

RIGGS NATIONAL CORP  
Form 10-Q  
May 06, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One) ☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended March 31, 2002**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 0-9756**

**RIGGS NATIONAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**52-1217953**

(I.R.S. Employer  
Identification No.)

**1503 Pennsylvania Avenue, N.W., Washington, D.C. 20005**

(Address of principal executive offices) (Zip Code)

**(202) 835-4309**

(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 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 ☒ . No ☐.

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

**Common Stock, \$2.50 par value**

(Title of Class)

**28,505,855**

(Outstanding at April 30, 2002)

**RIGGS NATIONAL CORPORATION**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**  
**NO.**

**PAGE**

Item 1. Financial Statements

Consolidated Statements of Income (Unaudited)  
Three months ended March 31, 2002 and 2001

Consolidated Statements of Condition (Unaudited)

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March 31, 2002 and 2001, and December 31, 2001

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)  
Three months ended March 31, 2002 and 2001

Consolidated Statements of Cash Flows (Unaudited)  
Three months ended March 31, 2002 and 2001

Notes to the Consolidated Financial Statements (Unaudited)

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

### PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Change in Securities

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signatures

2

### PART I FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS-UNAUDITED

##### RIGGS NATIONAL CORPORATION CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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###### INTEREST INCOME

Interest and Fees on Loans  
Interest and Dividends on Securities Available for Sale  
Interest on Time Deposits with Other Banks  
Interest on Federal Funds Sold and Reverse Repurchase Agreements

---

Total Interest Income

###### INTEREST EXPENSE

Interest on Deposits:  
Savings and NOW Accounts  
Money Market Deposit Accounts  
Time Deposits in Domestic Offices  
Time Deposits in Foreign Offices

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Total Interest on Deposits

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|                                                            |
|------------------------------------------------------------|
| Interest on Short-Term Borrowings and Long-Term Debt:      |
| Repurchase Agreements and Other Short-Term Borrowings      |
| Long-Term Debt                                             |
| Total Interest on Short-Term Borrowings and Long-Term Debt |
| Total Interest Expense                                     |
| Net Interest Income                                        |
| Provision for Loan Losses                                  |
| Net Interest Income after Provision for Loan Losses        |
| NONINTEREST INCOME                                         |
| Trust and Investment Advisory Income                       |
| Service Charges and Fees                                   |
| Venture Capital Investment Losses, Net                     |
| Other Noninterest Income                                   |
| Securities Gains, Net                                      |
| Total Noninterest Income                                   |
| NONINTEREST EXPENSE                                        |
| Salaries and Employee Benefits                             |
| Occupancy, Net                                             |
| Data Processing Services                                   |
| Furniture, Equipment and Software                          |
| Other Noninterest Expense                                  |
| Total Noninterest Expense                                  |
| Income before Taxes and Minority Interest                  |
| Applicable Income Tax Expense                              |
| Minority Interest in Income of Subsidiaries, Net of Taxes  |
| Net Income                                                 |
| EARNINGS PER SHARE-                                        |
| Basic                                                      |
| Diluted                                                    |
| DIVIDENDS DECLARED AND PAID PER SHARE                      |

*The Accompanying Notes Are An Integral Part Of These Statements*

3

## RIGGS NATIONAL CORPORATION CONSOLIDATED STATEMENTS OF CONDITION

|                                                      |               |
|------------------------------------------------------|---------------|
| (UNAUDITED)                                          | MARCH 31, DE  |
| (IN THOUSANDS, EXCEPT SHARE AMOUNTS)                 | 2002          |
| ASSETS                                               |               |
| Cash and Due from Banks                              | \$ 160,328 \$ |
| Federal Funds Sold and Reverse Repurchase Agreements | 546,000       |
| Total Cash and Cash Equivalents                      | 706,328       |
| Time Deposits with Other Banks                       | 211,903       |
| Securities Available for Sale (at Market Value)      | 1,759,492     |
| Venture Capital Investments                          | 52,200        |

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|                                                                   |             |            |             |
|-------------------------------------------------------------------|-------------|------------|-------------|
| Loans                                                             | 2,771,840   |            |             |
| Reserve for Loan Losses                                           | (26,718)    |            |             |
| <hr/>                                                             |             |            |             |
| Total Net Loans                                                   | 2,745,122   |            |             |
| Premises and Equipment, Net                                       | 194,795     |            |             |
| Other Assets                                                      | 190,632     |            |             |
| <hr/>                                                             |             |            |             |
| Total Assets                                                      | \$5,860,472 |            | \$          |
| <hr/>                                                             |             |            |             |
| LIABILITIES                                                       |             |            |             |
| Deposits:                                                         |             |            |             |
| Noninterest-Bearing Demand Deposits                               | \$ 675,249  |            | \$          |
| Interest-Bearing Deposits:                                        |             |            |             |
| Savings and NOW Accounts                                          | 295,217     |            |             |
| Money Market Deposit Accounts                                     | 1,887,457   |            |             |
| Time Deposits in Domestic Offices                                 | 1,329,060   |            |             |
| Time Deposits in Foreign Offices                                  | 357,721     |            |             |
| <hr/>                                                             |             |            |             |
| Total Interest-Bearing Deposits                                   | 3,869,455   |            |             |
| <hr/>                                                             |             |            |             |
| Total Deposits                                                    | 4,544,704   |            |             |
| Repurchase Agreements and Other Short-Term Borrowings             | 457,472     |            |             |
| Other Liabilities                                                 | 139,066     |            |             |
| Long-Term Debt                                                    | 66,525      |            |             |
| <hr/>                                                             |             |            |             |
| Total Liabilities                                                 | 5,207,767   |            |             |
| <hr/>                                                             |             |            |             |
| GUARANTEED PREFERRED BENEFICIAL INTERESTS IN JUNIOR               |             |            |             |
| SUBORDINATED DEFERRABLE INTEREST DEBENTURES                       | 294,284     |            |             |
| <hr/>                                                             |             |            |             |
| COMMITMENTS AND CONTINGENCIES                                     |             |            |             |
| SHAREHOLDERS' EQUITY                                              |             |            |             |
| Common Stock-\$2.50 Par Value                                     |             |            |             |
|                                                                   | 3/31/02     | 12/31/01   | 3/31/01     |
| <hr/>                                                             |             |            |             |
| Authorized                                                        | 50,000,000  | 50,000,000 | 50,000,000  |
| Issued                                                            | 31,806,448  | 31,795,703 | 31,749,264  |
| Outstanding                                                       | 28,505,650  | 28,494,905 | 28,448,466  |
| Additional Paid in Capital                                        |             |            | 79,516      |
| Retained Earnings                                                 |             |            | 168,360     |
| Accumulated Other Comprehensive Loss                              |             |            | 197,544     |
| Treasury Stock - 3,300,798 shares at March 31, 2002 and 2001, and |             |            | (15,642)    |
| December 31, 2001                                                 |             |            | (71,357)    |
| <hr/>                                                             |             |            |             |
| Total Shareholders' Equity                                        |             |            | 358,421     |
| <hr/>                                                             |             |            |             |
| Total Liabilities and Shareholders' Equity                        |             |            | \$5,860,472 |
| <hr/>                                                             |             |            |             |

The Accompanying Notes Are An Integral Part Of These Statements

## RIGGS NATIONAL CORPORATION

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

COMMON  
STOCK

ADDITIONAL

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|                                        | \$2.50<br>PAR | PAID IN<br>CAPITAL | RETAINED<br>EARNINGS | CO<br>IN |
|----------------------------------------|---------------|--------------------|----------------------|----------|
| =====                                  |               |                    |                      |          |
| Balance, December 31, 2000             | \$79,254      | \$162,206          | \$226,616            |          |
| Comprehensive Income:                  |               |                    |                      |          |
| Net Income                             |               |                    | 5,606                |          |
| Other Comprehensive Income             |               |                    |                      |          |
| (Loss), Net of Tax: (1)                |               |                    |                      |          |
| Unrealized Gain (Loss) on              |               |                    |                      |          |
| Securities Available for Sale, Net     |               |                    |                      |          |
| of Reclassification Adjustments        |               |                    |                      |          |
| Unrealized Gain (Loss) on Derivatives, |               |                    |                      |          |
| Net of Reclassification Adjustments    |               |                    |                      |          |
| Foreign Exchange                       |               |                    |                      |          |
| Translation Adjustments                |               |                    |                      |          |
| Total Other Comprehensive              |               |                    |                      |          |
| Income (Loss)                          |               |                    |                      |          |
| Total Comprehensive Income (Loss)      |               |                    |                      |          |
| Issuance of Common Stock for           |               |                    |                      |          |
| Stock Option Plans-47,800 Shares       | 119           | 414                |                      |          |
| Cash Dividends -                       |               |                    |                      |          |
| Common Stock, \$.05 per Share          |               |                    | (1,422)              |          |
| =====                                  |               |                    |                      |          |
| Balance, March 31, 2001                | \$79,373      | \$162,620          | \$230,800            |          |
| Balance, December 31, 2001             | \$79,489      | \$163,125          | \$197,545            |          |
| Comprehensive Income:                  |               |                    |                      |          |
| Net Income                             |               |                    | 1,425                |          |
| Other Comprehensive Income             |               |                    |                      |          |
| (Loss), Net of Tax: (1)                |               |                    |                      |          |
| Unrealized Gain (Loss) on              |               |                    |                      |          |
| Securities Available for Sale, Net     |               |                    |                      |          |
| of Reclassification Adjustments        |               |                    |                      |          |
| Unrealized Gain (Loss) on Derivatives, |               |                    |                      |          |
| Net of Reclassification Adjustments    |               |                    |                      |          |
| Foreign Exchange                       |               |                    |                      |          |
| Translation Adjustments                |               |                    |                      |          |
| Total Other Comprehensive              |               |                    |                      |          |
| Income (Loss)                          |               |                    |                      |          |
| Total Comprehensive Income (Loss)      |               |                    |                      |          |
| Issuance of Common Stock for           |               |                    |                      |          |
| Stock Option Plans-10,745 Shares       | 27            | 113                |                      |          |
| Repurchase of                          |               |                    |                      |          |
| Trust Preferred Securities, Net        |               | 5,122              |                      |          |
| Cash Dividends -                       |               |                    |                      |          |
| Common Stock, \$.05 per Share          |               |                    | (1,426)              |          |
| =====                                  |               |                    |                      |          |
| Balance, March 31, 2002                | \$79,516      | \$168,360          | \$197,544            |          |

(1) - See Notes to the Financial Statements for gross unrealized gains or losses arising during e  
on each item of comprehensive income.

*The Accompanying Notes Are An Integral Part Of These Statements*

**RIGGS NATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(IN THOUSANDS)**

=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income

Adjustments to Reconcile Net Income to Cash

Provided By Operating Activities:

Provision for Loan Losses

Unrealized Losses on Venture Capital Investments

(Gains) Losses on Sales of Venture Capital Investments

Depreciation Expense and Amortization of Leasehold Improvements

Gains on Sales of Securities Available for Sale

(Increase) Decrease in Other Assets

Decrease in Other Liabilities

-----

Total Adjustments

-----

Net Cash (Used In) Provided By Operating Activities

-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Net Decrease In Time Deposits with Other Banks

Principal Collections and Maturities of Securities Available for Sale

Proceeds from Sales of Securities Available for Sale

Purchases of Securities Available for Sale

Purchases of Venture Capital Investments

Proceeds from Sale of Venture Capital Investments

Net Decrease in Loans

Net Increase in Premises and Equipment

Other, Net

-----

Net Cash Provided By Investing Activities

-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Increase (Decrease) in:

Demand, NOW, Savings and Money Market Deposit Accounts

Time Deposits

Repurchase Agreements and Other Short-Term Borrowings

Proceeds from the Issuance of Common Stock

Dividend Payments - Common

Repurchase of Trust Preferred Securities

-----

Net Cash Used In Financing Activities

-----

Effect of Exchange Rate Changes

-----

Net (Decrease) Increase in Cash and Cash Equivalents

Cash and Cash Equivalents at Beginning of Period

=====

Cash and Cash Equivalents at End of Period

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## SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES:

### NONCASH ACTIVITIES:

Trade Dated Securities  
Loans Transferred to Other Real Estate Owned

### CASH PAID DURING THE YEAR FOR:

Interest Paid  
Income Tax Payments

*The Accompanying Notes Are An Integral Part Of These Statements*

6

## RIGGS NATIONAL CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(TABLES IN THOUSANDS, EXCEPT SHARE AMOUNTS)

#### NOTE 1. BASIS OF PRESENTATION

The interim consolidated financial statements presented in this Quarterly Report on Form 10-Q are in conformity with accounting principles generally accepted in the United States of America which have been applied on a consistent basis and follow general practice within the banking industry. In our opinion these interim consolidated financial statements include all normal recurring adjustments necessary to fairly present our results of operations, financial condition and cash flows. The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates and the results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for all of 2002. For comparability, certain prior period amounts have been reclassified to conform with current period presentation. The financial statements contained herein should be read in conjunction with the financial statements and accompanying notes in our Annual Report on Form 10-K.

#### NOTE 2. EARNINGS PER SHARE

Earnings per share computations are as follows:

|                                                           | THREE MONTHS<br>MARCH 31,<br>===== |
|-----------------------------------------------------------|------------------------------------|
|                                                           | BASIC<br>EPS<br>=====              |
| Net Income Available to Common Shareholders               | \$ 1,425                           |
| Weighted-Average Shares Outstanding                       | 28,502,828 2                       |
| Weighted-Average Dilutive Effect<br>of Stock Option Plans | n/a                                |
| Adjusted Weighted-Average Shares Outstanding              | 28,502,828 2                       |
| Basic EPS                                                 | \$ .05                             |
| Diluted EPS                                               |                                    |

7

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

#### NOTE 3. OTHER COMPREHENSIVE INCOME (LOSS)

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## THREE MONTHS ENDED MARCH 31, 2001:

Foreign Currency Translation Adjustments

Unrealized Gains (Losses) on Securities:

Unrealized Holding Gains (Losses) Arising During Period

Reclassification Adjustment for (Gains) Losses Realized in Net Income

Net Unrealized Gains (Losses) on Securities

Unrealized Gains (Losses) on Derivatives:

Unrealized Holding Gains (Losses) Arising During Period

Reclassification Adjustment for (Gains) Losses Realized in Net Income

Net Unrealized Gains (Losses) on Derivatives

Other Comprehensive Income (Loss)

## THREE MONTHS ENDED MARCH 31, 2002:

Foreign Currency Translation Adjustments

Unrealized Gains (Losses) on Securities:

Unrealized Holding Gains (Losses) Arising During Period

Reclassification Adjustment for (Gains) Losses Realized in Net Income

Net Unrealized Gains (Losses) on Securities

Unrealized Gains (Losses) on Derivatives:

Unrealized Holding Gains (Losses) Arising During Period

Reclassification Adjustment for (Gains) Losses Realized in Net Income

Net Unrealized Gains (Losses) on Derivatives

Other Comprehensive Income (Loss)

## ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BALANCES

|                                    | FOREIGN<br>CURRENCY<br>TRANSLATION<br>ADJUSTMENTS | UN<br>GA<br>SE |
|------------------------------------|---------------------------------------------------|----------------|
| THREE MONTHS ENDED MARCH 31, 2001: |                                                   |                |
| Balance, December 31, 2000         | \$ (4,657)                                        |                |
| Period Change                      | (1,120)                                           |                |
| Balance, March 31, 2001            | \$ (5,777)                                        |                |
| THREE MONTHS ENDED MARCH 31, 2002: |                                                   |                |
| Balance, December 31, 2001         | \$ (5,679)                                        |                |
| Period Change                      | (713)                                             |                |
| Balance, March 31, 2002            | \$ (6,392)                                        |                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

### NOTE 4: SEGMENT PROFITABILITY

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Our reportable segments are strategic business units that provide diverse products and services within the financial services industry. We have six reportable segments: Banking, International Banking, Riggs & Company, Treasury, Riggs Capital Partners and Other. The Banking segment provides traditional banking services such as lending and deposit taking to retail, corporate and commercial customers. The International Banking segment includes our Washington, D.C. based embassy banking business, the London-based banking subsidiary, Riggs Bank Europe Limited and a branch in Berlin. The International Banking segment also includes our international private-client services division. Riggs & Company is the domestic private client services division that provides trust and investment management services to a broad customer base. The Treasury segment is responsible for asset and liability management throughout our company. Riggs Capital Partners represents our venture capital subsidiaries, which specialize in equity investments in privately-held high-growth companies. The Other segment consists of our unallocated parent-company income and expense, net interest income from unallocated equity, foreclosed real estate activities and other revenue or expenses not attributable to one of the other segments.

We evaluate segment performance based on income before taxes and minority interest. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies disclosed in our December 31, 2001 Form 10-K. We account for intercompany transactions as if the transactions were to third parties under market conditions. Overhead and support expenses are allocated to each operating segment based on number of employees, service usage and other factors relevant to the expense incurred.

Reconciliations are provided from the segment totals to our consolidated financial statements. The reconciliations of noninterest income and noninterest expense offset as these items result from intercompany transactions and the reconciliation of total average assets represents the elimination of intercompany transactions.

| THREE MONTHS<br>ENDED<br>MARCH 31, 2002             | BANKING     | INTERNATIONAL<br>BANKING | RIGGS &<br>COMPANY | TREASURY    | RIGGS<br>CAPITAL<br>PARTNERS |
|-----------------------------------------------------|-------------|--------------------------|--------------------|-------------|------------------------------|
| NET INTEREST INCOME                                 |             |                          |                    |             |                              |
| Interest Income                                     | \$ 39,276   | \$ 7,708                 | \$ 1,474           | \$ 23,988   | \$ 58                        |
| Interest Expense                                    | 10,054      | 7,339                    | 1,148              | 4,907       | -                            |
| Funds Transfer Income (Expense)                     | 3,629       | 9,180                    | 3,100              | (19,041)    | (952)                        |
| Net Interest Income (Loss),<br>Tax-Equivalent       | 32,851      | 9,549                    | 3,426              | 40          | (894)                        |
| Provision for Loan Losses                           | -           | -                        | -                  | -           | -                            |
| Tax Equivalent Adjustment                           | (814)       | -                        | 17                 | -           | -                            |
| Net Interest Income (Loss)                          | \$ 32,037   | \$ 9,549                 | \$ 3,443           | \$ 40       | \$ (894)                     |
| NONINTEREST INCOME                                  |             |                          |                    |             |                              |
| Noninterest Income-External<br>Customers            | \$ 10,282   | \$ 1,171                 | \$ 12,879          | \$ 892      | \$ (6,781)                   |
| Intersegment Noninterest Income                     | 720         | 3,034                    | 658                | -           | -                            |
| Total Noninterest Income                            | \$ 11,002   | \$ 4,205                 | \$ 13,537          | \$ 892      | \$ (6,781)                   |
| NONINTEREST EXPENSE                                 |             |                          |                    |             |                              |
| Depreciation and Amortization                       | \$ 985      | \$ 308                   | \$ 125             | \$ 3        | \$ 7                         |
| Direct Expense                                      | 16,220      | 10,507                   | 9,411              | 914         | 708                          |
| Overhead and Support                                | 12,767      | 3,003                    | 3,065              | 511         | 91                           |
| Total Noninterest Expense                           | \$ 29,972   | \$ 13,818                | \$ 12,601          | \$ 1,428    | \$ 806                       |
| Income (Loss) Before Taxes and<br>Minority Interest | \$ 13,067   | \$ (64)                  | \$ 4,379           | \$ (496)    | \$ (8,481)                   |
| Total Average Assets                                | \$2,949,793 | \$699,001                | \$230,310          | \$3,219,033 | \$76,571                     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

| THREE MONTHS<br>ENDED<br>MARCH 31, 2001             | BANKING     | INTERNATIONAL<br>BANKING | RIGGS &<br>COMPANY | TREASURY    | RIGGS<br>CAPITAL<br>PARTNERS |
|-----------------------------------------------------|-------------|--------------------------|--------------------|-------------|------------------------------|
| NET INTEREST INCOME                                 |             |                          |                    |             |                              |
| Interest Income                                     | \$ 45,720   | \$ 13,577                | \$ 1,305           | \$ 34,035   | \$ 106                       |
| Interest Expense                                    | 16,080      | 17,464                   | 3,094              | 10,855      | -                            |
| Funds Transfer Income (Expense)                     | 2,609       | 12,878                   | 4,957              | (24,627)    | (1,002)                      |
| Net Interest Income (Loss),<br>Tax-Equivalent       | 32,249      | 8,991                    | 3,168              | (1,447)     | (896)                        |
| Provision for Loan Losses                           | 3,444       | (3,559)                  | -                  | -           | -                            |
| Tax Equivalent Adjustment                           | (580)       | -                        | -                  | -           | -                            |
| Net Interest Income (Loss)                          | \$ 35,113   | \$ 5,432                 | \$ 3,168           | \$ (1,447)  | \$ (896)                     |
| NONINTEREST INCOME                                  |             |                          |                    |             |                              |
| Noninterest Income-External<br>Customers            | \$ 10,349   | \$ 497                   | \$ 13,385          | \$ 1,041    | \$ (7,886)                   |
| Intersegment Noninterest Income                     | 845         | 1,743                    | 645                | -           | -                            |
| Total Noninterest Income                            | \$ 11,194   | \$ 2,240                 | \$ 14,030          | \$ 1,041    | \$ (7,886)                   |
| NONINTEREST EXPENSE                                 |             |                          |                    |             |                              |
| Depreciation and Amortization                       | \$ 1,068    | \$ 348                   | \$ 208             | \$ 4        | \$ 7                         |
| Direct Expense                                      | 16,293      | 9,803                    | 9,824              | 986         | 4,004                        |
| Overhead and Support                                | 13,347      | 3,274                    | 2,573              | 586         | 112                          |
| Total Noninterest Expense                           | \$ 30,708   | \$ 13,425                | \$ 12,605          | \$ 1,576    | \$ 4,123                     |
| Income (Loss) Before Taxes and<br>Minority Interest | \$ 15,599   | \$ (5,753)               | \$ 4,593           | \$ (1,982)  | \$ (12,905)                  |
| Total Average Assets                                | \$2,661,525 | \$ 862,114               | \$ 95,308          | \$2,338,276 | \$ 93,356                    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

## NOTE 5: ACCOUNTING FOR DERIVATIVES

Under the provisions of SFAS No. 133, Accounting for Derivative Investments and Hedging Activities, which was amended by SFAS No. 138, all derivatives must be recognized as assets or liabilities in the Consolidated Statements of Condition and must be measured at fair value through adjustments to either Other Comprehensive Income or current earnings, depending on the purpose for which the derivative is held. When a derivative contract is entered into, we first determine whether or not it qualifies as a hedge. If it does, we designate it as (1) a hedge of the fair value of a recognized asset or liability, (2) a hedge of actual or forecasted cash flows or (3) a hedge of a net investment in a foreign operation. Changes in the fair value of a derivative that is designated a fair value hedge and qualifies as a highly effective hedge, along with any gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in current period earnings. The effective portion of changes in fair value of a derivative that is designated a cash flow hedge and that qualifies as a highly effective hedge is recorded in Other Comprehensive Income until such time as periodic settlements on a variable rate hedged item are recorded in earnings. The ineffective portion of changes in fair value of cash flow derivatives is recorded in current period earnings. Changes in the fair value of a derivative designated as a foreign currency hedge and that qualifies as a highly effective hedge are either recorded in current earnings, Other Comprehensive Income, or both, depending on

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whether the transaction is a fair value hedge or a cash flow hedge. If a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in Other Comprehensive Income. (See Note 3 for the impact to Other Comprehensive Income).

The Company has the following hedging instruments at March 31, 2002:

**Fair Value Hedges**-We enter into pay fixed, receive floating interest rate swaps to hedge changes in fair value of fixed rate loans attributable to changes in benchmark interest rates. For the first quarter of 2002, we recognized a net loss of \$26 thousand which represented the ineffective portion of all fair value hedges. These amounts are included in Other Noninterest Income in the Consolidated Statement of Income.

**Cash Flow Hedges**-We use interest rate swaps to hedge the exposure to variability in expected future cash outflows on floating rate liabilities attributable to changes in interest rates. We also use foreign currency forward contracts to hedge the foreign exchange risk associated with principal and interest payments on loans denominated in a foreign currency. For the quarter ended March 31, 2002, there was no impact to Other Noninterest Income in the Consolidated Statement of Income for the ineffective portion of all cash flow hedges.

Gains or losses on derivatives that are reclassified from Accumulated Other Comprehensive Income to income are included in the line in the Consolidated Statement of Income in which the income or expense related to the hedged item is recorded. At March 31, 2002, \$388 thousand of deferred net losses on derivative instruments in Accumulated Other Comprehensive Income is expected to be reclassified as expense during the next twelve months. The maximum term over which we were hedging our exposure to the variability of cash flows was 39 months as of March 31, 2002.

The Company uses forward exchange contracts to hedge substantially all of our net investments in a foreign subsidiary. The purpose of this hedge is to protect against adverse movements in currency exchange rates. At March 31, 2002, \$60 thousand of net gains related to the existing net investment forward exchange contract are included in Accumulated Other Comprehensive Income.

**Other**-As of March 31, 2002, we had certain derivative instruments used to manage interest rate risk that were not designated to specific hedge relationships. The carrying value of these items is a net liability of \$755 thousand and they are marked to market through current period earnings.

## 11

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

#### NOTE 6: REPURCHASE OF TRUST PREFERRED SECURITIES

In March 2002, we repurchased in a cash transaction \$55.7 million of trust preferred securities bearing a blended interest rate of 8.64%. As a result, Riggs will have annual after-tax savings of \$3.1 million, or \$0.11 per diluted share, in minority interest expense. This repurchase resulted in a direct increase to shareholders' equity of \$5.1 million.

Subsequent to March 31, 2002, we repurchased, in a cash transaction, an additional \$10.0 million of trust preferred securities at a blended interest rate of 8.76%. This will result in an additional after-tax annual savings of \$569 thousand in minority interest expense. This amounts to \$.02 per diluted share. The repurchase also resulted in a direct increase to shareholders' equity of \$1.0 million.

Since cash was utilized to repurchase the trust preferred securities in these two transactions, this cash will be unavailable for alternative investments.

#### NOTE 7: RESTRUCTURING LIABILITY

In the fourth quarter of 2001, we recorded a restructuring charge of approximately \$4.4 million. A summary of the activity in the liabilities established for restructuring costs from January 1, 2002 to March 31, 2002 is as follows:

| Description           | Balance at<br>Beginning<br>of Period | Amount<br>Charged to<br>Expense | Deductions |
|-----------------------|--------------------------------------|---------------------------------|------------|
| -----                 | -----                                | -----                           | -----      |
| Restructuring Expense | \$ 2,720                             | \$ -                            | \$ 13      |

#### NOTE 8: RELATED PARTY TRANSACTIONS

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During the quarter ended March 31, 2002, we entered into various transactions with officers and directors of the Company and its affiliates as well as with their associates. These transactions were of a similar nature to those described in our Annual Report on Form 10-K.

During the quarter ended March 31, 2002, we extended the lease term of an entity that leases space in one of our facilities and is indirectly controlled by a senior member of the Board of Directors. See Exhibit (10.1).

### NOTE 9: NEW FINANCIAL ACCOUNTING STANDARDS

SFAS No. 142, Goodwill and Other Intangible Assets, was issued in June 2001. It discontinues amortization of intangible assets unless they have finite useful lives, and, instead, requires that they be tested at least annually for impairment by comparing their fair values with their recorded amounts. SFAS No. 142 also requires disclosure of the changes in the carrying amounts of goodwill from period to period, the carrying amounts of intangible assets by major intangible asset class for those subject to and not subject to amortization, and the estimated intangible asset amortization expense for the next five years. Since SFAS No. 142 is required to be implemented starting with fiscal years beginning after December 15, 2001, we discontinued the amortization of goodwill beginning on January 1, 2002. We adopted SFAS No. 142 as of January 1, 2002, and our analysis indicated that goodwill has not been impaired.

Data concerning various intangible assets is as follows:

12

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

|                                                  | MARCH 31,<br>2002          |                             | DECEMBER 31,<br>2001       |                             |
|--------------------------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
|                                                  | GROSS<br>CARRYING<br>VALUE | ACCUMULATED<br>AMORTIZATION | GROSS<br>CARRYING<br>VALUE | ACCUMULATED<br>AMORTIZATION |
| Amortizable Core Deposit Intangibles             | \$ 10,881                  | \$ (10,696)                 | \$ 10,881                  | \$ (10,696)                 |
| Amortizable Fair Value of Leasehold Improvements | 3,955                      | (3,708)                     | 3,955                      | (3,708)                     |
| Unamortizable Goodwill                           | 12,602                     | (5,908)                     | 12,602                     | (5,908)                     |

#### Amortization Expense:

Three Months Ended March 31, 2002  
Three Months Ended March 31, 2001

#### Estimated Amortization Expense:

Nine Months Ended December 31, 2002  
Year Ended December 31,  
2003  
2004  
2005  
2006  
2007

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Reported Net Income  
Add Back: Goodwill Amortization, Net of Tax

Adjusted Net Income

Reported Basic Earnings Per Share  
Add Back: Goodwill Amortization Per Share, Net of Tax

Adjusted Basic Earnings Per Share

Reported Diluted Earnings Per Share  
Add Back: Goodwill Amortization Per Share, Net of Tax

Adjusted Diluted Earnings Per Share

SFAS No. 143, Accounting for Asset Retirement Obligations, was also issued in June 2001. SFAS No. 143 addresses accounting and reporting for legal obligations and related costs associated with the retirement of long-lived assets. The Statement requires that the fair value of the liability for an asset retirement obligation be recognized in the period incurred if a reasonable estimate of fair value can be made. The estimated retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. We have not determined the impact, if any, SFAS No. 143 will have on the company.

13

### RIGGS NATIONAL CORPORATION

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS

We recorded earnings of \$1.4 million, or \$.05 per diluted share, for the first quarter of 2002, compared to earnings of \$5.6 million, or \$.19 per diluted share, in the first quarter of 2001. The decrease in the current quarter resulted primarily from a nonrecurring securities gain in the first quarter of last year. In that quarter we recorded a securities gain of \$10.3 million from the sale of Concord EFS, Inc., an ATM network exchange company in which we had owned shares for many years.

Offsetting some of the decline in net income was a reversal of the loan loss provision for \$1.7 million. This reversal is attributable to a decline in the level of nonperforming assets (see Asset Quality ) and a decline in loans outstanding.

Return on average assets was .10% for the three months ended March 31, 2002, compared to .42% for the same period a year ago. Return on average shareholders' equity was 1.59% and 5.81% for the three months ended March 31, 2002 and 2001, respectively.

##### NET INTEREST INCOME

Net interest income on a tax-equivalent basis (net interest income plus an amount equal to the tax savings on tax-exempt interest) totaled \$48.0 million in the first quarter of 2002, an increase of \$1.0 million from the \$47.0 million for the same quarter in 2001. The increase for the three months was primarily due to a larger decrease in interest expense (from \$35.0 to \$17.2 million) than in interest income (\$82.0 to \$65.2 million). Decreases in interest rates were the major contributor to the declines in both interest income and interest expense.

##### NET INTEREST INCOME CHANGES (1)

(TAX-EQUIVALENT BASIS)  
(IN THOUSANDS)

-----  
Interest Income:

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Loans, Including Fees  
Securities Available for Sale  
Time Deposits with Other Banks  
Federal Funds Sold and Reverse  
Repurchase Agreements

-----  
Total Interest Income

Interest Expense:

Interest-Bearing Deposits  
Repurchase Agreements and Other  
Short-Term Borrowings

-----  
Total Interest Expense

=====

Net Interest Income

- The dollar amount of changes in interest income and interest expense attributable to changes in rate/volume (change in rate multiplied by change in volume) has been allocated between rate and volume variances based on the percentage relationship of such variances to each other. Income and rates are computed on a tax-equivalent basis using a Federal income tax rate of 35% and local tax rates as applicable.

14

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

### AVERAGE CONSOLIDATED STATEMENTS OF CONDITION AND RATES

| (TAX-EQUIVALENT BASIS) (1)<br>(IN THOUSANDS)               | THREE MONTHS ENDED<br>MARCH 31, 2002 |                    |       |
|------------------------------------------------------------|--------------------------------------|--------------------|-------|
|                                                            | AVERAGE<br>BALANCE                   | INCOME/<br>EXPENSE | RATE  |
| =====                                                      |                                      |                    |       |
| ASSETS                                                     |                                      |                    |       |
| Loans (2)                                                  | \$ 2,786,207                         | \$ 44,505          | 6.48% |
| Securities Available for Sale (3)                          | 1,727,729                            | 17,441             | 4.09  |
| Time Deposits with Other Banks                             | 262,323                              | 731                | 1.13  |
| Federal Funds Sold and Reverse Repurchase Agreements       | 586,830                              | 2,541              | 1.76  |
| -----                                                      |                                      |                    |       |
| Total Earning Assets and Average Rate Earned (5)           | 5,363,089                            | 65,218             | 4.93  |
| Reserve for Loan Losses                                    | (29,157)                             |                    |       |
| Cash and Due from Banks                                    | 174,875                              |                    |       |
| Other Assets                                               | 440,622                              |                    |       |
| =====                                                      |                                      |                    |       |
| Total Assets                                               | \$ 5,949,429                         |                    | \$    |
| LIABILITIES, MINORITY INTEREST AND<br>SHAREHOLDERS' EQUITY |                                      |                    |       |
| Interest-Bearing Deposits                                  | \$ 4,026,968                         | \$ 13,573          | 1.37% |
| Repurchase Agreements and Other Short-Term Borrowings      | 528,559                              | 1,988              | 1.53  |
| Long-Term Debt                                             | 66,525                               | 1,618              | 9.86  |
| -----                                                      |                                      |                    |       |
| Total Interest-Bearing Funds and Average Rate Paid         | 4,622,052                            | 17,179             | 1.51  |
| Demand Deposits (4)                                        | 509,888                              |                    |       |
| Other Liabilities                                          | 105,433                              |                    |       |

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|                                                               |              |       |
|---------------------------------------------------------------|--------------|-------|
| Minority Interest in Preferred Stock of Subsidiaries          | 348,143      |       |
| Shareholders' Equity                                          | 363,913      |       |
| <hr/>                                                         |              |       |
| Total Liabilities, Minority Interest and Shareholders' Equity | \$ 5,949,429 | \$    |
| <hr/>                                                         |              |       |
| NET INTEREST INCOME AND SPREAD                                | \$ 48,039    | 3.42% |
| <hr/>                                                         |              |       |
| NET INTEREST MARGIN ON EARNING ASSETS                         |              | 3.63% |

- (1) - Income and rates are computed on a tax-equivalent basis using a Federal income tax rate of 35% and local tax rates as applicable.  
(2) - Nonperforming loans are included in average balances used to determine rates.  
(3) - The averages and rates for the securities available for sale portfolio are based on amortized cost.  
(4) - Demand deposit balances for all periods presented exclude certain accounts transferred to the money market classification to reduce the level of deposit reserves required.  
(5) - Excludes venture capital investments

### NONINTEREST INCOME

Noninterest income for the first quarter of 2002 totaled \$18.5 million, a decrease of \$9.2 million from the \$27.7 million in the first quarter of 2001. This decrease was mostly due to securities gains of \$10.3 million on the Concord EFS, Inc. investment recorded in the first quarter of 2001. No such gain was recorded in the first quarter of this year. A decline in trust and investment advisory income of \$825 thousand quarter to quarter also contributed to the decrease. The decrease was caused primarily by the lower market value of assets under management. Overall assets under management decreased from \$7.09 billion in March 2001 to \$6.85 billion in March 2002, a 3.4% decline. Another factor contributing to the decline in Trust and Investment Advisory Income was the general uncertainty of the stock market. New and existing clients were more inclined to seek less volatile investments, such as fixed income products. Fixed income offerings typically have lower fee schedules than equity products. These decreases were partially offset by an increase in service charge income of \$713 thousand.

15

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

Net venture capital losses were \$6.9 million for the quarter ended March 31, 2002 compared to \$7.9 million for the comparable quarter of 2001. Continuing losses in our venture capital operations are primarily the result of reduced corporate spending on technology related assets, which affects the financial performance and valuations of information technology asset vendors to which our venture capital portfolio is exposed, the decreased valuations of publicly-traded technology companies from earlier levels and a very sluggish IPO market.

The \$287 thousand in securities gains recorded in the first quarter of 2002 was due to the demutualization of an insurance company in which we own life insurance policies.

### NONINTEREST EXPENSE

Noninterest expense for the three months ended March 31, 2002, was \$56.8 million, an increase of \$263 thousand from the \$56.5 million reported for the three months ended March 31, 2001. This increase was due principally to increases in benefits related to our 401(k) Plan. Effective January 1, 2002, we increased our matching of employee contributions into the 401(k) Plan from \$0.50 for every dollar contributed (up to 6% of eligible wages) to a dollar-for-dollar match (up to 6% of eligible wages). More than offsetting this increase was a decrease in premises and equipment expense, resulting primarily from write-offs related to premises and leasehold improvements in the fourth quarter of 2001.

### FINANCIAL CONDITION

#### SECURITIES

Securities available for sale totaled \$1.76 billion as of March 31, 2002, compared to \$1.72 billion as of year-end 2001 and \$1.20 billion as of March 31, 2001. The activity for the first three months included purchases of securities available for sale totaling \$2.82 billion, which were partially offset by maturities and calls, principal payments and sales of securities available for sale totaling \$2.73 billion. The weighted-average

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duration and yield for the portfolio, adjusted for anticipated prepayments, were approximately 2.7 years and 4.51%, respectively, as of March 31, 2002. As of March 31, 2001, the weighted-average duration and yield were 2.9 years and 6.10%, respectively.

|                                | MARCH 31, 2002 |             | MARCH 31,   |
|--------------------------------|----------------|-------------|-------------|
|                                | AMORTIZED      | FAIR        | AMORTIZED   |
|                                | COST           | VALUE       | COST        |
| AVAILABLE FOR SALE             |                |             |             |
| =====                          |                |             |             |
| (IN THOUSANDS)                 |                |             |             |
| U.S. Treasury Securities       | \$ 89,967      | \$ 89,967   | \$ 229,731  |
| Government Agencies Securities | 841,986        | 839,457     | 409,253     |
| Mortgage-Backed Securities     | 787,329        | 778,653     | 508,327     |
| Other Securities               | 51,401         | 51,415      | 56,423      |
| =====                          |                |             |             |
| Total                          | \$1,770,683    | \$1,759,492 | \$1,203,734 |

### LOANS

As of March 31, 2002, loans outstanding totaled \$2.77 billion, decreasing from a balance of \$2.87 billion at March 31, 2001 and December 31, 2001. The decreases from both periods were primarily in residential real estate/home equity, consumer, foreign and loans available for sale. These decreases were partially offset by increases in real estate-commercial/construction loans.

16

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

| (IN THOUSANDS)                                    | MARCH 31,<br>2002 | MARCH 31,<br>2001 |
|---------------------------------------------------|-------------------|-------------------|
| =====                                             |                   |                   |
| Commercial and Financial                          | \$ 469,311        | \$ 440,988        |
| Real Estate - Commercial/Construction             | 499,174           | 449,568           |
| Residential Mortgage                              | 1,061,087         | 1,153,648         |
| Loans Held for Sale                               | 275               | 17,027            |
| Home Equity                                       | 285,594           | 330,340           |
| Consumer                                          | 63,729            | 66,309            |
| Foreign                                           | 396,407           | 413,240           |
| =====                                             |                   |                   |
| Total Loans                                       | 2,775,577         | 2,871,120         |
| Net Deferred Loan Fees,<br>Premiums and Discounts | (3,737)           | (4,676)           |
| =====                                             |                   |                   |
| Loans                                             | \$ 2,771,840      | \$ 2,866,444      |

### RESERVE FOR LOAN LOSSES

Changes in the reserve for loan losses are summarized as follows:

|                           |
|---------------------------|
| (IN THOUSANDS)            |
| =====                     |
| Balance, January 1        |
| Provision for loan losses |
| Loans charged-off         |

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Less: Recoveries on charged-off loans
-----
Net loan charge-offs

Foreign exchange translation adjustments
=====
Balance, March 31

```

For the three month period ended March 31, 2002, we had a consolidated loan loss provision reversal of \$1.7 million which compares to a provision of \$115 thousand during the comparable period of the prior year. The reversal in the current year was taken as a result of significant improvement in asset quality as noted in "Asset Quality" and a decrease in the balance of loans outstanding.

The reserve balance has been reduced by approximately \$8.1 million since March 31, 2001. The reduction primarily relates to the reversal noted above and charge-offs taken on both domestic loans and loans at our London office. Since March 31, 2001, charge-offs totaling \$5.9 million have been made on domestic loans and charge-offs totaling \$5.3 million have been made on loans in London. These charge-offs were partially offset by recoveries on domestic loans of \$1.2 million and recoveries on foreign loans of \$1.2 million for the same period. As a result of these charge-offs and repayments on some of these loans, the non-performing asset portfolio has been significantly reduced, and thus so has the reserve for loan losses. The remaining reserve amount has been determined based on the risk in the portfolio, including the risks related to the still slow economy and the September 11, 2001 events.

Provisions to the reserve for loan losses are charged against, or credited to, earnings in amounts necessary to maintain an adequate reserve for loan losses. Commercial loans are charged off when it is determined that the loan cannot be fully recovered. Consumer loans are charged off upon becoming 120 days delinquent. Residential real estate loans are charged off to the extent necessary when foreclosure occurs.

17

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

#### ASSET QUALITY

##### NONPERFORMING ASSETS

Nonperforming assets, which include nonaccrual loans, renegotiated loans and other real estate (net of reserves) and other assets owned, totaled \$3.9 million as of March 31, 2002, a \$217 thousand increase from the year-end 2001 total of \$3.7 million and a \$10.6 million decrease from the March 31, 2001 total of \$14.4 million. The decrease in nonperforming assets from the prior year's first quarter was mainly due to repayments on domestic loans of approximately \$7.1 million, and on loans at our London-based operation of approximately \$2.2 million. Additional decreases resulted from charge-offs on domestic loans of approximately \$735 thousand. Charge-offs on London loans amounted to approximately \$4.1 million. We also had a partial sale in our real estate owned portfolio of \$308 thousand. These decreases were partially offset by additions to the London nonaccrual portfolio of about \$2.6 million, and to other assets owned of \$1.6 million.

There was no specific reserve for loan losses for impaired loans assigned at March 31, 2002.

##### PAST-DUE AND POTENTIAL PROBLEM LOANS

Past-due loans consist of residential real estate loans, commercial and industrial loans, and consumer loans that are in the process of collection and that are accruing interest. Loans past-due over 90 days increased \$1.4 million during the first three months of 2002 to \$14.7 million, and increased \$5.6 million from March 31, 2001. The increase from the prior year's first quarter was due to three loans totaling \$4.0 million.

##### NONPERFORMING ASSETS AND PAST-DUE LOANS

| (IN THOUSANDS)                                | MARCH 31,<br>2002 | MARCH 31,<br>2001 |
|-----------------------------------------------|-------------------|-------------------|
| =====                                         |                   |                   |
| NONPERFORMING ASSETS:                         |                   |                   |
| Nonaccrual Loans (1)                          | \$ 625            | \$12,535          |
| Renegotiated Loans                            | 568               | 766               |
| Other Real Estate and Other Assets Owned, Net | 2,682             | 1,133             |

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|                            |          |          |
|----------------------------|----------|----------|
| Total Nonperforming Assets | \$ 3,875 | \$14,434 |
| PAST-DUE LOANS (2)         | \$21,436 | \$44,144 |
| PAST-DUE LOANS (3)         | \$14,690 | \$ 9,078 |
| POTENTIAL PROBLEM LOANS    | \$ 462   | \$ 2,674 |

Loans that are in default in either principal or interest for 90 days or more that are not well-secured and in the process of collection, or that are, in management's opinion,

doubtful as to the collectibility of either interest or principal.

(2) Loans contractually past due 30-89 days or more in principal or interest.

(3) Loans contractually past due 90 days or more in principal or interest that are well-secured and in the process of collection.

18

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

#### DEPOSITS

Deposits are our primary and most stable source of funds. Deposits totaled \$4.54 billion as of March 31, 2002, increases of \$22.4 million and \$507.0 million from the December 31 and March 31, 2001 totals, respectively. For both periods, deposits increased in time deposits in domestic offices. Balances in savings and NOW accounts and time deposits in foreign offices decreased. Demand deposit balances remained stable.

#### SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings decreased \$139.1 million from the year-end 2001 balance and increased \$12.7 million from the March 31, 2001 balance. The decrease from year-end was due mostly to seasonal fluctuations in customers' investments in repurchase agreements. Short-term borrowings are an additional source of funds that we have utilized to meet certain asset/liability and daily cash management objectives and are used to generate cash and maintain adequate levels of liquidity.

| (IN THOUSANDS)                                        | MARCH 31,<br>2002 | MARCH 31,<br>2001 |
|-------------------------------------------------------|-------------------|-------------------|
| Repurchase Agreements and Other Short-Term Borrowings | \$457,472         | \$444,758         |
| Subordinated Debentures due 2009                      | 66,525            | 66,525            |
| Total Short-Term Borrowings and Long-Term Debt        | \$523,997         | \$511,283         |

#### LIQUIDITY

We seek to maintain sufficient liquidity to meet the needs of depositors, borrowers and creditors at a reasonable cost and without undue stress on our operations. Our Asset/Liability Committee (ALCO) actively analyzes and manages liquidity in coordination with other areas of the organization (see Sensitivity to Market Risk). As of March 31, 2002, our liquid assets, on a consolidated basis, which include cash and due from banks, Government obligations and other securities, federal funds sold, reverse repurchase agreements and time deposits at other banks, totaled \$2.68 billion (46% of total assets). This compares with \$2.40 billion (42%) as of December 31, 2001, and \$2.12 billion (39%) as of March 31, 2001. As of March 31, 2002, \$1.36 billion of our assets were pledged to secure deposits and other borrowings. This compares with pledged assets of \$1.22 billion as of December 31, 2001, and \$810.7 million as of March 31, 2001.

Our liquidity position is maintained by a stable source of funds from our core deposit relationships. We also have a line of credit available through our membership in the Federal Home Loan Banks (FHLB). As of March 31, 2002, December 31, 2001, and March 31, 2001, short-term credit lines and the FHLB Atlanta line of credit available totaled approximately \$963.0 million, \$1.32 billion, and \$1.33 billion, respectively. As of March 31, 2002, December 31, 2001, and March 31, 2001, the amounts outstanding under these lines were \$16.1 million, \$15.9 million, and \$18.9 million, respectively.

#### SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

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Total shareholders' equity as of March 31, 2002, was \$358.4 million, a decrease of \$2.4 million from year-end 2001 and a decrease of \$33.4 million from a year ago. The decrease from year-end was primarily the result of unrealized securities losses of \$7.2 million, partially offset by an increase of \$5.1 million due to the repurchase of \$55.7 million of trust preferred securities. The decrease from March 31, 2001 was primarily the result of net losses of \$27.6 million, and cash dividends of \$5.7 million. The \$27.6 million period to period loss included restructuring and other charges totaling \$40.0 million, accounted for in the fourth quarter of 2001. Unrealized losses on derivatives of \$929 thousand and a foreign exchange translation adjustment of \$(615) thousand also contributed to the decrease in equity.

Book value per common share was \$12.57 as of March 31, 2002, compared to \$12.66 as of year-end 2001 and \$13.77 as of March 31, 2001. The decreases in book value from March 31 and year-end 2001 were primarily the result of the net losses, dividends, and net unrealized securities losses described in the preceding paragraph.

Following are our capital ratios (as defined in the regulations) and those of our banking subsidiary, Riggs Bank National Association (Riggs Bank N.A.) as of March 31, 2002 and 2001, and December 31, 2001.

19

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

|                             | MARCH 31,<br>2002 |
|-----------------------------|-------------------|
| =====                       |                   |
| RIGGS NATIONAL CORPORATION: |                   |
| Tier I                      | 15.24%            |
| Combined Tier I and Tier II | 23.60             |
| Leverage                    | 8.13              |
|                             |                   |
| RIGGS BANK N.A.:            |                   |
| Tier I                      | 14.48             |
| Combined Tier I and Tier II | 15.36             |
| Leverage                    | 7.80              |

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### SENSITIVITY TO MARKET RISK

We are exposed to various market risks. Some of these risks, such as credit risk and currency risk, are discussed in our Annual Report on Form 10-K. We have determined that interest-rate risk has a material impact on our financial performance, and as such we have established the Asset/Liability Committee to manage interest-rate risk. The role of this committee is to manage the asset/liability mix of our operations in an effort to provide a stable net interest margin while maintaining liquidity and capital. This entails the management of our overall risk in conjunction with the acquisition and deployment of funds based upon ALCO's view of both current and prospective market and economic conditions.

We manage our interest-rate risk through the use of an income simulation model, which forecasts the impact on net interest income of a variety of different interest rate scenarios. A most likely interest rate scenario is forecasted based upon an analysis of current market conditions and expectations. The model then evaluates the impact on net interest income of rates moving significantly higher or lower than the most likely scenario. The results are compared to risk tolerance limits set by corporate policy. The model's results as of March 31, 2002 and 2001 are shown in the following tables. Current policy establishes limits for possible changes in net interest income for 12 and 36 month horizons. The interest rate scenarios monitored by ALCO are based upon a 100 basis point (1%) gradual increase or decrease in rates over a 12-month time period versus the most likely scenario and a 300 basis point (3%) gradual increase or decrease in rates over a 36-month time period versus the most likely scenario.

#### INTEREST-RATE SENSITIVITY ANALYSIS (1)

|                | MOVEMENTS IN INTEREST |        |
|----------------|-----------------------|--------|
|                | =====                 |        |
|                | SIMULATED IMPACT OVER |        |
|                | NEXT TWELVE MONTHS    |        |
|                | -----                 |        |
| (In Thousands) | +100BP                | -100BP |

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Simulated Impact Compared With a  
"Most Likely" Scenario:

|                                          |            |        |
|------------------------------------------|------------|--------|
| Net Interest Income Increase/ (Decrease) | (1.7) %    | 0.2 %  |
| Net Interest Income Increase/ (Decrease) | \$ (3,278) | \$ 419 |

## (1) Key Assumptions:

Assumptions with respect to the model's projections of the effect of changes in interest rates on Net Interest Income include:

1. Target balances for various asset and liability classes, which are solicited from the management of the various units of the Corporation.
2. Interest rate scenarios which are generated by ALCO for the "most likely" scenario and are dictated by ALCO's policy for the alternative scenarios.
3. Spread relationships between various interest rate indices, which are generated by the analysis of historical relationships and ALCO consensus.
4. Assumptions about the effect of embedded options and prepayment speeds: instruments that are callable are assumed to be called at the first opportunity if an interest rate scenario makes it advantageous for the owner of the call to do so. Prepayment assumptions for mortgage products are derived from accepted industry sources.
5. Reinvestment rates for funds replacing assets or liabilities that are assumed (through early withdrawal, prepayment, calls, etc.) to run off the balance sheet, which are generated by the spread relationships.
6. Maturity strategies with respect to assets and liabilities, which are solicited from the management of the various units of the Corporation.

20

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK, CONTINUED

As of March 31, 2002, the forecasted impact of rates rising or falling 100 basis points versus the most likely scenario over a 12-month time period was a change in net interest income not exceeding 2%. For a 300 basis point movement in rates versus the most likely scenario over a 36-month period, the impact on net interest income did not exceed 4%. The results of the simulation for March 31, 2002 indicated that we were liability sensitive over both the 12 and 36-month time horizons due to a large portion of our assets being comprised of fixed-rate instruments. In a rising interest rate environment, net interest income would suffer versus the most likely scenario due to margin compression on fixed-rate assets. In a declining interest rate environment, the earnings benefit from increasing spreads on fixed-rate assets is offset somewhat by floors on deposits.

In managing our interest-rate risk, ALCO uses financial derivative instruments, such as interest-rate swaps. Financial derivatives are employed to assist in the management and/or reduction of our interest-rate risk and can effectively alter the sensitivity of segments of the statement of condition for specified periods of time. Along with financial derivative instruments, the income simulation model includes short-term financial instruments, investment securities, loans, deposits, and other borrowings. Interest-rate risk management strategies are discussed and approved by ALCO prior to implementation.

We find that the methodologies previously discussed provide a meaningful representation of our interest-rate and market risk sensitivity, though factors other than changes in the interest rate environment, such as levels of non-earning assets, and changes in the composition of earning assets, may affect net interest income. We believe our current interest-rate sensitivity level is appropriate, considering our economic outlook and what we believe is a conservative approach taken in the review and monitoring of our sensitivity position.

At March 31, 2002, December 31, 2001 and March 31, 2001, our cumulative one year gap was \$(919.0) million, \$(750.0) million and \$(779.0) million, respectively.

## COMMITMENTS

Various commitments to extend credit are made in the normal course of banking business. Commitments to extend credit and letters of credit outstanding as of March 31, 2002 and 2001, and December 31, 2001 are detailed below:

|                              | MARCH 31,<br>2002 | MARCH 31,<br>2001 |
|------------------------------|-------------------|-------------------|
| Commitments to extend credit | \$989,126         | \$954,129         |
| Letters of credit            | 150,977           | 133,579           |

The above commitment amounts are not reflected in the Consolidated Statements of Condition and many of the commitments will expire without being drawn upon. Such commitments are issued only upon careful evaluation of the financial condition of the customer.

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The Company also was committed to fund venture capital investments in the amounts of \$22.2 million and \$23.1 million at March 31, 2002 and 2001, respectively.

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Quantitative and Qualitative Disclosures About Market Risk, contains forward-looking statements, including the references to earnings from venture capital, implementation of our business strategy, hedging activities and our trust and investment advisory income. A variety of factors could cause our actual results and experiences to differ materially from those expressed or implied by the forward-looking statements. These factors include, but are not limited to, certain risks and uncertainties that may affect the operations, performance, development, growth projections and results of our business. More specifically, these factors include the growth of (or decline in) the economy, changes in credit quality or interest rates, changes in value of venture capital investments in the technology and other sectors, timing of technology enhancements for products and operating systems, the impact of competitive products, services and pricing, customer business requirements, Congressional legislation, general economic conditions-both domestic and international-and similar matters. In addition, the continuing impact of the September 11, 2001 terrorist attacks on the global economy and international political conditions also may be an important factor or make the occurrence of one or more of the aforementioned factors more likely.

21

### RIGGS NATIONAL CORPORATION

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In the normal course of business we are involved in various types of litigation and disputes which may lead to litigation. The Company has determined that pending or unasserted legal actions will not have a material impact on its financial condition or future operations.

### ITEM 2. CHANGES IN SECURITIES

Not applicable.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits

The exhibits listed on page 23 are incorporated by reference or filed herewith in response to this item.

#### (b) Reports on Form 8-K

On March 12, 2002, we filed a Form 8-K regarding our press release dated March 11, 2002. The press release announced our decision not to renew the engagement of Arthur Andersen LLP as the Company's independent auditors.

On March 22, 2002, we filed a Form 8-KA to amend a Form 8-K previously filed on March 12, 2002. The 8-KA included Arthur Andersen's consent dated March 20, 2002 regarding the Company's Form 10-K filed March 22, 2002.

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### 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.

### RIGGS NATIONAL CORPORATION

|       |                      |                                                                                               |
|-------|----------------------|-----------------------------------------------------------------------------------------------|
| Date: | May 6, 2002<br>----- | /s/ TIMOTHY C. COUGHLIN<br>-----<br>Timothy C. Coughlin<br>President                          |
| Date: | May 6, 2002<br>----- | /s/ STEVEN T. TAMBURO<br>-----<br>Steven T. Tamburo<br>Treasurer<br>(Chief Financial Officer) |

22

### INDEX TO EXHIBITS

| EXHIBIT<br>NO. | DESCRIPTION                                                                                                                                                                                   |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| =====          |                                                                                                                                                                                               |
| (3.1)          | Restated Certificate of Incorporation of Riggs National Corporation, dated April 19 (Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June SEC File No. 09756).  |
| (3.2)          | By-laws of the Registrant with amendments through January 23, 2002 (Incorporated by the Registrant's Form 10-K for the year ended December 31, 2001, SEC File No. 09756)                      |
| (4.1)          | Indenture dated June 1, 1989, with respect to \$100 million 9.65% Subordinated Deben (Incorporated by reference to the Registrant's Form 8-K dated June 20, 1989, SEC Fi                      |
| (4.2)          | Indenture dated December 13, 1996, with respect to \$150 million, 8.625% Trust Prefe Series A due 2026 (Incorporated by reference to the Registrant's S-3 dated February File No. 333-21297.) |
| (4.3)          | Indenture dated March 12, 1997, with respect to \$200 million, 8.875% Trust Preferre Series C due 2027 (Incorporated by reference to the Registrant's S-3 dated May 2, 1 No. 333-26447.)      |
| (10.1)         | Lease Agreement, dated February 1, 2002, between Allbritton Communications Company National Corporation                                                                                       |

(Exhibits omitted are not required or not applicable.)

23