RIGGS NATIONAL CORP
Form 10-Q
November 06, 2001

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

FORM 10-Q

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

For the quarterly period ended September 30, 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	**28,494,905**
(Title of Class)	(Outstanding at October 31, 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)	THREE MONT SEPTEMB 2001
INTEREST INCOME	
Interest and Fees on Loans	$ 51,076
Interest and Dividends on Securities Available for Sale	17,522
Interest on Time Deposits with Other Banks	2,750
Interest on Federal Funds Sold and Reverse Repurchase Agreements	3,851
Total Interest Income	75,199
INTEREST EXPENSE	

Interest on Deposits:	
Savings and NOW Accounts	394
Money Market Deposit Accounts	5,958
Time Deposits in Domestic Offices	8,389
Time Deposits in Foreign Offices	6,806
Total Interest on Deposits	21,547
Interest on Short-Term Borrowings and Long-Term Debt:	
Repurchase Agreements and Other Short-Term Borrowings	3,736
Long-Term Debt	1,618
Total Interest on Short-Term Borrowings and Long-Term Debt	5,354
Total Interest Expense	26,901
Net Interest Income	48,298
Less: Provision for Loan Losses	838
Net Interest Income after Provision for Loan Losses	47,460
NONINTEREST INCOME	
Trust and Investment Advisory Income	11,549
Service Charges and Fees	11,620
Venture Capital Investment Gains (Losses), Net	(7,785)
Other Noninterest Income	2,390
Securities Gains, Net	25
Total Noninterest Income	17,799
NONINTEREST EXPENSE	
Salaries and Employee Benefits	27,105
Occupancy, Net	5,025
Data Processing Services	5,184
Furniture and Equipment	3,148
Other Real Estate Owned (Income) Expense, Net	52
Other Noninterest Expense	17,010
Total Noninterest Expense	57,524
Income before Taxes, Minority Interest and Extraordinary Loss	7,735
Applicable Income Tax Expense	3,198
Minority Interest in Income of Subsidiaries, Net of Taxes	4,932
Net Income (Loss)	$ (395)
EARNINGS PER SHARE- Basic	$ (0.01)
Diluted	(0.01)
DIVIDENDS DECLARED AND PAID PER SHARE	$ 0.05

RIGGS NATIONAL CORPORATION CONSOLIDATED
STATEMENTS OF CONDITION

(UNAUDITED) (IN THOUSANDS, EXCEPT SHARE AMOUNTS)	SEPTEMBER 30, 2001	S
ASSETS		
Cash and Due from Banks	$ 183,389	$
Federal Funds Sold and Reverse Repurchase Agreements	429,000	
Total Cash and Cash Equivalents	612,389	

Time Deposits with Other Banks	329,849
Securities Available for Sale (at Market Value)	1,454,395
Venture Capital Investments	62,423
Loans	2,909,967
Reserve for Loan Losses	(33,002)
Total Net Loans	2,876,965
Premises and Equipment, Net	194,865
Other Assets	208,470
Total Assets	$5,739,356 $
LIABILITIES	
Deposits:	
Noninterest-Bearing Demand Deposits	$ 528,230 $
Interest-Bearing Deposits:	
Savings and NOW Accounts	254,744
Money Market Deposit Accounts	1,766,813
Time Deposits in Domestic Offices	1,032,807
Time Deposits in Foreign Offices	685,990
Total Interest-Bearing Deposits	3,740,354
Total Deposits	4,268,584
Repurchase Agreements and Other Short-Term Borrowings	499,234
Other Liabilities	152,656
Long-Term Debt	66,525
Total Liabilities	4,986,999
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 September 30, 2001 and 2000, and December 31, 2000	
Shares Issued - 31,795,703 at September 30, 2001, 31,681,464 at September 30, 2000 and 31,701,464 at December 31, 2000	79,489
Surplus	163,125
Retained Earnings	231,745
Accumulated Other Comprehensive Loss	(645)
Treasury Stock - 3,300,798 shares at September 30, 2001 and 2000, and December 31, 2000	(71,357)
Total Shareholders' Equity	402,357
Total Liabilities and Shareholders' Equity	$5,739,356 $

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

	COMMON STOCK	A

	$2.50 PAR	SURPLUS	RETAINED EARNINGS	C I
Balance, December 31, 1999	$ 79,039	$161,439	$ 210,682	
Comprehensive Income:				
Net Income			17,630	
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-65,969 Shares	165	565		
Cash Dividends - Common Stock, $.15 per Share			(4,249)	
Balance, September 30, 2000	$ 79,204	$162,004	$ 224,063	
Balance, December 31, 2000	$ 79,254	$162,206	$ 226,616	
Comprehensive Income:				
Net Income			9,399	
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-94,239 Shares	235	919		
Cash Dividends - Common Stock, $.15 per Share			(4,270)	
Balance, September 30, 2001	$ 79,489	$163,125	$ 231,745	

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

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RIGGS NATIONAL
CORPORATIONCONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

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====================================================================================
CASH FLOWS FROM OPERATING ACTIVITIES:
Net Income
  Adjustments to Reconcile Net Income to Cash
    Provided By Operating Activities:
     Provision for Loan Losses
     Unrealized Losses (Gains) on Venture Capital Investments
     Gains on Sales of Venture Capital Investments
     Depreciation Expense and Amortization of Leasehold Improvements
     Gains on Sales of Securities Available for Sale
     Gains on Sales of OREO Properties
     Increase 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 (Used In) 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
------------------------------------------------------------------------------------
Net Cash Provided By (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:
  Trade Dated Securities Included in Other Liabilities
  Loans Transferred to Other Real Estate Owned

CASH PAID DURING  THE YEAR FOR:
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Interest Paid (Net of Amount Capitalized)
Income Tax Payments

RIGGS NATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(TABLES IN THOUSANDS, EXCEPT SHARE AMOUNTS)

NOTE 1. BASIS OF PRESENTATION

The interim financial statements presented in this Quarterly Report on Form 10-Q are in conformity with accounting principles generally accepted in the United States which have been applied on a consistent basis. In our opinion these interim 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 and nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for all of 2001. 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 SEPTEMBER 30	
	BASIC EPS	
Net Income (Loss) Available to Common Shareholders	$ (395)	$
Weighted-Average Shares Outstanding	28,490,836	2
Weighted-Average Dilutive Effect of Stock Option Plans	n/a	
Adjusted Weighted-Average Shares Outstanding	28,490,836	2
Basic EPS	$ (.01)	
Diluted EPS		$

	NINE MONTHS SEPTEMBER 30	
	BASIC EPS	
Net Income Available to Common Shareholders	$ 9,399	$
Weighted-Average Shares Outstanding	28,462,881	2
Weighted-Average Dilutive Effect of Stock Option Plans	n/a	
Adjusted Weighted-Average Shares Outstanding	28,462,881	2
Basic EPS	$ .33	
Diluted EPS		$

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3. OTHER COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME (LOSS)

NINE MONTHS ENDED SEPTEMBER 30, 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
Net Unrealized Gains (Losses)
Other Comprehensive Income (Loss)
NINE MONTHS ENDED SEPTEMBER 30, 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
Net Unrealized Gains (Losses)
Other Comprehensive Income (Loss)

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BALANCES

	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	UN GA SE
NINE MONTHS ENDED SEPTEMBER 30, 2001:		
Balance, December 31, 2000	$ (4,657)	
Current-Period Change	(554)	
Balance, September 30, 2001	$ (5,211)	
NINE MONTHS ENDED SEPTEMBER 30, 2000:		
Balance, December 31, 1999	$ (2,597)	
Current-Period Change	(2,390)	
Balance, September 30, 2000	$ (4,987)	

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 and for management of our investment portfolio. Riggs Capital Partners represents our venture capital subsidiaries, which initially invest in privately-held companies and hold equities in both privately-held and publicly-owned 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.

THREE MONTHS ENDED SEPTEMBER 30, 2001	BANKING	INTERNATIONAL BANKING	RIGGS & COMPANY	TREASURY	RIGGS CAPITAL PARTNERS
NET INTEREST INCOME					
Interest Income	$ 45,020	$ 11,310	$ 1,128	$ 30,484	$ 118
Interest Expense	12,542	14,234	1,202	9,178	-
Funds Transfer Income (Expense)	(3,262)	11,595	2,420	(16,390)	(1,182)
Net Interest Income (Loss), Tax-Equivalent	29,216	8,671	2,346	4,916	(1,064)
Provision for Loan Losses	-	(838)	-	-	-
Tax Equivalent Adjustment	(619)	-	-	-	-
Net Interest Income (Loss)	$ 28,597	$ 7,833	$ 2,346	$ 4,916	$(1,064)
NONINTEREST INCOME					
Noninterest Income-External Customers	$ 11,244	$ 1,280	$12,153	$ 237	$(7,785)
Intersegment Noninterest Income	807	1,966	578	-	-
Total Noninterest Income	$ 12,051	$ 3,246	$12,731	$ 237	$(7,785)
NONINTEREST EXPENSE					
Depreciation and Amortization	$ 1,066	$ 359	$ 220	$ 4	$ 7
Direct Expense	17,659	9,531	8,796	969	1,045
Overhead and Support	13,139	3,391	2,904	565	93
Total Noninterest Expense	$ 31,864	$ 13,281	$11,920	$ 1,538	$ 1,145

Income (Loss) Before Taxes and Minority Interest	$ 8,784	$ (2,202)	$ 3,157	$ 3,615	$(9,994)
Total Average Assets	$2,831,945	$854,762	$92,209	$2,758,064	$86,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

THREE MONTHS ENDED SEPTEMBER 30, 2000	BANKING	INTERNATIONAL BANKING	RIGGS & COMPANY	TREASURY	RIGGS CAPITAL PARTNERS
NET INTEREST INCOME					
Interest Income	$ 49,712	$ 15,293	$ 1,512	$ 38,451	$ 34
Interest Expense	17,398	21,326	3,408	13,687	-
Funds Transfer Income (Expense)	(518)	15,877	4,638	(24,488)	(725)
Net Interest Income (Loss), Tax-Equivalent	31,796	9,844	2,742	276	(691)
Provision for Loan Losses	(3,860)	(12,631)	-	-	-
Tax Equivalent Adjustment	(543)	-	-	-	-
Net Interest Income (Loss)	$ 27,393	$ (2,787)	$ 2,742	$ 276	$ (691)
NONINTEREST INCOME					
Noninterest Income-External Customers	$ 10,175	$ 1,198	$14,965	$ 753	$ 2,597
Intersegment Noninterest Income	875	2,233	45	-	85
Total Noninterest Income	$ 11,050	$ 3,431	$15,010	$ 753	$ 2,682
NONINTEREST EXPENSE					
Depreciation and Amortization	$ 1,424	$ 301	$ 215	$ 4	$ 6
Direct Expense	16,995	10,149	8,870	1,011	450
Overhead and Support	12,953	3,219	3,020	424	19
Total Noninterest Expense	$ 31,372	$ 13,669	$12,105	$ 1,439	$ 475
Income (Loss) Before Taxes and Minority Interest	$ 7,071	$(13,025)	$ 5,647	$ (410)	$ 1,516
Total Average Assets	$2,813,902	$869,842	$99,914	$2,384,700	$83,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NINE MONTHS ENDED SEPTEMBER 30, 2001	BANKING	INTERNATIONAL BANKING	RIGGS & COMPANY	TREASURY	RIGGS CAPITAL PARTNERS
NET INTEREST INCOME					
Interest Income	$ 136,090	$ 36,480	$ 3,657	$ 95,907	$ 363
Interest Expense	41,839	47,060	6,117	29,973	-
Funds Transfer Income (Expense)	(1,058)	38,174	11,029	(61,676)	(3,656)
Net Interest Income (Loss), Tax-Equivalent	93,193	27,594	8,569	4,258	(3,293)
Provision for Loan Losses	3,444	(4,397)	-	-	-
Tax Equivalent Adjustment	(1,921)	-	-	-	-
Net Interest Income (Loss)	$ 94,716	$ 23,197	$ 8,569	$ 4,258	$ (3,293)
NONINTEREST INCOME					
Noninterest Income-External Customers	$ 32,256	$ 3,241	$39,651	$ 2,118	$(21,662)
Intersegment Noninterest Income	2,489	5,576	1,830	1	-
Total Noninterest Income	$ 34,745	$ 8,817	$41,481	$ 2,119	$(21,662)
NONINTEREST EXPENSE					
Depreciation and Amortization	$ 3,197	$ 1,057	$ 644	$ 12	$ 22
Direct Expense	51,531	29,153	28,120	2,944	6,094
Overhead and Support	39,405	9,822	7,971	1,719	285
Total Noninterest Expense	$ 94,133	$ 40,032	$36,735	$ 4,675	$ 6,401
Income (Loss) Before Taxes and Minority Interest	$ 35,328	$ (8,018)	$13,315	$ 1,702	$(31,356)
Total Average Assets	$2,739,725	$851,244	$93,960	$2,527,073	$ 89,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NINE MONTHS ENDED SEPTEMBER 30, 2000	BANKING	INTERNATIONAL BANKING	RIGGS & COMPANY	TREASURY	RIGGS CAPITAL PARTNERS
NET INTEREST INCOME					
Interest Income	$ 148,440	$ 47,392	$ 4,459	$ 113,250	$ 34
Interest Expense	46,549	62,654	9,262	43,284	-
Funds Transfer Income (Expense)	(8,038)	43,342	13,389	(61,461)	(2,155)
Net Interest Income (Loss), Tax-Equivalent	93,853	28,080	8,586	8,505	(2,121)
Provision for Loan Losses	(4,160)	(13,334)	-	-	-

Tax Equivalent Adjustment	(1,647)	-	-	-	-
Net Interest Income (Loss)	$ 88,046	$ 14,746	$ 8,586	$ 8,505	$(2,121)
NONINTEREST INCOME					
Noninterest Income-External Customers	$ 29,846	$ 3,245	$ 43,589	$ 2,536	$15,050
Intersegment Noninterest Income	2,653	4,304	177	1	248
Total Noninterest Income	$ 32,499	$ 7,549	$ 43,766	$ 2,537	$15,298
NONINTEREST EXPENSE					
Depreciation and Amortization	$ 5,205	$ 790	$ 660	$ 13	$ 15
Direct Expense	50,376	24,779	27,163	3,050	1,503
Overhead and Support	39,291	9,335	9,282	1,279	59
Total Noninterest Expense	$ 94,872	$ 34,904	$ 37,105	$ 4,342	$ 1,577
Income (Loss) Before Taxes and Minority Interest	$ 25,673	$(12,609)	$ 15,247	$ 6,700	$11,600
Total Average Assets	$2,806,172	$921,332	$102,080	$2,420,691	$68,568

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 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

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 Consolidated Statements of Condition at fair value. When a derivative contract is entered into, we first determine whether or not it 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 Consolidated Statements 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 Consolidated Statements 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 Consolidated Statements 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 market interest rates.

For the quarter ended September 30, 2001, we recognized a net loss of $33 thousand which represented the ineffective portion of all fair value hedges, and for the nine months ended September 30, 2001, we recognized a net loss of $126 thousand. These amounts are included in Other Noninterest Income in the Consolidated Statements of Income.

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 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 and for the nine months ended September 30, 2001, there was no impact to Other Noninterest Income in the Consolidated Statements 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 Consolidated Statements of Income in which the income or expense related to the hedged item is recorded. As of September 30, 2001, $220 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 forty- five (45) months as of September 30, 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 September 30, 2001, $271 thousand of net losses related to the existing net investment forward exchange contract are included in Accumulated Other Comprehensive Income.

Other

As of September 30, 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.

NOTE 6. NEW FINANCIAL ACCOUNTING STANDARDS

SFAS No. 141, Business Combinations, was issued in June 2001. It requires corporations to account for business combinations using the purchase method. The Statement also requires that intangible assets resulting from a business combination, if they can be identified and result from contractual or other legal rights, be recognized as assets apart from goodwill. Two criteria, the contractual-legal criterion or the separability criterion, must be met before separate recognition can occur. Finally, the Statement requires disclosure of the primary reasons for the business combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed by major balance sheet caption. Implementation of SFAS No. 141 applies to all business combinations we initiate after June 30, 2001.

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. The Statement also requires disclosure of the changes in the carrying amounts of goodwill from period to period, the carrying amount 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 will discontinue the amortization of goodwill beginning on January 1, 2002. Goodwill totaled $6.9 million as of September 30, 2001. For the nine months ended September 30, 2001, amortization expense was $484 thousand. For comparative purposes, goodwill amortization expense was $484 thousand and $645 thousand for the nine and twelve months ended September 30, 2000, respectively. We have not yet determined the impact of the impairment provisions of SFAS No. 142.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, was issued in August 2001 and is effective for our fiscal 2002 year. This Statement retains existing requirements to recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and measure any impairment loss as the difference between the carrying amount and the fair value of the asset. SFAS No. 144 a) removes goodwill from its scope, b) allows for probability-weighted cash flow estimation techniques when measuring for impairment, c) requires that, for any assets to be abandoned, the depreciable life be adjusted and the cumulative impact of such change treated as an accounting change and d) an impairment loss be recognized at the date a long-lived asset is exchanged for a similar productive asset or distributed to owners in a spinoff if the carrying value of the asset exceeds its fair value. Management has not determined the impact, if any, implementation of this statement will have.

In July 2001, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 102 (SAB 102), Selected Loan Loss Allowance Methodology and Documentation Issues. SAB 102 represents the SEC staff s views on the development, documentation and application of a systematic methodology for determining the required allowance for loan losses. We do not anticipate any significant impact on either the way we determine the adequacy of our allowance for loan losses or future provisions for loan losses as a result of SAB 102.

RIGGS NATIONAL CORPORATION

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

RESULTS OF OPERATIONS

We recorded a net loss of $395 thousand, or $.01 per diluted share, for the third quarter of 2001, compared to a net loss of $4.3 million, or $.15 per diluted share, in the third quarter of 2000. The loss in the current quarter resulted primarily from losses in our venture capital segment of $7.8 million, while in the prior year s quarter the loss resulted from a $16.5 million loan loss provision taken after the discovery of fraud in a commercial facility to a borrower at our London operation.

For the nine months ended September 30, 2001, we had net income of $9.4 million, or $.32 per diluted share, compared with net income of $17.6 million, or $.62 per diluted share, for the first nine months of 2000. Venture capital losses totaled $21.7 million, compared to $15.3 million in venture capital gains for the first nine months of 2000. The 2001 losses were partially offset by $11.3 million in gains from the sale of our investment in Concord EFS, Inc., an ATM network exchange company.

Return on average assets was (.03)% and .23% for the three and nine months ended September 30, 2001, compared to (.30)% and .42% for the same periods a year ago. Return on average shareholders equity was (.40)% and 3.20% for the three and nine months ended September 30, 2001, and (4.60)% and 6.69% for the three and nine months ended September 30, 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 $48.9 million in the third quarter of 2001, an increase of $1.3 million from the $47.6 million for the same quarter in 2000. For the nine months ended September 30, 2001, net interest income on a tax-equivalent basis was $145.1 million, a $1.4 million decrease from the $146.5 million recorded for the first nine months of 2000. The decrease for the nine months was primarily due to a reduction in interest income, which was $34.5 million less than a year ago. Decreases in interest rates contributed to the decline, but decreases in average balances, primarily in the loan portfolio, also contributed. The decrease in interest income was partially offset by a decrease in interest expense of $33.1 million, primarily attributable to decreases in rates paid on time deposits and other short-term borrowings.

NET INTEREST INCOME CHANGES (1)

	THREE MONTHS ENDED SEPTEMBER 30, 2001 VS 2000		
(TAX-EQUIVALENT BASIS) (IN THOUSANDS)	DUE TO RATE	DUE TO VOLUME	TOTAL CHANGE
Interest Income:			

Loans, Including Fees	$ (4,213)	$(2,867)	$ (7,080)
Securities Available for Sale	(3,154)	721	(2,433)
Time Deposits with Other Banks	(2,814)	(11)	(2,825)
Federal Funds Sold and Reverse Repurchase Agreements	(2,626)	1,874	(752)
Total Interest Income	(12,807)	(283)	(13,090)
Interest Expense:			
Interest-Bearing Deposits	(11,618)	1,520	(10,098)
Repurchase Agreements and Other Short-Term Borrowings	(3,367)	(942)	(4,309)
Total Interest Expense	(14,985)	578	(14,407)
Net Interest Income	$ 2,178	$ (861)	$ 1,317

(1)-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.

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

AVERAGE CONSOLIDATED STATEMENTS OF CONDITION AND RATES

	THREE MONTHS ENDED SEPTEMBER 30, 2001			
(TAX-EQUIVALENT BASIS) (1) (IN THOUSANDS)	AVERAGE BALANCE	INCOME/ EXPENSE	RATE	
ASSETS				
Loans, Including Fees (2)	$2,909,096	$51,695	7.05%	$
Securities Available for Sale (3)	1,316,179	17,522	5.28	
Time Deposits with Other Banks	327,646	2,750	3.33	
Federal Funds Sold and Reverse Repurchase Agreements	426,537	3,851	3.58	
Total Earning Assets and Average Rate Earned (5)	4,979,458	75,818	6.04	
Reserve for Loan Losses	(33,788)			
Cash and Due from Banks	144,431			
Other Assets	465,519			
Total Assets	$5,555,620			$
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY				
Interest-Bearing Deposits	$3,670,742	$21,547	2.33%	$
Repurchase Agreements and Other Short-Term Borrowings	462,380	3,736	3.21	
Long-Term Debt	66,525	1,618	9.65	
Total Interest-Bearing Funds and Average Rate Paid	4,199,647	26,901	2.54	
Demand Deposits (4)	508,965			
Other Liabilities	100,452			
Minority Interest in Preferred Stock of Subsidiaries	350,000			

Shareholders' Equity	396,556			
Total Liabilities, Minority Interest and Shareholders' Equity	$5,555,620			$
NET INTEREST INCOME AND SPREAD		$48,917	3.50%	
NET INTEREST MARGIN ON EARNING ASSETS			3.90%	

(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

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) (IN THOUSANDS)	NINE MONTHS ENDED SEPTEMBER 30, 2001 AVERAGE BALANCE	INCOME/ EXPENSE	RATE	
ASSETS				
Loans, Including Fees (2)	$2,903,502	$158,359	7.29%	$
Securities Available for Sale (3)	1,232,870	53,008	5.75	
Time Deposits with Other Banks	339,279	11,444	4.51	
Federal Funds Sold and Reverse Repurchase Agreements	380,900	12,601	4.42	
Total Earning Assets and Average Rate Earned	4,856,551	235,412	6.48	
Reserve for Loan Losses	(34,782)			
Cash and Due from Banks	139,059			
Other Assets	466,432			
Total Assets	$5,427,260			$
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY				
Interest-Bearing Deposits	$3,532,541	$ 70,557	2.67%	$
Repurchase Agreements and Other Short-Term Borrowings	479,446	14,905	4.16	
Long-Term Debt	66,525	4,854	9.76	
Total Interest-Bearing Funds and Average Rate Paid	4,078,512	90,316	2.96	
Demand Deposits (4)	511,277			
Other Liabilities	94,750			
Minority Interest in Preferred Stock of Subsidiaries	350,000			

Shareholders' Equity	392,721		
Total Liabilities, Minority Interest and Shareholders' Equity	$5,427,260		$
NET INTEREST INCOME AND SPREAD		$145,096	3.52%
NET INTEREST MARGIN ON EARNING ASSETS			3.99%

(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

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

NONINTEREST INCOME

Noninterest income for the third quarter of 2001 totaled $17.8 million, a decrease of $12.3 million from the $30.1 million in the third quarter of 2000. Contributing to the decrease was $7.8 million in venture capital losses in the third quarter of 2001. This compares to a gain of $2.7 million in the third quarter of 2000. A decline in trust and investment advisory income of $2.2 million quarter to quarter also contributed to the decrease. The decrease was caused primarily by the lower market value of assets under management.

For the nine months ended September 30, 2001, we recorded $67.8 million in noninterest income. This compares to $94.9 million earned in the same period a year ago. The decrease was primarily due to $21.7 million in venture capital losses for the first nine months of 2001, compared to venture capital gains of $15.3 million in the first nine months of 2000. Trust and investment advisory income for the nine months in 2001 was $3.7 less than in 2000. This decrease was partially offset by total securities gains on the Concord EFS, Inc. investment of $11.3 million recorded in the first half of 2001, and a $1.2 million gain from the settlement of a significant estate by our private client services division.

NONINTEREST EXPENSE

Noninterest expense for the three months ended September 30, 2001, was $57.5 million, an increase of $1.6 million from the $55.9 million reported for the three months ended September 30, 2000. This increase was due principally to the start-up costs of $573 thousand 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.

For the nine months ended September 30, 2001, noninterest expense totaled $171.2 million, compared to $165.4 million for the same period a year ago. As mentioned in the preceding paragraph, start-up costs (related principally to personnel and data processing) associated with our international private banking group of $3.6 million and $1.5 million of operating costs for Riggs Capital Partners II, LLC, were the principal reasons for the increase.

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

FINANCIAL CONDITION

SECURITIES

Securities available for sale totaled $1.45 billion as of September 30, 2001, compared to $1.24 billion as of year-end 2000 and $1.28 billion as of September 30, 2000. The activity for the first nine months included purchases of securities available for sale totaling $3.83 billion, which were partially offset by maturities and calls, principal payments and sales of securities available for sale totaling $3.68 billion. The weighted-average duration and yield for the portfolio, adjusted for anticipated prepayments, were approximately 1.8 years and 4.87%, respectively, as of September 30, 2001. As of September 30, 2000, the weighted-average duration and yield were 3.3 years and 6.14%, respectively.

In June 2001 we sold our investment in 243,849 shares of Concord EFS, Inc. At the time of sale we recognized an additional gain on the investment of $1.0 million. In the first quarter of 2001 we recognized a $10.3 million gain as a result of Concord EFS s acquisition of STAR Systems, Inc., an investment we had previously accounted for at cost.

	SEPTEMBER 30, 2001		SEPTEMBER 3	
AVAILABLE FOR SALE	AMORTIZED COST	MARKET/ BOOK VALUE	AMORTIZED COST	BO
(IN THOUSANDS)				
U.S. Treasury Securities	$ 54,972	$ 53,434	$ 313,718	$
Government Agencies Securities	876,440	882,202	445,211	
Mortgage-Backed Securities	457,327	464,192	513,285	
Other Securities	54,567	54,567	47,485	
Total	$1,443,306	$1,454,395	$ 1,319,699	$

LOANS

As of September 30, 2001, loans outstanding totaled $2.91 billion, decreasing from the September 30, 2000 and December 31, 2000 balances of $3.03 and $2.94 billion, respectively. The decreases from both periods were primarily in commercial and financial, residential real estate/home equity/ consumer and foreign loans. The majority of the decrease in commercial and financial loans from both prior periods was in syndicated loans. Syndicated loan commitments decreased $97.5 million from September 30, 2000 and $78.0 million from December 31, 2000. It is part of our strategy generally to no longer participate in these types of loans, except where the borrower is in our primary market area. These decreases were partially offset by increases in real estate-commercial/ construction loans.

(IN THOUSANDS)	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
Commercial and Financial	$ 448,861	$ 538,718
Real Estate - Commercial/Construction	495,552	450,862
Residential Mortgage	1,150,439	1,175,691
Loans Available for Sale	10,489	18,559
Home Equity	316,215	339,557
Consumer	65,200	69,951
Foreign	428,626	446,685
Total Loans	2,915,382	3,040,023
Net Deferred Loan Fees, Premiums and Discounts	(5,415)	(5,184)
Loans	$2,909,967	$3,034,839

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

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, September 30
```

For the nine month period ended September 30, 2001, we had a consolidated loan loss provision of $953 thousand which compares to a provision of $17.5 million during the comparable period of the prior year. This decrease is primarily due to an $11.1 million provision associated with a fraudulent credit in our London operations and a $3.9 million provision made to facilitate the sale of a loan at a discount in the prior year.

The reserve balance has been reduced by approximately $4.1 million since September 30, 2000. The reduction primarily relates to charge-offs taken on loans disposed of in the United States and additional charge-offs in London. As a result of the dispositions and charge-offs, the non-performing asset portfolio has been significantly reduced, and thus the reserve for loan losses has been reduced. The remaining reserve amount has been determined based on the risk in the portfolio, including the risks related to the slowing economy and the September 11, 2001 events.

ASSET QUALITY

NONPERFORMING ASSETS

Nonperforming assets, which include nonaccrual loans, renegotiated loans and other real estate owned (net of reserves), totaled $6.1 million as of September 30, 2001, a $31.1 million decrease from the year-end 2000 total of $37.2 million and a $33.5 million decrease from the September 30, 2000 total of $39.6 million. The decrease in nonperforming assets from both periods was mainly due to the sale of a $25.0 million nonaccrual loan. From year-end 2000, further decreases were partially attributable to curtailments totalling $6.3 million and $496 thousand on two domestic commercial loans, and $363 thousand on a commercial loan at our London operations. Further reductions resulted from charge-offs totalling $1.4 million on this same London loan and $1.3 million on one domestic commercial loan. The decrease was partially offset by the addition of three nonaccrual loans at our London operation in the first, second and third quarters of 2001, in the amounts of $3.3 million, $1.4 million and $906 thousand, respectively.

From September 30, 2000, additional decreases were due to charge-offs of $480 and $148 thousand on two commercial domestic loans in the fourth quarter of 2000. These additional decreases were partially offset by the addition of a $239 thousand domestic commercial loan in the same quarter.

The assigned reserve for loan losses for impaired loans was $3.9 million as of September 30, 2001.

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 $2.1 million during the first nine months of 2001 to $9.0 million, while potential problem loans decreased $6.8 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. The decrease was partially offset by the addition of three loans totaling $1.6 million in London.

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

NONPERFORMING ASSETS AND PAST-DUE LOANS

(IN THOUSANDS)	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
NONPERFORMING ASSETS:		
Nonaccrual Loans (1)	$ 4,319	$ 37,547
Renegotiated Loans	858	939
Other Real Estate Owned, Net	908	1,133
Total Nonperforming Assets	$ 6,085	$ 39,619
PAST-DUE LOANS (2)	$64,364	$ 59,282
PAST-DUE LOANS (3)	$ 9,013	$ 9,576
POTENTIAL PROBLEM LOANS	$ 1,950	$ 19,333

(1) 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.

DEPOSITS

Deposits are our primary and most stable source of funds. Deposits totaled $4.27 billion as of September 30, 2001, increases of $193 million and $191 million from the December 31 and September 30, 2000 totals, respectively. For both periods, deposits increased in time deposits in domestic offices and money market accounts. Balances in savings and NOW accounts decreased, while time deposits in foreign offices increased. Demand deposits decreased as balances were swept into money market accounts.

SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings decreased $83.6 million from the year-end 2000 balance and increased $6.6 million from the September 30, 2000 balance. 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)	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
Repurchase Agreements and Other Short-Term Borrowings	$ 499,234	$ 492,602
Subordinated Debentures due 2009	66,525	66,525
Total Short-Term Borrowings and Long-Term Debt	$ 565,759	$ 559,127

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). As of September 30, 2001, 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 $2.40 billion (42% of total assets). This compares with $2.16 billion (39%) as of December 31, 2000, and $1.96 billion (36%) as of September 30, 2000. As of September 30, 2001, $1.11 billion of our assets were pledged to secure deposits and other borrowings. This compares with pledged assets of $971.4 million as of December 31, 2000, and $998.8 million as of September 30, 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 (FHLB) and other financial institutions. In addition, we have a line of credit available through our membership in the FHLB. As of September 30, 2001, December 31, 2000, and September 30, 2000, short-term credit lines and the FHLB Atlanta line of credit available totaled approximately $1.34 billion, $1.34 billion, and $1.75 billion, respectively. As of September 30, 2001, December 31, 2000, and September 30, 2000, the amounts outstanding under these lines were $17.5 million, $17.9 million, and $15.0 million, respectively.

SHAREHOLDERS EQUITY AND REGULATORY CAPITAL

Total shareholders equity as of September 30, 2001, was $402.4 million, an increase of $19.6 million from year-end 2000 and $37.2 million from a year ago. The increase from year-end was primarily the result of net income of $9.4 million and unrealized securities gains of $16.5 million, after tax. This increase was partially offset by cash dividends paid of $4.3 million, and unrealized losses on our derivatives and foreign exchange translation adjustments totaling $3.2 million. The increase from September 30, 2000 was primarily the result of net income of $13.4 million, and net unrealized securities gains of $31.0 million. $5.7 million in cash dividends and $2.9 million in unrealized losses on derivatives and foreign exchange translation adjustments partially offset this increase. 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 Operations in this Form 10-Q.

Book value per common share was $14.12 as of September 30, 2001, compared to $13.48 as of year-end 2000 and $12.87 as of September 30, 2000. The increases in book value from September 30th 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 (as defined in the regulations) and those of our banking subsidiary, Riggs Bank National Association (Riggs Bank N.A.) as of September 30, 2001 and 2000, and December 31, 2000.

	SEPTEMBER 30, 2001
RIGGS NATIONAL CORPORATION:	
Tier I	15.97%
Combined Tier I and Tier II	25.63
Leverage	9.43
RIGGS BANK N.A.:	
Tier I	14.69
Combined Tier I and Tier II	15.75
Leverage	8.80

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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 (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 September 30, 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 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
Simulated Impact Compared With a "Most Likely" Scenario:		
Net Interest Income Increase/(Decrease)	0.1 %	(2.2)%
Net Interest Income Increase/(Decrease)	$ 248	$(4,312)

	MOVEMENTS IN INTEREST	
	SIMULATED IMPACT OVER NEXT TWELVE MONTHS	
(In Thousands)	+100BP	-100BP
Simulated Impact Compared With a "Most Likely" Scenario:		
Net Interest Income Increase/(Decrease)	(.02)%	3.7 %
Net Interest Income Increase/(Decrease)	$(300)	$ 7,111

(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.

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

As of September 30, 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 6%. The results of the simulation for September 30, 2001 indicated that we were neutral in a rising rate environment and asset sensitive in a declining rate environment (due to the inability to reflect decreases in general interest rates in our deposit rates due to local market conditions) over the 12-month time horizon. Over the 36-month time horizon, we were slightly liability sensitive in a rising rate environment and asset sensitive in a declining rate environment due to the deposit pricing conditions previously mentioned. We were within our policy 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 as of September 30, 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. As of September 30, 2001, our financial derivative instruments included five pay fixed, receive floating swaps with a total notional amount of $41.5 million. These agreements were contracted in October 1999, December 1999, January 2000 and July 2000.

We had 22 swaps at Riggs Bank Europe Limited, our London-based banking subsidiary, with a total notional amount of $75.9 million that entail the payment of a blended 6.33% fixed rate and the receipt of a floating rate equal to six-month LIBOR. These swaps have varying maturities extending until 2006 and are entered into primarily 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 $24.3 million as of September 30, 2001 of which $151 thousand are committed to be funded within one year.

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

	CONTRACTUAL	
	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000
Commitments to Extend Credit	$875,819	$944,225
Venture Capital Commitments	24,290	13,102

Letters of Credit	143,890	144,388
Derivative Instruments:		
Foreign Exchange Contracts:		
Commitments to Purchase	$ 6,979	$ 69,155
Commitments to Sell	219,664	297,638
Interest Rate Agreements		
Swaps	117,420	237,668

Our interest rate agreement activity for the nine months ended September 30, 2001, is as follows:

	BALANCE DECEMBER 31, 2000	ADDITIONS	M
Interest Rate Agreements:			
Receive variable/pay fixed	$ 41,500	$ -	
Basis swaps	100,000	-	
Riggs Bank Europe Limited	88,354	8,860	
Total	$229,854	$ 8,860	

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.

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 28 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 thereunto duly authorized.

RIGGS NATIONAL CORPORATION

Date: November 6, 2001

/s/ TIMOTHY C. COUGHLIN
Timothy C. Coughlin
President

Date: November 6, 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 July 11, 2001
(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 Secur Series C due 2027 (Incorporated by reference to the Registrant s S-3 dated May 2, 1997,

SEC File No. 333-26447.)