorded on the Corporation's convertible debentures, by the weighted average number of common outstanding shares for each period plus amounts representing the dilutive effect of outstanding stock options and the dilution which would result from conversion of the Corporation's convertible debentures.

F. Stock Split:

At the Corporation's annual meeting in March, 1986, the stockholders authorized an increase in the number of common shares from 40,000,000 to 10[illegible],000,000, changed the par value of each authorized common share from $4.50 to $2.25 and approved a two-for-one stock split, effective March 31, 1986. Average outstanding common shares and per common share data have been retroactively restated to reflect the stock split.

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

FINANCIAL CONDITION

At September 30, the Corporation's total assets were $31.9 billion up 13% from the $28.3 billion reported for December 31, 1985. Growth in the loan portfolio and in investment securities were the major factors contributing to asset expansion, partially offset by a $400 million decrease in interest bearing deposits in other banks, primarily from international operations. The $2.6 billion increase in loans and lease financing primarily resulted from an increase of $1.5 billion in domestic real estate loans outstanding and an increase in domestic commercial and industrial loans of $900 million. Investment securities increased $1.8 billion as a result of a $1 billion investment in Government National Mortgage Association securities and an increase of approximately $400 million in U.S. Treasury Securities. The Corporation's increase in assets was primarily funded through borrowings, most significantly, term federal funds purchased which increased $1.3 billion, notes payable which increased $804 million, federal funds purchased which increased $733 million and an increase of $636 million in securities sold under agreements to repurchase. For additional information with respect to the increase in notes payable, see Note C of Notes to Financial Statements.

The reserve for credit losses was $358.9 million at September 30, or 1.62% of outstanding loans and leases. This compares with $313.7 million, or 1.60% at December 31, 1985. Consolidated nonperforming assets were $634 million at September 30, up from $591 million at December 31, 1985. As a percent of related asset categories, nonperforming assets declined to 2.8% at September 30, from 3.0% at December 31, 1985.

Stockholders' equity increased $133.4 million during the first nine months of 1986 to $1.6 billion. The increase was primarily the result of the retention of earnings. The Corporation's primary capital ratio was 6.7% and total capital ratio was 9.1% at September 30, compared with 6.5% and 8.0% respectively at December 31, 1985. The Corporation's primary capital ratio benefited from the issuance of $125 million of floating rate subordinated "equity commitment notes" during the quarter. These notes, because of a commitment to issue an equal amount of equity over the life of the notes, are considered primary capital for regulatory capital adequacy purposes. In both comparisons, the ratios are above the regulatory requirements of 5.5% for primary and 6.0% for total capital.

The Tax Reform Act of 1986 was signed into law during October, 1986. Certain of the provisions of the Act are effective for 1986. The effect of these provisions on the Corporation's 1986 financial statements is not expected to be significant.

RESULTS OF OPERATIONS

In the third quarter of 1986, the Corporation's net income increased 34% to $62.3 million from the $46.5 million reported in the corresponding period of 1985. On a per common share basis, net income for the third quarter was $1.49 which represents an improvement of 33% over last year's $1.12. Fully diluted earnings per common share was $1.41 for the quarter compared with $1.12 last year. For the nine months, the Corporation's net income was $168 million, which is 29% higher than a year ago. On a per share basis, net income per common share was $4.00, an increase of 25% from $3.20 in 1985. On a fully diluted basis, earnings per common share was $3.78 for the nine months as compared with $3.20 a year ago.

Annualized return on average common equity (ROE) for the third quarter of 1986 was 17.11%, up from 14.24% reported in the third quarter of 1985. ROE for the first nine months of 1986 was 15.87% as compared with 14.05% reported last year. Annualized return on average assets was also higher than a year ago at .81% for the quarter and .77% for the year-to-date period.

In both the third quarter and nine month comparisons improvements in net income resulted from higher net interest revenue and other operating income, reflecting in part the effect of a healthy New England economy. These improvements were partially offset by increases in other operating expense and, in the nine month comparison, a higher provision for credit losses. Also, the effect of the Corporation's 1985 acquisitions of Colonial Bancorp (Colonial) in late June and RIHT Financial Corporation (RIHT) in November added to the increases in both revenues and expenses as well as the rise in net income.

NET INTEREST REVENUE - (FULLY TAXABLE EQUIVALENT BASIS)

The discussion of net interest revenue should be read in conjunction with the Summary of Factors Causing Changes in Net Interest Revenue, Analysis of Changes in Net Interest Revenue by Volume, Rate and Time, and the Average Balances and Interest Rates and Interest Differential analysis on pages 18, 24, 27 and 28.
For purposes of this review, income that is either exempt from federal income taxes or taxed at a preferential rate has been adjusted to a fully taxable equivalent basis. The adjustment of income to a fully taxable equivalent basis has been calculated assuming a federal income tax rate of 46% and adjusting for applicable state and local income taxes, net of the related federal tax benefit.

Net Interest Revenue from United States Operations

Net interest revenue from United States Operations was $252.4 million for the third quarter of 1986, up $72.1 million from $180.3 million reported in the third quarter of 1985. The acquisition of RIHT contributed approximately 30% of this increase. Exclusive of the acquisition, growth in average earning assets, primarily due to higher average loans and lease financing volume of $3.2 billion and an increase in investment securities of $1 billion, contributed to the improved results. These results also reflect higher loan fees, which were up by $14.4 million, excluding the acquisition.

For the nine months net interest revenue from United States Operations was $684.9 million, a $192.7 million increase from $492.2 million for the same period last year. The effect of the acquisitions of Colonial and RIHT accounted for approximately 60% of the increase in net interest revenue. Exclusive of the effect of these acquisitions, net interest revenue increased by 15%, resulting principally from higher average loans and lease financing volume. Moderating the increase in net interest revenue was a decline in the interest rate margin, despite a $38 million increase in loan fees.

Net Interest Revenue from International Operations

Net interest revenue from International Operations was $53.2 million for the third quarter of 1986, up $3.5 million, or 7% from the corresponding period in 1985. A higher interest rate margin of 32 basis points, principally due to the removal of international loans from nonaccrual, contributed to the improved results.

Net interest revenue from International Operations for the first nine months of 1986 was $153.7 million, an increase of $4.3 million when compared with the corresponding period in 1985. This increase is primarily due to a higher interest rate margin of 18 basis points, the result of the removal of certain Argentine and Venezuelan loans from nonaccrual status. Moderating the increase in net interest revenue was a $161 million decrease in average earning assets, principally resulting from a $406 million decline in interest-bearing deposits in other banks.

As a result of the Argentine government's new economic plan implemented in June 1985, and Brazil's new economic plan implemented the latter part of February, 1986, both of which dramatically reduced interest rates, interest income and interest expense from International Operations for the quarter and nine month periods has declined as compared with the same periods last year.

Summary of Factors Causing Changes in Net Interest Revenue

The following table shows an analysis of net interest revenue by United States and International Operations for the third quarter of 1986 as compared with the third quarter of 1985 and for the first nine months of 1986 as compared with the first nine months of 1985.

Quarters Ended September 30

(dollars in millions)			Increase (Decrease)	
Domestic Operations	**1986**	**1985**	**Amount**	**Percent**
Net interest revenue*	$ 252.4	$ 180.3	72.1	40%
Average loans and lease financing	$17,588	$12,375	5,213	42
Average other earning assets	$ 3,795	$ 2,824	971	34
Spread	3.68%	3.19%	.49	15
Margin	4.68%	4.71%	(.03)	0
International Operations				
Net interest revenue*	$ 53.2	$ 49.7	3.5	7%
Average loans and lease financing	$ 4,242	$ 4,245	(3)	0
Average other earning assets	$ 1,837	$ 2,006	(169)	(8)
Spread	2.68%	2.22%	.46	21
Margin	3.47%	3.15%	.32	10
Consolidated				
Net interest revenue*	$ 305.6	$ 230.0	75.6	33%
Average loans and lease financing	$21,830	$16,620	5,210	31
Average other earning assets	$ 5,632	$ 4,830	802	17
Spread	3.38%	2.65%	.73	28
Margin	4.41%	4.25%	.16	4

Nine Months Ended September 30

(dollars in millions)			Increase (Decrease)	
Domestic Operations	**1986**	**1985**	**Amount**	**Percent**
Net interest revenue*	$ 684.9	$ 492.2	192.7	39%
Average loans and lease financing	$16,510	$11,242	5,268	47
Average other earning assets	$ 3,186	$ 2,479	707	29
Spread	3.47%	3.21%	.26	8
Margin	4.65%	4.80%	(.15)	(3)
International Operations				
Net interest revenue*	$ 153.7	$ 149.4	4.3	3%
Average loans and lease financing	$ 4,298	$ 4,181	117	3
Average other earning assets	$ 1,914	$ 2,192	(278)	(13)
Spread	2.48%	1.94%	.54	28
Margin	3.31%	3.13%	.18	6
Consolidated				
Net interest revenue*	$ 838.6	$ 641.6	197	31%
Average loans and lease financing	$20,808	$15,423	5,385	35
Average other earning assets	$ 5,100	$ 4,671	429	9
Spread	3.11%	2.34%	.77	33
Margin	4.33%	4.27%	.06	1

*Fully taxable equivalent basis.

PROVISION FOR CREDIT LOSSES

The provision for credit losses for the quarter was $50 million, the same as the third quarter 1985. For the nine months, the provision was $130 million, up from $90 million in 1985, as a result of higher net credit losses and loan portfolio growth. Net credit losses were $33.5 million for the quarter, compared with $25.1 million a year ago. For the nine months, net credit losses were $84.7 million in 1986 and $55.4 million in 1985. As a percentage of average loans and lease financing, net credit losses in the quarter to quarter comparison remained stable at .15%. In the year to date comparison net credit losses to average loans and leases was .41% as compared with .36% in 1985. As a percent of the provision, net credit losses was 66.91% for the quarter and 65.16% for the nine months as compared with 50.11% and 61.57% respectively in 1985.

OTHER OPERATING INCOME

Other operating income increased to $135.2 million in the third quarter of 1986, an increase of 14% over the $118.9 million reported in the third quarter of 1985. This increase reflects a $13 million increase in financial service fees, an increase of $8.9 million in trust and agency fees and a $4.4 million increase in trading account income. These improvements were offset by a $12.3 million decline in security gains. The acquisition of RIHT contributed approximately 20% of the increase in financial service fees and approximately two-thirds of the rise in trust in agency fees. Also reflected in the increase in financial service fees are improved demand deposit and standby letter of credit fees.

For the nine months, other operating income was $411.7 million, a 34% increase from the $307.4 million reported a year ago. The nine month comparison includes improvements of $33 million in financial service fees, a $31.1 million increase in trust and agency fees and a $50.2 million increase in other income. Moderating these improvements was a $7.1 million decline in security gains. The effect of the acquisitions of Colonial and RIHT accounted for approximately one-third of the improvement in both financial service fees and other income and approximately two-thirds of the increase in trust and agency fees. The nine-month comparison also benefited from a $12 million increase in income from venture capital investments within the Investment Banking function and $9 million in higher profits related to sales of mortgage inventory by the Mortgage Banking function. In addition, the nine-month results include a gain of $7.1 million related to the sale of a subsidiary's building. Gains from assets acquired in prior debt restructurings amounted to $19 million for the 1986 nine month period compared with $16 million for the same period last year.

OTHER OPERATING EXPENSE

Other operating expense in the third quarter of 1986 was $265 million, 25% higher than the $212.2 million reported last year. In the nine month comparison, other operating expense was $785.9 million, 31% higher than a year ago. Excluding the effect of the acquisitions, these increases were 11% for both comparisons, reflecting a $15.2 million increase in employee cost in the quarter and an increase of $37.3 million in the year-to-date comparison. Other contributors to the quarter and year-to-date improved results include an increase of $5.6 million and $15.8 million in occupancy and equipment expense as well as an increase of $2 million and $12.2 million in other expense, respectively. The increased employee costs resulted primarily from merit increases and performance-related incentive programs. Occupancy, equipment and other expenses were up in order to support increases in business activity.

INTERNATIONAL OUTSTANDINGS

At September 30, 1986, international outstandings represent approximately 20% of the Corporation's consolidated total assets. Included in these outstandings are deposits in other banks, resale agreements, investment and trading account securities, loans and lease financing, amounts due from customers on acceptances and accrued interest receivable. Total cross-border outstandings represent approximately 15% of consolidated total assets at September 30, 1986. Cross-border outstandings are defined as amounts payable to the Corporation in U.S. dollars or other non-local currencies, plus amounts payable in local currency but funded with U.S. dollars or other non-local currencies. Excluded from the computation of cross-border outstandings for a given country are (a) local currency outstandings funded locally and (b) U.S. dollar or other non-local currency outstandings reallocated as a result of external guarantees or cash collateral.

Cross-border outstandings in countries which individually exceed .75 percent of consolidated total assets at September 30, 1986 are approximately as follows (certain information for June 30, 1986 is presented for comparative purposes):

Country	September 30, 1986				June 30, 1986	Percentage of Consolidated Total Assets		Commitments (3)
	Public (1)	Banks (2)	Other	Total	Total	September 30, 1986	June 30, 1986	September 30, 1986
	(dollars in millions)							
Argentina	$145		$170	$315	$325	1.0%	1.0%	$ [illegible]
Brazil	160	$ 20	155	335	330	1.2	1.1	[illegible]
Canada	15	145	95	255	280	.8	.9	[illegible]
Mexico	95	40	105	240	245	.8	.8	[illegible]
United Kingdom		190	335	525	475	1.6	1.5	[illegible]
West Germany	80	55	160	295	265	.9	.9	10

(1) Included within public are cross-border outstandings to central governments and their agencies, central or government development banks, state and local foreign governments and non-bank commercial enterprises majority-owned by central governments. Excluded are banks owned by foreign governments that do not function as central banks or banks of issue.

(2) Included within banks are cross-border outstandings to (a) private banking institutions and (b) banks owned by a foreign government other than central banks or banks of issue.

(3) Included within commitments are letters of credit, the undisbursed portion of loan commitments and guarantees. Amounts presented are net of reallocations.

All of the overseas activities of the Corporation's subsidiaries are subject to the political conditions in, and economic and regulatory policies of, the governments of the countries in which the activities are conducted, including the policies of such governments toward indebtedness to foreign lenders, toward private business, and toward the United States.

In addition, high rates of inflation and local, regional and worldwide economic conditions affect local economies and governments in varying degrees and accordingly may also affect the Corporation's overseas activities.

Moreover, from time to time, conditions in a country may be such that, due to foreign exchange liquidity problems, currency restrictions or other situations unrelated to normal credit risk, non-local currency debt service payments are not made as originally scheduled. Currently, such conditions exist in a number of countries throughout the world, including three countries whose cross-border outstandings individually exceed .75% of consolidated total assets at September 30, 1986 (Argentina, Brazil and Mexico).

ARGENTINA

During the fourth quarter of 1986, it is expected that negotiations will be taking place between Argentina and its international creditor banks regarding additional lending and a rescheduling of existing loans. Non-trade related cross-border outstandings maturing between January 1, 1986 and March 31, 1987 of approximately $35 million are being rolled over by the Corporation for 180 days pending a formal rescheduling.

In connection with prior year rescheduling programs, the Corporation has disbursed $58 million in financing to Argentina. The Corporation has no commitment to disburse additional funds under these agreements. In addition, approximately $95 million of non-trade related cross-border outstandings which originated in the private sector and approximately $15 million of public cross-border outstandings have been rescheduled for up to ten years under these programs.

In connection with that portion of Argentina's rescheduling program dealing with trade financing, the Corporation agreed to maintain its trade lines at September 30, 1984 levels (approximately $120 million).

During the first nine months of 1986, $29 million of interest income was recorded on cross-border outstandings to Argentina and $31 million was received in cash.

Total Argentine loans on nonaccrual at September 30 1986 were $5 million as compared to $6 million at June 30, 1986.

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BRAZIL

During the third quarter of 1986, Brazil and its international lenders signed a new rescheduling agreement which calls for (a) the formal rescheduling of approximately $15 million of the Corporation's 1985 non-trade related loan maturities under terms similar to those for the Project II program described below (b) the rollover of approximately $15 million of the Corporation's 1986 non-trade related loan maturities until March 1987, and (c) the extension of the Corporation's trade lines of approximately $80 million, through March 1987. Interest rates on loans covered under (a) and (b) above have been changed from Prime plus 1 3/4 to LIBOR plus 1 1/8. There was no change in interest rates with respect to the trade lines.

During prior years, the Corporation disbursed $64 million to Brazil in medium term financing in connection with rescheduling programs. In addition, approximately $55 million of the Corporation's non-trade related cross-border outstandings were rescheduled under a program known as Project II. Under this program, borrowers with dollar debt make principal payments in local currency to the Central Bank which converts the local currency to an interest bearing dollar account which is payable to the Corporation in scheduled payments extending to 1993.

During the first nine months of 1986, $20 million of interest income was recorded on cross-border outstandings to Brazil and $21 million was received in cash.

Total Brazilian loans on nonaccrual at September 30, 1986 were $4 million as compared to $5 million at June 30, 1986.

MEXICO

Mexico and its Bank Advisory Committee have reached an agreement in principle on a rescheduling program which calls for (a) providing Mexico with additional financing, (b) a rescheduling of approximately $90 million of the Corporation's public and bank cross-border outstandings, and (c) the rollover, through 1989, of the Corporation's short-term loans to Mexican banks of approximately $30 million. The Corporation is still in the process of reviewing and assessing this agreement. Under the agreement, interest rates on loans covered under (b) above will be changed from Prime plus 1 1/8 or LIBOR plus 1 1/8 to LIBOR plus 13/16. Principal payments on $57 million of these cross-border outstandings will be extended through 2006 while principal payments on the remaining $33 million will extend through 1994.

In a prior year, Mexico established a program, known as FICORCA, whereby principal amounts due from private borrowers are generally repaid over terms ranging from six to eight years. Substantially all of the Corporation's private cross-border outstandings are covered by this program. It is anticipated that the terms of this program will be altered in 1987 pending the outcome of negotiations which are currently taking place.

During the first nine months of 1986, $17 million of interest income, including $6 million related to public cross-border outstandings, was recorded on cross-border outstandings to Mexico and $18 million, including $7 million related to public cross-border outstandings, was received in cash. Additionally, the Corporation has received approximately $.5 million in principal payments on Mexican public cross-border outstandings during the first nine months of 1986.

Total Mexican loans on nonaccrual at September 30, 1986 were $11 million as compared to $12 million at June 30, 1986.

* * * *

In management's opinion, the conditions described above will not ultimately have a material adverse effect on the Corporation. However, in light of continuing uncertainties within countries experiencing difficulties meeting non-local currency debt service, it is likely that from time to time additional loans will be placed on nonaccrual.

Analysis of Changes in Net Interest Revenue by Volume, Rate and Time

Details concerning the changes in net interest revenue (taxable equivalent basis) due to volume, rate and time are as follows:

Third Quarter 1986 Compared with Third Quarter 1985 - (in millions)

	United States Increase (Decrease) Due to Change in			International Increase (Decrease) Due to Change in			Consolidated Increase (Decrease) Due to Change in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
Earning Assets.									
Loans and lease financing	$134.6	$ (37.7)	$ 96.9	$ (.1)	$ (48.6)	$ (48.7)	$143.0	$ (94.8)	$ 48.2
Other earning assets	22.3	(2.8)	19.5	(6.0)	(19.8)	(25.8)	21.7	(28.0)	(6.3)
Adjustment (1)	(.3)	.3		.2	(.2)		(.2)	.2	
Interest Income	156.6	(40.2)	116.4	(5.9)	(68.6)	(74.5)	164.5	(122.6)	41.9
Total Interest Bearing Funds—									
Interest expense	83.6	(39.3)	44.3	(4.4)	(73.6)	(78.0)	97.7	(131.4)	(33.7)
Net Interest Revenue	$ 73.0	$ (.9)	$ 72.1	$ (1.5)	$ 5.0	$ 3.5	$ 66.8	$ 8.8	$ 75.6

Third Quarter 1986 Compared with Second Quarter 1986 - (in millions)

	United States Increase (Decrease) Due to Change in				International Increase (Decrease) Due to Change in				Consolidated Increase (Decrease) Due to Change in			
	Volume	Rate	Days	Net Change	Volume	Rate	Days	Net Change	Volume	Rate	Days	Net Change
Earning Assets:												
Loans and lease financing	$30.4	$(22.1)	$4.9	$13.2	$(2.1)	$ 3.5	$1.6	$3.0	$30.7	$(20.9)	$6.4	$16.2
Other earning assets	12.7	(.1)	.8	13.4	(1.9)	7.7	.6	6.4	13.4	4.9	1.5	19.8
Adjustment (1)	.7	(.7)							.1	(.1)		
Interest Income	43.8	(22.9)	5.7	26.6	(4.0)	11.2	2.2	9.4	44.2	(16.1)	7.9	36.0
Total Interest Bearing Funds—												
Interest expense	23.4	(26.2)	3.1	.3	(3.0)	9.7	1.7	8.4	26.2	(22.3)	4.8	8.7
Net Interest Revenue	$20.4	$ 3.3	$2.6	$26.3	$(1.0)	$ 1.5	$ .5	$1.0	$18.0	$ 6.2	$3.1	$27.3

Nine Months 1986 Compared with Nine Months 1985 - (in millions)

	United States Increase (Decrease) Due to Change in			International Increase (Decrease) Due to Change in			Consolidated Increase (Decrease) Due to Change in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
Earning Assets:									
Loans and lease financing	$423.5	$ (93.8)	$329.7	$ 13.2	$(267.9)	$(254.7)	$469.2	$(394.2)	$ 75.0
Other earning assets	48.8	(12.5)	36.3	(32.9)	(132.0)	(164.9)	37.5	(166.1)	(128.6)
Adjustment (1)	(3.0)	3.0		1.2	(1.2)		.3	(.3)	
Interest Income	469.3	(103.3)	366.0	(18.5)	(401.1)	(419.6)	507.0	(560.6)	(53.6)
Total Interest Bearing Funds—									
Interest expense	261.5	(88.2)	173.3	(14.5)	(409.4)	(423.9)	318.8	(569.4)	(250.6)
Net Interest Revenue	$207.8	$ (15.1)	$192.7	$ (4.0)	$ 8.3	$ 4.3	$188.2	$ 8.8	$ 197.0

(1) Adjustment to reflect the effect on total volume and rate changes of the differences in the componet mix of earning assets between periods.

(2) The change due to the volume/rate variance has been allocated to volume.

Consolidated Balance Sheet Averages by Quarters – (in millions)

Last Nine Quarters	1984 3	1984 4	1985 1	1985 2	1985 3	1985 4	1986 1	1986 2	1986 3
Assets									
Interest bearing deposits in other banks	$ 2,469	$ 2,311	$ 2,235	$ 2,276	$ 2,059	$ 1,979	$ 1,841	$ 1,610	$ 1,577
Precious metals assets						83	157	117	82
Federal funds sold and resale agreements	282	323	281	236	184	209	222	185	122
Trading account securities	330	474	490	273	323	340	338	302	466
Investment securities	963	964	1,591	1,795	2,264	1,644	1,965	2,922	3,385
Loans and lease financing	13,728	14,118	14,640	14,989	16,620	18,088	19,859	20,713	21,830
Total earning assets	17,772	18,190	19,237	19 569	21,450	22.343	24,382	25,849	27,462
Other assets	3,453	3,605	3,192	3,194	3,035	3,[illegible]92	3,188	3,285	3,181
Total assets	$21,225	$21,795	$22,429	$22,76[illegible]	$24,485	$2[illegible]	$27,570	$29,13[illegible]	$3[illegible]
Liabilities and Stockholders' Equity									
Deposits:									
Domestic Offices:									
Non-interest bearing	$ 2,787	$ 2,987	$ 2,857	$ 2,976	$ 3,254	$ 3,483	$ 3,490	$ 3,737	$ 3,761
Interest bearing	5,404	5,930	5,798	6,114	7,360	8,601	9,654	10,031	10,414
Overseas Offices:									
Non-interest bearing	306	222	191	195	205	178	215	248	259
Interest bearing	5,821	5,542	5,473	5,435	5,119	5,026	5,065	4,664	4,564
Total deposits	14,318	14,681	14,319	14,720	15,938	17,285	18,424	18,700	18,998
Federal funds purchased and repurchase agreements	2,221	2,374	3,257	3,134	3,476	3,052	3,536	4,539	5,736
Other funds borrowed	1,582	1,546	1,615	1,788	1,952	1,819	1,968	2,063	1,82[illegible]
Other liabilities	1,580	1,617	1,612	1,442	1,361	1.356	1,320	1,336	1,176
Notes payable	415	425	424	434	410	601	827	960	1,325
Stockholders' equity	1,109	1,152	1,202	1,245	1,348	1,422	1,495	1,536	1,56[illegible]
Total liabilities and stockholders' equity	$21,225	$21,795	$22,429	$22,763	$24,485	$25,535	$2[illegible]	$29,134	$3[illegible]

Consolidated Statement of Income by Quarters - (in millions, except share amounts)

	1984		1985				1986		
Last Nine Quarters	3	4	1	2	3	4	1	2	3
Interest income:									
Loans and lease financing, including fees	$609.1	$618.5	$578.5	$592.5	$543.9	$593.6	$622.2	$574.4	$590.8
Trading account securities	20.4	23.7	28.6	23.7	15.6	30.2	10.5	6.5	[illegible]
Investment securities	35.9	40.0	61.9	63.1	70.1	33.2	61.2	66.9	76.3
Federal funds sold and securities purchased under agreements to resell	22.6	40.2	46.5	22.4	15.8	21.0	25.4	5.5	5.1
Deposits with banks	97.4	90.2	72.2	90.2	53.7	52.2	53.2	45.7	49.3
Precious metals						1.9	3.3	2.5	1.5
Taxable equivalent adjustment	12.7	13.6	11.6	11.7	10.7	13.5	16.1	14.2	[illegible]
Total interest income	796.1	826.2	799.3	803.6	709.6	745.6	[illegible]	[illegible]	[illegible]
Interest expense:									
Deposits	415.0	400.7	337.1	371.1	296.4	311.7	341.9	292.8	264.7
Federal funds purchased and securities sold under agreements to repurchase	101.6	120.8	164.0	136.5	110.3	109.3	118.1	82.3	95.7
Funds borrowed	85.3	91.6	89.7	69.9	61.7	64.6	58.1	41.3	36.5
Notes payable	12.0	12.5	11.3	11.8	11.4	15.2	19.1	21.0	26.1
Total interest expense	613.9	625.6	602.1	569.3	479.8	500.6	537.2	[illegible]	[illegible]
Net interest revenue	184.2	200.6	197.2	214.3	230.0	244.8	254.7	278.3	305.6
Provision for credit losses	16.0	134.5	20.0	20.0	50.0	25.0	35.0	45.0	[illegible]
Net interest revenue after provision for credit losses	168.2	66.1	177.2	194.3	180.0	219.8	219.7	233.3	255.6
Other operating income:									
Financial service fees	42.3	44.3	39.7	42.1	44.4	51.8	50.3	51.5	[illegible]
Trust and agency fees	16.2	18.7	18.9	19.7	22.0	26.1	28.4	[illegible]	[illegible]
Trading account profits and commissions	3.2	7.0	2.2	3.8	1.4	4.1	4.3	(5.4)	5.6
Investment portfolio gains (losses)	.1	.4	.5	(.1)	13.1	5.0	4.0	1.6	.6
Gain on sale of headquarters building		177.1							
Other income	17.5	5.2	34.9	26.7	38.0	30.6	51.8	57.7	[illegible]
Total other operating income	79.3	252.7	96.2	92.2	118.9	[illegible]	136.6	[illegible]	[illegible]
Other operating expense:									
Salaries	78.5	83.0	79.4	82.7	91.1	103.6	110.1	114.0	119.2
Employee benefits	19.2	19.5	19.4	20.6	19.7	20.0	25.5	21.2	[illegible]
Occupancy expense	14.0	14.5	17.2	18.1	19.3	22.3	23.6	23.6	[illegible]
Equipment expense	13.3	17.6	15.5	16.4	17.4	21.0	22.0	21.5	21.1
Other expense	53.2	69.4	56.3	64.4	64.7	90.2	75.0	[illegible]	78.6
Total other operating expense	178.2	[illegible]	187.8	[illegible]	212.2	[illegible]	256.2	[illegible]	[illegible]
Income before income taxes	69.3	114.8	85.6	84.3	86.7	80.3	102.3	106.3	[illegible]
Provision for income taxes	22.9	26.6	30.1	33.1	29.5	23.0	33.6	36.6	[illegible]
Taxable equivalent adjustment	12.7	13.6	11.6	11.7	10.7	13.5	16.1	14.2	[illegible]
	35.6	40.2	41.7	44.8	40.2	36.5	[illegible]	[illegible]	[illegible]
Net income	$ 33.7	$ 74.6	$ 43.9	$ 39.5	$ 46.5	$ 43.8	[illegible]	[illegible]	[illegible]
Per common share (1):									
Net income									
Primary	$ .84	$ 1.90	$ 1.10	$ .98	$ 1.12	$ 1.03	$ 1.23	[illegible]	[illegible]
Fully diluted	$ .84	$ 1.90	$ 1.10	$ .98	$ 1.12	$ 1.03	$ 1.18	$ 1.19	[illegible]
Cash dividends declared	$ .29	$ .30	$ .30	$ .30	$ .30	$ .33	$ .33	$ .33	$ .33

(1) All common share amounts reflect the two-for-one stock split effective March, 1986.

Average Balances and Interest Rates and Interest Differential-Quarterly
(dollars in millions)

	United States Operations(1)			Internation[illegible]tions(1)			Third Quarter 1986 Consolidated			Third Quarter 1985 Consolidated			Second Quarter 1986 Consolidated		
	Average Balance	Interest (2)	Average Rate	Average Balance	[illegible]	Average Rate	Average Balance	Interest (2)	Average Rate	Average Balance	Interest (2)	Average Rate	Average Balance	Interest (2)	Aver[illegible]
Assets															
Interest bearing deposits in other banks	$ 259	$ 5.8	8.88%	$1,318	$ 44.6	13.43%	$ 1,577	$ 50.4	12.68%	$ 2,059	$ 54.0	10.41%	$ 1,610	$ 46.4	[illegible]
Precious metals assets	82	1.5	7.26				82	1.5	7.26				117	2.5	8.53
Federal funds sold and resale agreements	71	1.2	6.71	51	3.9	30.34	122	5.1	16.58	184	15.8	34.07	185	5.6	12.16
Trading account securities	364	7.3	7.96	102	3.4	13.22	466	10.7	9.11	323	16.8	20.64	302	7.0	9.30
Investment securities:															
U.S. Treasury	1,013	21.7	8.50				1,013	21.7	8.50	1,577	38.6	9.71	954	20.5	8.62
U.S. Government agencies and corporations	1,114	26.9	9.58				1,114	26.9	9.58	198	6.1	12.22	968	23.5	9.74
States and political subdivisions	623	17.6	11.21				623	17.6	11.21	83	2.8	13.38	335	9.5	11.37
Other	269	5.3	7.82	366	13.4	14.53	635	18.7	11.68	406	24.8	24.23	665	17.8	10.74
Loans and lease financing	17,588	454.2	10.25	4,242	144.9	13.55	21,830	599.1	10.89	16,620	550.9	13.15	20,713	582.9	11.29
Total earning assets - Interest income	21,383	541.5	10.05	6,079	210.2	13.72	27,462	751.7	10.86	21,450	709.8	13.13	25,849	715.7	11.11
Cash and due from banks	1,533			142			1,675			1,433			1,614		
Other non-earning assets	1,021			485			1,506			1,602			1,671		
Total assets	$23,937			$6,706			$30,643			$24,485			$29,134		
Liabilities and Stockholders' Equity															
Deposits:															
Savings	$ 5,221	$ 73.2	5.71%				$ 5,221	$ 73.2	5.71%	$ 3,705	$ 61.9	6.76%	$ 4,960	$ 74.1	6.13%
Time	5,193	92.6	7.13				5,193	92.6	7.13	3,655	82.8	9.06	5,071	99.7	7.95
International Operations				$4,564	$119.0	10.34%	4,564	119.0	10.34	5,119	151.7	11.76	4,684	118.9	10.18
Federal funds purchased and repurchase agreements	5,547	87.0	6.22	189	11.7	24.56	5,736	98.7	6.83	3,476	110.3	12.59	4,539	84.3	7.27
Other funds borrowed	1,353	20.2	6.09	473	16.3	13.67	1,876	36.5	8.10	1,952	61.7	12.95	2,063	41.3	8.25
Notes payable	1,120	20.3	7.19	205	5.8	11.22	1,325	26.1	7.82	410	11.4	11.03	940	21.1	8.82
Intersegment funding, net	(210)	(4.2)	(7.93)	210	4.2	7.93									
Total interest bearing funds - Interest expense (3)	18,224	289.1	6.37	5,641	157.0	11.04	23,865	446.1	7.48	18,317	479.8	10.48	22,277	43[illegible].4	7.95
Demand and other non-interest bearing deposits:															
United States Operations	3,761						3,761			3,254			3,737		
International Operations				259			259			205			248		
Other liabilities	748			428			1,176			1,361			1,336		
Stockholders' equity	1,204			378			1,582			1,348			1,536		
Total liabilities and stockholders' equity	$23,937			$6,706			$30,643			$24,485			$29,134		
Net Interest Revenue		$252.4			$ 53.2			$305.6			$230.0			$278.3	
Interest Rate Spread (4)			3.68%			2.68%			3.38%			2.65%			3.16%
Interest Rate Margin (5)			4.68%			3.47%			4.41%			4.29%			4.32%

(1) Assets and income have been included in United States Operations or International Operations based upon the domicile of the customer or borrower; additionally, an adjustment has been made to liabilities and expenses in support of these asset and income classifications using intersegment funding allocations.

(2) This data is shown with income on a fully taxable equivalent basis.

(3) Average rates for interest bearing funds in United States Operations have been calculated after deducting applicable reserve requirements from the average balances shown in the table.

(4) Interest rate spread is calculated by subtracting the average rate paid for interest bearing funds from the average rate earned on average total earning assets.

(5) Interest rate margin is calculated by dividing annualized net interest revenue by average total earning assets.

Average Balances and Interest Rates and Interest Differential-Nine Months
(Dollars in millions)

	United States Operations			International Operations (1)			Nine Months 1986 Consolidated			Nine Months 1985 Consolidated		
	Average Balance	Interest (2)	Average Rate	Average Balance	Interest (2)	Average Rate	Average Balance	Interest (2)	Average Rate	Average Balance	Interest (2)	Average Rate
Assets												
Interest bearing deposits in other banks	$ 271	$ 17.7	6.73%	$1,404	$132.8	12.69%	$ 1,675	$ [illegible]	12.01%	$ 2,190	$ 217.6	13.26%
Precious metals assets	118	7.3	8.27				118	7.3	8.27			
Federal funds sold and resale agreements	108	5.7	7.06	68	30.4	59.77	176	36.1	27.42	234	64.6	48.34
Trading account securities	266	16.3	8.19	103	13.2	17.13	369	29.5	10.69	361	71.8	26.59
Investment securities:												
U.S. Treasury	952	61.7	8.67				952	61.7	8.67	1,293	98.0	10.13
U.S. Government agencies and corporations	758	54.9	9.68				758	54.9	9.68	144	13.0	12.07
States and political subdivisions	444	38.6	11.62				444	38.6	11.62	44	4.2	12.76
Other	269	17.6	8.75	339	50.1	19.76	608	67.7	14.89	403	85.7	28.29
Loans and lease financing	16,510	1,327.7	10.75	4,298	485.8	15.11	20,808	1,813.0	11.65	15,473	1,736.0	15.07
Total earning assets - Interest income	19,496	1,547.0	10.50	6,212	712.3	15.33	25,908	2,259.3	11.66	20,094	2,312.9	15.39
Cash and due from banks	1,446			158			1,604			1,482		
Other non-earning assets	1,072			543			1,615			1,628		
Total assets	$22,214			$6,913			$29,127			$21,234		
Liabilities and Stockholders' Equity												
Deposits:												
Savings	$ 5,002	$ 226.1	6.19%				$ 5,002	$ 226.1	6.19%	$ 3,211	$ 168.9	7.16%
Time	5,034	293.0	7.85				5,034	293.0	7.85	3,219	223.2	9.35
International Operations				$4,769	$400.3	11.22%	4,769	400.3	11.22	5,341	612.0	15.32
Federal funds purchased and repurchase agreements	4,412	224.5	6.80	201	74.6	49.62	4,613	299.1	8.67	3,290	410.8	16.69
Other funds borrowed	1,430	77.5	7.45	522	58.4	14.96	1,952	135.9	9.50	1,787	221.9	17.25
Notes payable	838	48.5	7.74	201	17.8	11.84	1,039	66.3	8.53	422	34.5	10.93
Intersegment funding, net	(121)	(7.5)	(8.29)	121	7.5	8.29						
Total interest bearing funds - Interest expense (3)	16,595	842.1	7.03	5,814	558.6	12.85	22,409	[illegible]	8.55	17,270	1,671.3	13.05
Demand and other non-interest bearing deposits:												
United States Operations	3,664						3,664			3,050		
International Operations				241			241			197		
Other liabilities	772			503			1,275			1,471		
Stockholders' equity	1,183			355			1,538			1,766		
Total liabilities and stockholders' equity	$22,214			$6,913			$29,127			$23,731		
Net Interest Revenue		$ 684.9			$153.7			$ 838.6			$ 641.6	
Interest Rate Spread (4)			3.47%			2.48%			3.11%			2.34%
Interest Rate Margin (5)			4.69%			3.31%			4.39%			4.27%

(1) Assets and income have been included in United States Operations or International Operations based upon the domicile of the customer or borrower; additionally, an adjustment has been made to liabilities and expenses in support of these asset and income classifications using intersegment funding allocations.
(2) This data is shown with income on a fully taxable equivalent basis.
(3) Average rates for interest bearing funds in United States Operations have been calculated after deducting applicable reserve requirements from the average balances shown in the table.
(4) Interest rate spread is calculated by subtracting the average rate paid for interest bearing funds from the average rate earned on average total earning assets.
(5) Interest rate margin is calculated by dividing annualized net interest revenue by average total earning assets.

PART II - OTHER INFORMATION

Item 2. Changes in Securities.

(b) On August 26, 1986, the Corporation issued $125 million principal amount of Floating Rate Subordinated Notes due 1998 (the "Notes"). The rights of the holders of the Notes to receive distributions or payments in the event of the Corporation's liquidation are: (a) senior to the rights of holders of the Corporation's Common Stock, (b) senior to the rights of holders of any of the three existing series of the Corporation's Adjustable Rate Cumulative preferred stock, (c) on a parity with the rights of holders of the Corporation's subordinated notes and (d) subordinate to the rights of holders of the Corporation's senior notes as well as all other unsecured and unsubordinated indebtedness for borrowed money of the Corporation.

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

(a) Exhibits.

4 Fiscal and Paying Agency Agreement, dated as of August 26, 1986, between the Corporation and Morgan Guaranty Trust Company of New York, relating to the Notes.

11 Computation of Earnings Per Share.

(b) Current Reports on Form 8-K.

Since the commencement of the third quarter of 1986, the Corporation has filed two Current Reports on Form 8-K, both of which were previously reported in the Corporation's Form 10-Q for the quarter ended June 30, 1986.

SIGNATURES

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.

BANK OF BOSTON CORPORATION

William L. Brown
Chairman

Alan L. McKinnon
Executive Vice President
Chief Financial Officer
and Treasurer

November 12, 1986
Date