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RIGGS NATIONAL CORP
Form 10-Q
May 14, 2001

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, 2001

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

52-1217953

(State or other jurisdiction of
incorporation or organization)

(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 X 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

28,449,487

(Title of Class)

(Outstanding at April 30, 2001)

RIGGS NATIONAL CORPORATION

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS-UNAUDITED

RIGGS NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

=====

INTEREST INCOME

Interest and Fees on Loans
Interest and Dividends on Securities Available for Sale
Interest on Time Deposits with Other Banks

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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

Total Interest on Deposits

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

Less: 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 Gains, Net
Other Noninterest Income
Securities Gains, Net

Total Noninterest Income

NONINTEREST EXPENSE

Salaries and Employee Benefits
Occupancy, Net
Data Processing Services
Furniture and Equipment
Other Real Estate Owned Expense (Income), Net
Other Noninterest Expense

Total Noninterest Expense

Income before Taxes, Minority Interest and Extraordinary Loss

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

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RIGGS NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CONDITION

(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

MARCH 31, M
2001

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ASSETS

| | | |
|--|------------|----|
| Cash and Due from Banks | \$ 130,840 | \$ |
| Federal Funds Sold and Reverse Repurchase Agreements | 447,000 | |

| | | |
|---------------------------------|---------|--|
| Total Cash and Cash Equivalents | 577,840 | |
|---------------------------------|---------|--|

| | | |
|---|-----------|--|
| Time Deposits with Other Banks | 345,692 | |
| Securities Available for Sale (at Market Value) | 1,199,431 | |
| Venture Capital Investments | 73,608 | |

| | | |
|-------------------------|-----------|--|
| Loans | 2,866,444 | |
| Reserve for Loan Losses | (34,818) | |

| | | |
|-----------------|-----------|--|
| Total Net Loans | 2,831,626 | |
|-----------------|-----------|--|

| | | |
|-----------------------------|---------|--|
| Premises and Equipment, Net | 197,865 | |
| Other Assets | 183,976 | |

| | | |
|--------------|-------------|----|
| Total Assets | \$5,410,038 | \$ |
|--------------|-------------|----|

LIABILITIES

| | | |
|-------------------------------------|------------|----|
| Deposits: | | |
| Noninterest-Bearing Demand Deposits | \$ 662,284 | \$ |

| | | |
|-----------------------------------|-----------|--|
| Interest-Bearing Deposits: | | |
| Savings and NOW Accounts | 344,304 | |
| Money Market Deposit Accounts | 1,686,142 | |
| Time Deposits in Domestic Offices | 755,903 | |
| Time Deposits in Foreign Offices | 589,102 | |

| | | |
|---------------------------------|-----------|--|
| Total Interest-Bearing Deposits | 3,375,451 | |
|---------------------------------|-----------|--|

| | | |
|----------------|-----------|--|
| Total Deposits | 4,037,735 | |
|----------------|-----------|--|

| | | |
|---|---------|--|
| Repurchase Agreements and Other Short-Term Borrowings | 444,758 | |
| Other Liabilities | 119,201 | |
| Long-Term Debt | 66,525 | |

| | | |
|-------------------|-----------|--|
| Total Liabilities | 4,668,219 | |
|-------------------|-----------|--|

GUARANTEED PREFERRED BENEFICIAL INTERESTS IN JUNIOR

| | | |
|---|---------|--|
| SUBORDINATED DEFERRABLE INTEREST DEBENTURES | 350,000 | |
|---|---------|--|

SHAREHOLDERS' EQUITY

| | | |
|---|--------|--|
| Common Stock-\$2.50 Par Value | | |
| Shares Authorized - 50,000,000 at March 31, 2001 and 2000, and December 31, 2000 | | |
| Shares Issued - 31,749,264 at March 31, 2001, 31,616,995 at March 31, 2000 and 31,701,464 at December 31, 2000 | 79,373 | |

| | | |
|------------------------|---------|--|
| Surplus - Common Stock | 162,620 | |
|------------------------|---------|--|

| | | |
|-------------------|---------|--|
| Undivided Profits | 230,800 | |
|-------------------|---------|--|

| | | |
|--------------------------------------|---------|--|
| Accumulated Other Comprehensive Loss | (9,617) | |
|--------------------------------------|---------|--|

| | | |
|--|----------|--|
| Treasury Stock - 3,300,798 shares at March 31, 2001 and 2000, and December 31, 2000 | (71,357) | |
|--|----------|--|

| | | |
|----------------------------|---------|--|
| Total Shareholders' Equity | 391,819 | |
|----------------------------|---------|--|

| | | |
|--|-------------|----|
| Total Liabilities and Shareholders' Equity | \$5,410,038 | \$ |
|--|-------------|----|

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RIGGS NATIONAL CORPORATION
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT SHARE AMOUNTS)

| | COMMON STOCK \$2.50 PAR | SURPLUS | UNDIVIDED PROFITS | CO IN |
|--|----------------------------------|-----------|----------------------|----------|
| ===== | | | | |
| Balance, December 31, 1999 | \$ 79,039 | \$161,439 | \$ 210,682 | |
| Comprehensive Income: | | | | |
| Net Income | | | | 11,552 |
| Other Comprehensive Income | | | | |
| (Loss), Net of Tax: (1) | | | | |
| Unrealized Gain (Loss) on | | | | |
| Securities Available for Sale, 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-1,500 Shares | 3 | 11 | | |
| Cash Dividends - | | | | |
| Common Stock, \$.05 per Share | | | | (1,415) |
| ===== | | | | |
| Balance, March 31, 2000 | \$ 79,042 | \$161,450 | \$ 220,819 | |
| 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 | | | | |

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| | | | |
|----------------------------------|-----------|-----------|------------|
| 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 |

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

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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 Gains (Losses) on Venture Capital Investments

 Gains on Sale of Venture Capital Investments

 Depreciation Expense and Amortization of Leasehold Improvements

 Gains on Sale of Securities Available for Sale

 Decrease in Other Assets

 Increase in Other Liabilities

Total Adjustments

Net Cash 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

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Dividend Payments - Common

 Net Cash Used In Financing Activities

Effect of Exchange Rate Changes

Net Increase (Decrease) in Cash and Cash Equivalents
 Cash and Cash Equivalents at Beginning of Period
 =====

Cash and Cash Equivalents at End of Period

SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES:

NONCASH ACTIVITIES:

Loans Transferred to Other Real Estate Owned

CASH PAID DURING THE YEAR FOR:

Interest Paid (Net of Amount Capitalized)
 Income Tax Payments

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RIGGS NATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 (IN THOUSANDS, EXCEPT SHARE AMOUNTS)

NOTE 1. BASIS OF PRESENTATION

In our opinion, the accompanying unaudited financial statements contain all normal recurring adjustments necessary for a fair presentation of the interim period results in conformity with generally accepted accounting principles applied on a consistent basis and which require the use of estimates. These statements should be read in conjunction with the financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2000. Certain reclassifications have been made to prior period amounts to conform with the current period's presentation. The results of operations for the first three months of 2001 are not necessarily indicative of the results to be expected for the full 2001 year.

NOTE 2. EARNINGS PER SHARE

Earnings per share computations are as follows:

| | THREE MONTHS MARCH 31, ===== |
|---|------------------------------------|
| | BASIC EPS ===== |
| Net Income Available to Common Shareholders | \$ 5,606 |
| Weighted-Average Shares Outstanding | 28,438,357 |
| Weighted-Average Dilutive Effect of Stock Option Plans | n/a ----- |

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| | | |
|--|------------|--------|
| Adjusted Weighted-Average Shares Outstanding | 28,438,357 | 2 |
| Basic EPS | | \$.20 |
| Diluted EPS | | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3. OTHER COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME (LOSS)

=====

THREE MONTHS ENDED MARCH 31, 2001:

Foreign Currency Translation Adjustments

Unrealized Gains (Losses) on Securities:

Unrealized Holding Gains (Losses) Arising During Period

Less: Reclassification Adjustment for (Gains) Losses Realized in Net Income

 Net Unrealized Gains (Losses)

 Unrealized Gains (Losses) on Derivatives:

Unrealized Holding Gains (Losses) Arising During Period

Less: Reclassification Adjustment for (Gains) Losses Realized in Net Income

 Net Unrealized Gains (Losses)

=====

Other Comprehensive Income (Loss)

THREE MONTHS ENDED MARCH 31, 2000:

Foreign Currency Translation Adjustments

Unrealized Gains (Losses) on Securities:

Unrealized Holding Gains (Losses) Arising During Period

Less: Reclassification Adjustment for (Gains) Losses Realized in Net Income

 Net Unrealized Gains (Losses)

 Unrealized Gains (Losses) on Derivatives:

Unrealized Holding Gains (Losses) Arising During Period

Less: Reclassification Adjustment for (Gains) Losses Realized in Net Income

 Net Unrealized Gains (Losses)

=====

Other Comprehensive Income (Loss)

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BALANCES

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| | FOREIGN CURRENCY TRANSLATION ADJUSTMENTS | UN GA SE |
|------------------------------------|---|----------------|
| ===== | | |
| THREE MONTHS ENDED MARCH 31, 2001: | | |
| Balance, December 31, 2000 | \$ (4,657) | |
| Current-Period Change | (1,120) | |
| ===== | | |
| Balance, March 31, 2001 | \$ (5,777) | |
| THREE MONTHS ENDED MARCH 31, 2000: | | |
| Balance, December 31, 1999 | \$ (2,597) | |
| Current-Period Change | (241) | |
| ===== | | |
| Balance, March 31, 2000 | \$ (2,838) | |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 4: SEGMENT PROFITABILITY

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, our London-based banking subsidiary, Riggs Bank Europe Limited (RBEL), and our Berlin branch (a subsidiary of RBEL). The International Banking segment also includes the part of our private-client services division based in London-Riggs & Company International, Limited. Riggs & Company is our 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 invest in equities in privately-held high-growth companies. "Other" consists of our unallocated parent-company income and expense, net interest income from unallocated equity and foreclosed real estate activities.

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, 2000 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. For years in which we have either no provision for loan losses or a reduction to the reserve for loan losses, an allocation of loan loss is not provided to the segments. The reconciliation of total average assets represents the elimination of intercompany transactions.

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| THREE MONTHS ENDED MARCH 31, 2001 | BANKING | INTERNATIONAL BANKING | RIGGS & COMPANY | TREASURY | RIGGS CAPITAL 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), 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 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 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 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

| THREE MONTHS ENDED MARCH 31, 2000 | BANKING | INTERNATIONAL BANKING | RIGGS & COMPANY | TREASURY | RIGGS CAPITAL PARTNERS |
|---|---------|--------------------------|--------------------|----------|------------------------------|
|---|---------|--------------------------|--------------------|----------|------------------------------|

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| | | | | | |
|---|-------------|-----------|-----------|-------------|-----------|
| NET INTEREST INCOME | | | | | |
| Interest Income | \$ 49,207 | \$ 16,096 | \$ 1,454 | \$ 38,157 | \$ - |
| Interest Expense | 13,898 | 19,808 | 3,085 | 15,168 | - |
| Funds Transfer Income (Expense) | (4,472) | 12,854 | 4,606 | (17,286) | (720) |
| ----- | | | | | |
| Net Interest Income (Loss), Tax-Equivalent | 30,837 | 9,142 | 2,975 | 5,703 | (720) |
| Provision for Loan Losses | (300) | (300) | - | - | - |
| Tax Equivalent Adjustment | (824) | - | - | (636) | - |
| ----- | | | | | |
| Net Interest Income (Loss) | \$ 29,713 | \$ 8,842 | \$ 2,975 | \$ 5,067 | \$ (720) |
| ----- | | | | | |
| NONINTEREST INCOME | | | | | |
| Noninterest Income-External Customers | \$ 9,518 | \$ 1,044 | \$ 14,035 | \$ 936 | \$ 7,036 |
| Intersegment Noninterest Income | 887 | 1,087 | 88 | - | - |
| ----- | | | | | |
| Total Noninterest Income | \$ 10,405 | \$ 2,131 | \$ 14,123 | \$ 936 | \$ 7,036 |
| ----- | | | | | |
| NONINTEREST EXPENSE | | | | | |
| Depreciation and Amortization | \$ 1,892 | \$ 245 | \$ 220 | \$ 4 | \$ 5 |
| Direct Expense | 16,320 | 7,278 | 8,875 | 1,014 | 525 |
| Overhead and Support | 12,827 | 3,154 | 3,171 | 406 | 18 |
| ----- | | | | | |
| Total Noninterest Expense | \$ 31,039 | \$ 10,677 | \$ 12,266 | \$ 1,424 | \$ 548 |
| ----- | | | | | |
| Income (Loss) Before Taxes and Minority Interest | \$ 9,079 | \$ 296 | \$ 4,832 | \$ 4,579 | \$ 5,768 |
| ----- | | | | | |
| ----- | | | | | |
| Total Average Assets | \$2,813,613 | \$963,635 | \$ 99,378 | \$2,497,173 | \$ 50,962 |
| ===== | | | | | |

NOTE 5: ACCOUNTING FOR DERIVATIVES

Adoption of SFAS No. 133

We adopted SFAS No. 133, "Accounting for Derivative Investments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133", as of January 1, 2001. The adoption of SFAS No. 133 resulted in a cumulative charge of \$8 thousand, recorded as a component of Other Noninterest Income, to reflect the fair value of derivatives designated as fair-value hedges and fair values of related hedged items. In addition, we recorded a cumulative net of tax charge to Other Comprehensive Income of \$751 thousand to recognize at fair value all derivatives that are designated as cash flow hedges and net investment hedges.

Derivative Instruments and Hedging

We maintain a risk management strategy that includes the use of derivative

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instruments to reduce unplanned earnings and equity fluctuations caused by interest rate volatility and foreign exchange fluctuation. We attempt to minimize our sensitivity to rate volatility by altering the repricing or maturity characteristics of certain assets and liabilities so that income is not materially impacted by unexpected rate movements.

Use of derivative instruments is a component of our overall risk management strategy and is utilized in accordance with a formal policy that is monitored by a committee which has delegated authority over our interest rate risk management function.

The derivative instruments that we utilize include interest rate swaps, futures contracts and options contracts that relate to the pricing of specific assets and liabilities. Interest rate swaps involve the exchange of fixed and variable rate interest payments between two parties based upon a notional principal amount and maturity date. Interest rate futures generally involve exchange-traded contracts to buy or sell U.S. Treasury bonds or notes in the future at specified prices. Interest rate options represent contracts that allow the owner the option to either receive cash or purchase, sell or enter into a financial

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

instrument at a specified price within a specified time period. Certain of these contracts grant the right to enter into interest rate swaps and cap and floor agreements with the writer of the option.

We also enter into foreign exchange derivative contracts, including foreign currency forward contracts, to manage our exchange risk associated with the translation of foreign currency into U. S. dollars.

We are exposed to credit and market risk as a result of our use of derivative instruments. If the fair value of the derivative contract is positive, the counterparty owes us and, hence, a repayment risk exists. If the fair value of the derivative contract is negative, we owe the counterparty and, therefore, there is no repayment risk. We minimize repayment risk by entering into transactions with financially stable counterparties that are specified by our policy and reviewed periodically by our credit committee. We require that derivative contracts be governed by an International Swaps and Derivative Master Agreement and, depending on the nature of the agreement, bilateral collateral arrangements also may be obtained. When we have multiple derivative transactions with the counterparty, the net mark-to-market exposure represents the netting of positive and negative exposures with the same counterparty. The net mark-to-market exposure with a counterparty is a measure of credit risk when there is a legally enforceable master netting agreement between us and the counterparty. We use master netting agreements with the majority of our counterparties.

Market risk is the adverse effect that a change in interest rates or comparative currency values has on the fair value of a financial instrument or expected cash flows. We manage the market risk associated with interest rate and foreign exchange hedge contracts by establishing formal policy limits concerning the types and degree of risk that may be undertaken. Our Treasury group monitors compliance with this policy.

Accounting for Derivatives

All derivatives are recognized on the Statement of Condition at fair value. When a derivative contract is entered into, we first determine whether or not it

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qualifies as a hedge. If it does, we designate the derivative 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 as 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 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.

When entering into hedging transactions, we document the relationships between hedging instruments and hedged items, as well as the risk management objective and strategy. This process links all derivatives that are designated fair value, cash flow or foreign currency hedges to specific assets and liabilities on the Statement of Condition. We assess, both at inception and on an on-going basis, the effectiveness of all hedges in offsetting changes in fair values or cash flows of hedged items.

We discontinue hedge accounting prospectively when (1) the derivative is no longer effective in offsetting changes in fair values or cash flows of a hedged item; (2) the derivative matures or is sold, terminated or exercised; or (3) the derivative is dedesignated as a hedge instrument.

When hedge accounting is discontinued because the derivative no longer qualifies as an effective fair value hedge, it will continue to be carried on the Statement of Condition at its fair value and the hedged asset or liability will no longer be adjusted to reflect changes in fair value. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, we will continue to carry the derivative on the Statement of Condition at its fair value and any gains or losses accumulated in Other Comprehensive Income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued, the derivative will be carried at fair value with changes in fair value recognized in income.

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 LIBOR (the "benchmark rate").

For the quarter ended March 31, 2001, we recognized a net loss of \$22 thousand which represented the ineffective portion of all fair value hedges. This amount is included in Other Noninterest Income in the Statement of Income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

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

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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, 2001, there was no impact to Other Noninterest Income in the 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 item in the Statement of Income in which the income or expense related to the hedged item is recorded. As of March 31, 2001, \$409 thousand of deferred net gains on derivative instruments in Accumulated Other Comprehensive Income is expected to be reclassified as income during the next twelve months. The maximum term over which we are hedging our exposure to the variability of cash flows was 51 months at March 31, 2001.

Hedges of Net Investments in Foreign Operations

We use forward exchange contracts to hedge substantially all of our net investment in a foreign subsidiary. The purpose of this hedge is to protect against adverse movements in currency exchange rates. As of March 31, 2001, \$516 thousand of net gains related to these derivatives are included in Accumulated Other Comprehensive Income.

Other

At March 31, 2001, 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 \$1.1 million and they are marked to market through current period earnings.

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RIGGS NATIONAL CORPORATION

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

RESULTS OF OPERATIONS

We recorded net income of \$5.6 million, or \$.19 per diluted share, for the first quarter of 2001, compared to \$11.6 million, or \$.41 per diluted share, in the first quarter of 2000. The decrease resulted primarily from losses in our venture capital unit in the first quarter of this year compared to venture capital gains in the first quarter a year ago. Mitigating these losses were \$10.3 million in investment gains in the first quarter of 2001 due to the sale of a company in which we have had an equity investment for many years.

Return on average assets was .42% for the three months ended March 31, 2001, compared to .80% for the same period a year ago. Return on average shareholders' equity was 5.81% for the three months ended March 31, 2001, compared to 13.72% for the three months ended March 31, 2000.

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 \$47.0 million in the first quarter of 2001, a decrease of \$3.5 million from the \$50.5 million for the same quarter in 2000. The decrease was primarily due to a reduction in interest income, which was \$9.6 million less than a year ago. Decreases in interest rates contributed to the decline, but decreases in average balances,

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ASSETS

| | | | |
|---|-------------|----------|-------|
| Loans, Including Fees (2) | \$2,908,229 | \$54,167 | 7.55% |
| Securities Available for Sale (3) | 1,236,091 | 18,601 | 6.10 |
| Time Deposits with Other Banks | 354,832 | 5,077 | 5.80 |
| Federal Funds Sold and Reverse Repurchase Agreements | 293,927 | 4,124 | 5.69 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total Earning Assets and Average Rate Earned | 4,793,079 | 81,969 | 6.94 |
| | | | |
| Reserve for Loan Losses | (35,962) | | |
| Cash and Due from Banks | 133,640 | | |
| Other Assets | 476,092 | | |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total Assets | \$5,366,849 | | \$ |
| | | | |
| LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY | | | |
| Interest-Bearing Deposits | \$3,304,088 | \$26,457 | 3.25% |
| Repurchase Agreements and Other Short-Term Borrowings | 533,666 | 6,888 | 5.23 |
| Long-Term Debt | 66,525 | 1,618 | 9.86 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total Interest-Bearing Funds and Average Rate Paid | 3,904,279 | 34,963 | 3.63 |
| | | | |
| Demand Deposits | 634,874 | | |
| Other Liabilities | 86,427 | | |
| Minority Interest in Preferred Stock of Subsidiaries | 350,000 | | |
| Shareholders' Equity | 391,269 | | |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total Liabilities, Minority Interest and Shareholders' Equity | \$5,366,849 | | \$ |
| <hr style="border-top: 1px dashed black;"/> | | | |
| NET INTEREST INCOME AND SPREAD | | \$47,006 | 3.00% |
| <hr style="border-top: 1px dashed black;"/> | | | |
| NET INTEREST MARGIN ON EARNING ASSETS | | | 3.98% |

(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.

NONINTEREST INCOME

Noninterest income for the three months ended March 31, 2001, totaled \$27.7 million, a decrease of \$4.8 million from the \$32.5 million for the same period a year ago. \$7.9 million in venture capital investment losses at Riggs Capital Partners contributed significantly to the decrease, with smaller decreases in trust and investment advisory income. Venture capital gains for the first quarter of 2000 were \$7.0 million. The venture capital losses were partially offset by a \$10.3 million investment gain recognized as the result of the sale of a company in which we had an equity investment for many years.

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NONINTEREST EXPENSE

Noninterest expense for the three months ended March 31, 2001, was \$56.5 million, an increase of \$2.7 million from the \$53.8 million reported for the three months ended March 31, 2000. This increase was due principally to the start-up costs of \$1.9 million associated with our international private banking initiative. Start-up costs of \$500 thousand associated with the formation of our second venture capital subsidiary, Riggs Capital Partners II, LLC, also contributed to the increase.

FINANCIAL CONDITION

SECURITIES

Securities available for sale totaled \$1.20 billion at March 31, 2001, compared to \$1.24 billion at year-end 2000 and \$1.23 billion at March 31, 2000. The activity for the first three months included purchases of securities available for sale totaling \$498.1 million, which were more than offset by maturities and calls, curtailments and sales of securities available for sale totaling \$549.1 million. The weighted-average durations and yields for the portfolio, adjusted for anticipated prepayments, were approximately 2.9 years and 6.10%, respectively, at March 31, 2001. At March 31, 2000, the weighted-average durations and yields were 3.6 years and 5.99%, respectively.

Included in available for sale ("Other") securities at March 31, 2001, was 243,849 shares of Concord EFS Inc., at a fair value of \$9.9 million. We recognized a gain of \$10.3 million during the first quarter as a result of that company's acquisition of STAR Systems, Inc.

| | MARCH 31, 2001 | | MARCH 31, 2000 | |
|--------------------------------|-------------------|-----------------------|-------------------|-------------|
| AVAILABLE FOR SALE | AMORTIZED COST | MARKET/ BOOK VALUE | AMORTIZED COST | BOOK VALUE |
| (IN THOUSANDS) | | | | |
| U.S. Treasury Securities | \$ 229,731 | \$ 227,537 | \$ 289,117 | \$ 289,117 |
| Government Agencies Securities | 409,253 | 410,573 | 436,016 | 436,016 |
| Mortgage-Backed Securities | 508,327 | 505,630 | 512,042 | 512,042 |
| Other Securities | 56,423 | 55,691 | 46,793 | 46,793 |
| Total | \$1,203,734 | \$1,199,431 | \$1,283,968 | \$1,283,968 |

LOANS

At March 31, 2001, loans outstanding totaled \$2.87 billion, decreasing from the March 31, 2000 and December 31, 2000 balances of \$3.13 and \$2.94 billion, respectively. The decreases were primarily in commercial and financial, residential mortgage and foreign loans from both prior periods. The majority of the decrease in commercial and financial loans from both prior periods was in syndicated loans. Syndicated loan commitments decreased \$191.5 million from March 31, 2000 and \$46.6 million from December 31, 2000, respectively. It is part of our strategy generally to no longer participate in these types of loans. These decreases were partially offset by increases in real estate-commercial/construction loans.

During the second quarter of 2000, we began originating mortgage loans for sale

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in the secondary market. At March 31, 2001, residential real estate loans originated and held for sale totaled \$17.0 million. At December 31, 2000, these loans totaled \$15.4 million, while there were no such loans at March 31, 2000.

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

| (IN THOUSANDS) | MARCH 31, 2001 | MARCH 31, 2000 |
|---|-------------------|-------------------|
| Commercial and Financial | \$ 440,988 | \$ 621,609 |
| Real Estate - Commercial/Construction | 449,568 | 428,746 |
| Residential Mortgage | 1,153,648 | 1,211,855 |
| Loans Available for Sale | 17,027 | - |
| Home Equity | 330,340 | 322,564 |
| Consumer | 66,309 | 68,917 |
| Foreign | 413,240 | 483,219 |
| Total Loans | 2,871,120 | 3,136,910 |
| Net Deferred Loan Fees, Premiums and Discounts | (4,676) | (6,361) |
| Loans | \$2,866,444 | \$3,130,549 |

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 |
| Less: Recoveries on charged-off loans |
| Net loan charge-offs (recoveries) |
| Foreign exchange translation adjustments |
| Balance, March 31 |

At March 31, 2001, the reserve for loan losses was \$34.8 million, a decrease of \$3.4 million from the March 31, 2000 balance. In the first quarter of 2001, our domestic reserve needs were reduced by \$3.4 million, primarily due to the sale,

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at par value, of a \$25 million loan previously classified as non-performing. However, we provided approximately \$3.5 million for loan losses primarily associated with a single loan at our London operations.

ASSET QUALITY

NONPERFORMING ASSETS

Nonperforming assets, which include nonaccrual loans, renegotiated loans and other real estate owned (net of reserves), totaled \$14.4 million at March 31, 2001, a \$22.7 million decrease from the year-end 2000 total of \$37.2 million and a \$27.7 million decrease from the March 31, 2000 total of \$42.1 million. The decrease in nonperforming assets from both periods was mainly due to the aforementioned sale of a \$25.0 million nonaccrual loan. From year-end 2000, the decrease was partially offset by the addition of a \$3.3 million nonaccrual loan at our London operation in the first quarter of 2001. From March 31, 2000, additional decreases were due to charge-offs of \$3.7 million on two domestic and two London based loans. These additional decreases were partially offset by the addition of two London loans to nonaccrual in the third quarter of 2000. Balances for these loans totaled \$843 thousand at March 31, 2001.

As a result of the sale of the \$25.0 million loan, the reserve needs for domestic loan losses were reduced by approximately \$3.4 million, although it was more than offset by a \$3.5 million provision for loan losses associated with the \$3.3 million London loan. The assigned reserve for loan losses for impaired loans was \$4.4 million at March 31, 2001.

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

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. Past-due loans decreased \$2.0 million during the first three months of 2001 to \$9.1 million, while potential problem loans decreased \$6.1 million during the same period. The decrease in potential problem loans resulted from the removal of two loans previously considered potential problems at December 31, 2000 at our London operations. One loan in the amount of \$4.0 million was upgraded, while the second, for \$4.5 million, was placed on nonaccrual.

NONPERFORMING ASSETS AND PAST-DUE LOANS

| (IN THOUSANDS) | MARCH 31, 2001 | MARCH 31, 2000 |
|------------------------------|-------------------|-------------------|
| <hr/> | | |
| NONPERFORMING ASSETS: | | |
| Nonaccrual Loans (1) | \$ 12,535 | \$ 40,014 |
| Renegotiated Loans | 766 | 1,212 |
| Other Real Estate Owned, Net | 1,133 | 908 |
| <hr/> | | |
| Total Nonperforming Assets | \$ 14,434 | \$ 42,134 |
| <hr/> | | |
| PAST-DUE LOANS (2) | \$ 9,078 | \$ 8,487 |

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POTENTIAL PROBLEM LOANS

\$ 2,674

\$ 1,381

- (1)Loans (other than consumer) 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 90 days or more in principal or interest that are well-secured and in the process of collection.

DEPOSITS

Deposits are our primary and most stable source of funds. Deposits totaled \$4.04 billion at March 31, 2001, a decrease of \$38.2 million from the December 31, 2000 total of \$4.08 billion, and a decrease of \$143.1 million from the March 31, 2000 deposit total of \$4.18 billion. For both periods, deposits decreased in time deposits in domestic and foreign offices accounts. Balances in savings and NOW accounts and money market accounts fluctuated. Demand deposits decreased as balances were swept into money market accounts.

SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings decreased \$138.1 million from the year-end 2000 balance, and \$143.4 million from the March 31, 2000 balance. The decrease from March 31, 2000 reflects \$200 million in advances from the Federal Home Loan Bank of Atlanta (FHLB), which was called in the second quarter of last year. 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, 2001 | MARCH 31, 2000 |
|---|-------------------|-------------------|
| Repurchase Agreements and Other Short-Term Borrowings | \$ 444,758 | \$ 588,173 |
| Subordinated Debentures due 2009 | 66,525 | 66,525 |
| Total Short-Term Borrowings and Long-Term Debt | \$ 511,283 | \$ 654,698 |

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

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 actively analyzes and manages liquidity in coordination with other areas of the organization (see "Sensitivity to Market Risk"). At March 31, 2001, our liquid assets, on a consolidated basis, which include cash and due from banks, Government obligations and other

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securities, federal funds sold, reverse repurchase agreements and time deposits at other banks, totaled \$2.12 billion (39% of total assets). This compares with \$2.16 billion (39%) at December 31, 2000, and \$2.05 billion (36%) at March 31, 2000. At March 31, 2001, \$810.7 million of our assets were pledged to secure deposits and other borrowings. This compares with pledged assets of \$971.4 million at December 31, 2000, and \$913.2 million at March 31, 2000.

Our liquidity position is maintained by a stable source of funds from our core deposit relationships. We have other sources of funds, such as short-term revolving credit lines available from several Federal Home Loan Banks and other financial institutions. In addition, we have a line of credit available through our membership in the FHLB. At March 31, 2001, December 31, 2000, and March 31, 2000, short-term credit lines and the FHLB Atlanta line of credit available totaled approximately \$1.33 billion, \$1.34 billion, and \$1.58 billion, respectively. At March 31, 2001, December 31, 2000, and March 31, 2000, the amounts outstanding under these lines were \$18.9 million, \$17.9 million, and \$218.2 million, respectively.

SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

Total shareholders' equity at March 31, 2001, was \$391.8 million, an increase of \$9.1 million from year-end 2000 and \$38.7 million from a year ago. The increase from year-end was primarily the result of net income of \$5.6 million and a reduction in unrealized securities losses of \$6.5 million, after tax. The increase from March 31, 2000 was primarily the result of net income of \$15.7 million, and a reduction in unrealized securities losses of \$31.2 million. For more information on our securities portfolio, see the discussion under "Securities" in the Management's Discussion and Analysis of Financial Condition and Results of Operation in this Form 10-Q.

Book value per common share was \$13.77 as of March 31, 2001, compared to \$13.48 at year-end 2000 and \$12.47 at March 31, 2000. The increases in book value from March 31st and year-end 2000 were primarily the result of the net income and net unrealized securities gains described in the preceding paragraph.

Following are our capital ratios and those of our banking subsidiary, Riggs Bank National Association (Riggs Bank N.A.) at March 31, 2001 and 2000, and December 31, 2000.

| | MARCH 31, 2001 |
|-----------------------------|-------------------|
| ===== | |
| RIGGS NATIONAL CORPORATION: | |
| Tier I | 16.60% |
| Combined Tier I and Tier II | 26.80 |
| Leverage | 9.69 |
| RIGGS BANK N.A.: | |
| Tier I | 14.68 |
| Combined Tier I and Tier II | 15.86 |
| Leverage | 8.70 |

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SENSITIVITY TO MARKET RISK

We are exposed to various market risks. Some of these risks, such as credit 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 ("ALCO") 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, 2001 and 2000 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 and a 300 basis point (3%) gradual increase or decrease in rates over a 36-month time period.

INTEREST-RATE SENSITIVITY ANALYSIS (1)

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

Simulated Impact Compared With a "Most Likely" Scenario:

| | | |
|---|------------|--------|
| Net Interest Income Increase/(Decrease) | (2.2)% | 0.1% |
| Net Interest Income Increase/(Decrease) | \$ (4,240) | \$ 158 |

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

Simulated Impact Compared With a "Most Likely" Scenario:

| | | |
|---|------------|----------|
| Net Interest Income Increase/(Decrease) | (0.8)% | 4.3% |
| Net Interest Income Increase/(Decrease) | \$ (1,523) | \$ 7,782 |

(1) Key Assumptions:

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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.

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

At March 31, 2001, 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 3%. 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 3%. The results of the simulation for March 31, 2001, indicated that we were "liability sensitive" over the 12 month time horizon. Over the 36-month time horizon, we were "liability sensitive" in a rising rate environment, and "asset sensitive" in a declining rate environment due to floors on deposit rates. We were within guidelines for interest rates moving significantly in either direction.

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.

COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments and contingent liabilities at March 31, 2001 and 2000, and December 31, 2000 are detailed in the tables below, including the notional amounts of all derivatives whose fair values are included in the consolidated financial statements. At March 31, 2001, our financial derivative instruments included five pay fixed, receive floating swaps and three basis swaps with a total notional amount of \$141.5 million. These agreements were contracted in

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October 1999, December 1999, January 2000 and July 2000.

We had 24 swaps at Riggs Bank Europe Limited, our London-based banking subsidiary, with a total notional amount of \$81.3 million that entail the payment of a blended 6.44% fixed rate and the receipt of a floating rate equal to six-month LIBOR. These swaps have varying maturities extending until 2005 and are entered into for the purpose of converting fixed rate loans to variable.

As a result of Riggs Capital Partners venture capital investment activity, we had venture capital commitments of \$21.2 million at March 31, 2001 of which \$289 thousand were less than one year.

| | CONTRACTUAL OR NOTIONAL | |
|------------------------------|-------------------------|-------------------|
| | MARCH 31, 2001 | MARCH 31, 2000 |
| Commitments to Extend Credit | \$954,129 | \$ 928,800 |
| Venture Capital Commitments | 23,076 | 22,102 |
| Letters of Credit | 133,579 | 130,896 |
| Derivative Instruments: | | |
| Foreign Exchange Contracts: | | |
| Commitments to Purchase | \$ 28,348 | \$ 100,138 |
| Commitments to Sell | 239,465 | 301,350 |
| Futures | - | 1,932 |
| Interest Rate Agreements | | |
| Swaps | 222,776 | 104,689 |
| Purchased Options | - | 623 |

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

Our interest rate agreement activity for the three months ended March 31, 2001, is as follows:

| | BALANCE DECEMBER 31, 2000 | ADDITIONS |
|----------------------------|---------------------------------|-----------|
| Interest Rate Agreements: | | |
| Receive variable/pay fixed | \$ 41,500 | \$ - |
| Basis swaps | 100,000 | - |
| Riggs Bank Europe Limited | 88,354 | 2,847 |
| Total | \$229,854 | \$ 2,847 |

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,

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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. These factors also include the growth of 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 and similar matters.

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RIGGS NATIONAL CORPORATION

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

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

None.

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

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thereunto duly authorized.

RIGGS NATIONAL CORPORATION

Date: May 11, 2001 /s/ TIMOTHY C. COUGHLIN

Timothy C. Coughlin
President

Date: May 11, 2001 /s/ STEVEN T. TAMBURO

Steven T. Tamburo
Treasurer
(Chief Financial Officer)

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INDEX TO EXHIBITS

| EXHIBIT NO. | DESCRIPTION |
|----------------|--|
| | ===== |
| (3.1) | Restated Certificate of Incorporation of Riggs National Corporation, dated April 19, 1999 (Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 30, 1999, SEC File No. 09756). |
| (3.2) | By-laws of the Registrant with amendments through April 12, 2000 (Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 30, 2000, SEC File No. 09756). |
| (4.1) | Indenture dated June 1, 1989, with respect to \$100 million 9.65% Subordinated Debentures due 2009 (Incorporated by reference to the Registrant's Form 8-K dated June 20, 1989, SEC File No. 09756.) |
| (4.2) | Indenture dated December 13, 1996, with respect to \$150 million, 8.625% Trust Preferred Securities, Series A due 2026 (Incorporated by reference to the Registrant's S-3 dated February 6, 1997, SEC File No. 333-21297.) |
| (4.3) | Indenture dated March 12, 1997, with respect to \$200 million, 8.875% Trust Preferred Securities, Series C due 2027 (Incorporated by reference to the Registrant's S-3 dated May 2, 1997, SEC File No. 333-26447.) |
| (10.1) | Time Sharing Agreement for lease of Gulfstream V by Perpetual Corporation/Lazy Lane Farms, Inc. and Allbritton Communications Company |
| (10.2) | First Amendment dated March 28, 2001 to Amended Joe L. Allbritton Employment Agreement |
| (10.3) | Description of the 2001 General Incentive Plan |

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(Exhibits omitted are not required or not applicable.)

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