First District Financial Condition

Regional and Community Bankers Conference

June 3, 2002

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Agenda

This presentation provides an overview of 1st District bank financial performance as of December 2001 disaggregated into two groups:

Regional Banks

Community Banks

- Overview
- Financial Results December 2001
  - Regional Banks
  - Community Banks
- Emerging Risks
- Exam Rating Trends

Overview

Financial performance is disaggregated into the following categories to illustrate distinct patterns emerging within each group.

National peers were developed based on the asset size of each 1st District group ($1 - $10 Billion Regional; <$1 Billion Community

Regional Banks

Banking groups with total assets of over $1 billion, but excluding Fleet, State Street, Citizens and Providian

Community Banks

Banks with total assets under $1 billion

Note: most data are merger adjusted.

Highlights

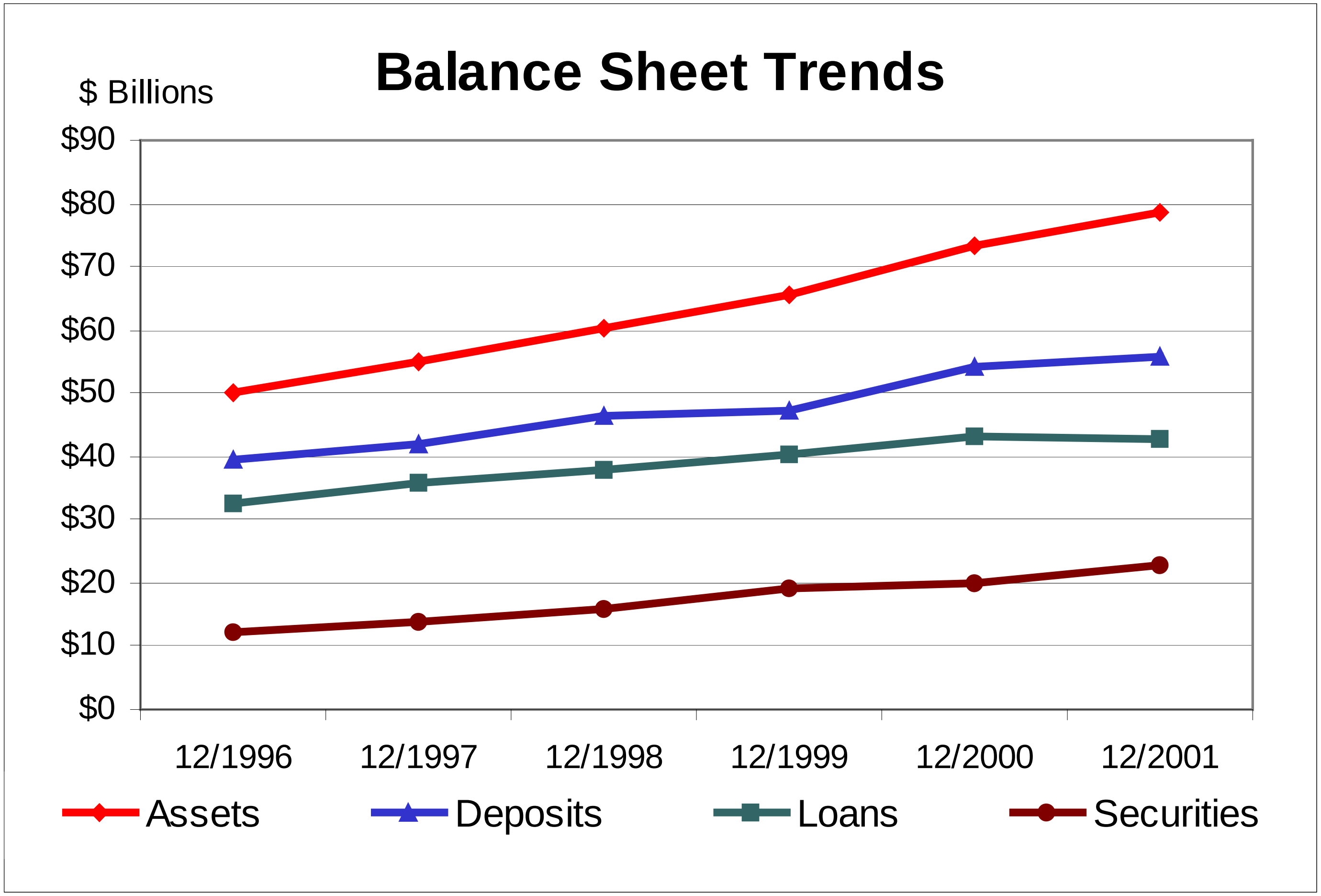
- *1st District Banks continue to perform well. District banks are well positioned to withstand a slowing economy, and they continue to outperform the nation in many performance measures.*
- *Asset quality at Regional and Community Banks remains strong; however, there are signs of modest deterioration and emerging credit risk.*
- *Profitability at the District's Community Bank group has declined, and a sizeable portion of First District Companies have ROAs at levels experienced during the early 1990's.*
- *Interest rate risk appears to have elevated considerably since the mid-1990's for Regional and Community Banks. Community Banks appear particularly vulnerable to the risk of rising interest rates.*

Regional Banks

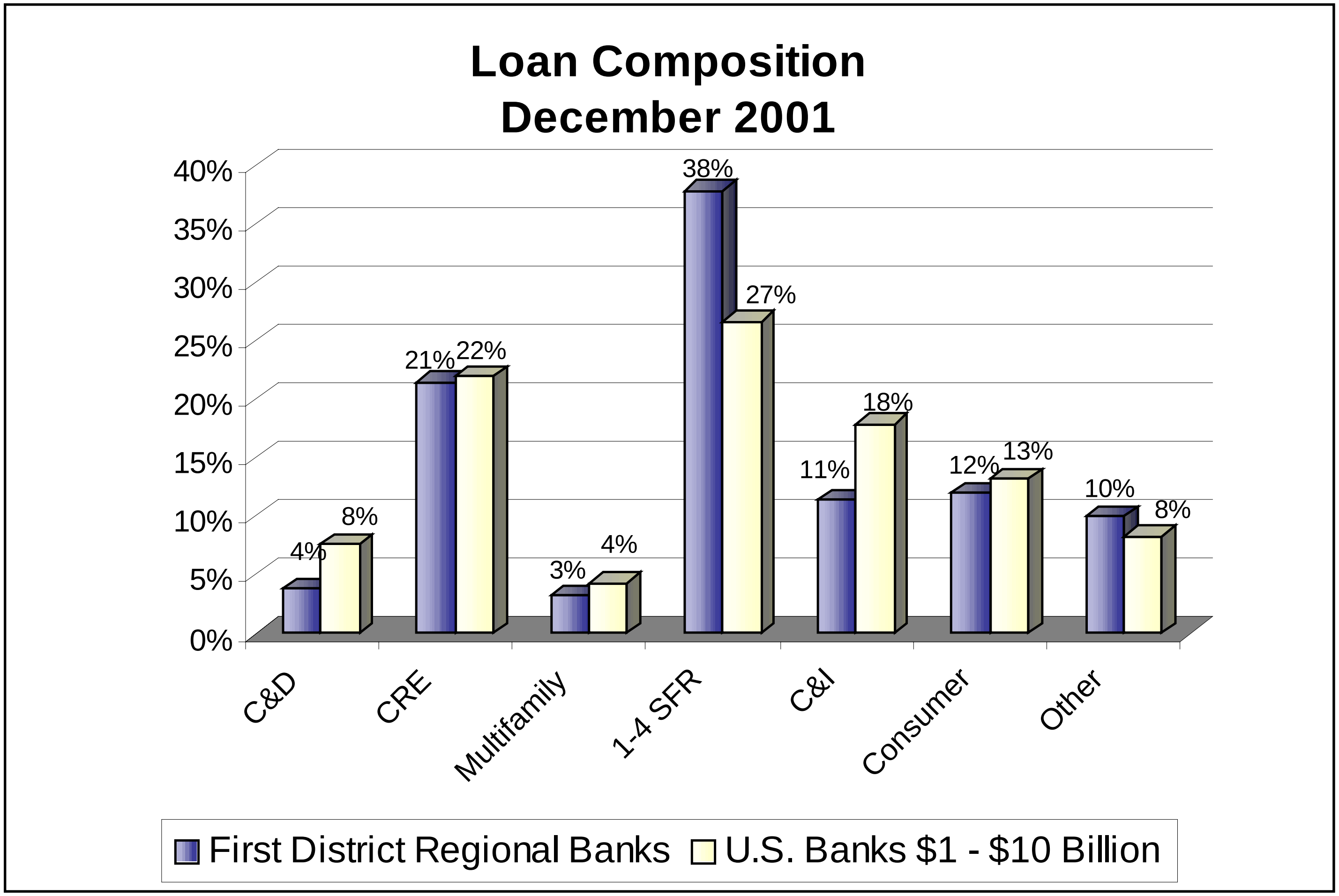
- Total Assets of $78 Billion
- Forty-three individual banks (20 banking groups)
  - BankNorth, Boston Safe, Investors, Chittenden and Eastern Bank represent approximately half of the group's total assets.
  - Majority of remaining banks fall in the $1 - $3 Billion asset category.
- Approximately 64% of the group's assets are in banks headquartered in Massachusetts; 11% in CT, 10% in ME, 8% in NH, 6% in VT and 2% in RI.

- National Peer Group: total assets of $808 Billion and 702 banks with total assets between $1 - $10 Billion. Geographically, approximately 40% of the bank are in NY, CA, TX and PA.

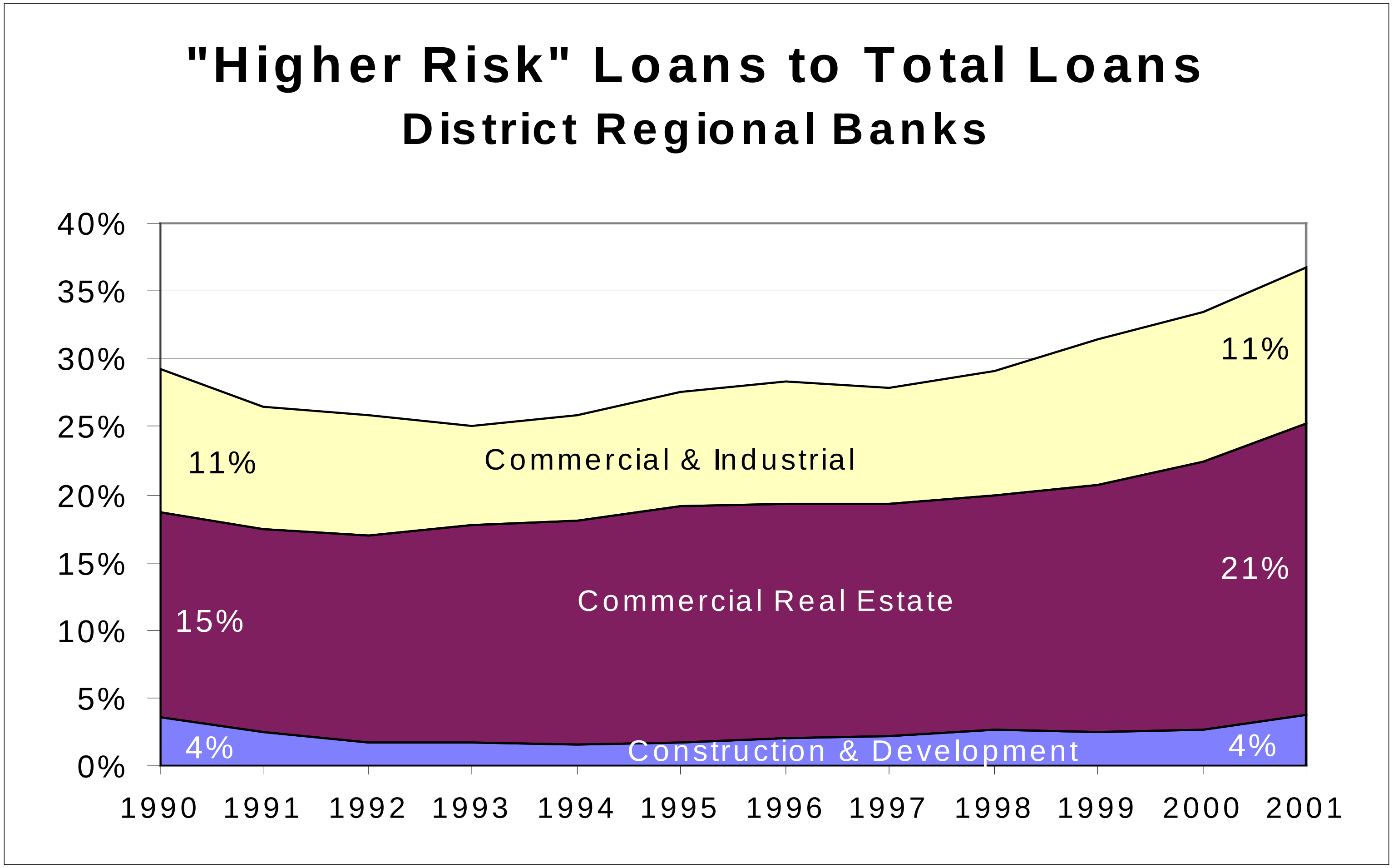
Regional Banks



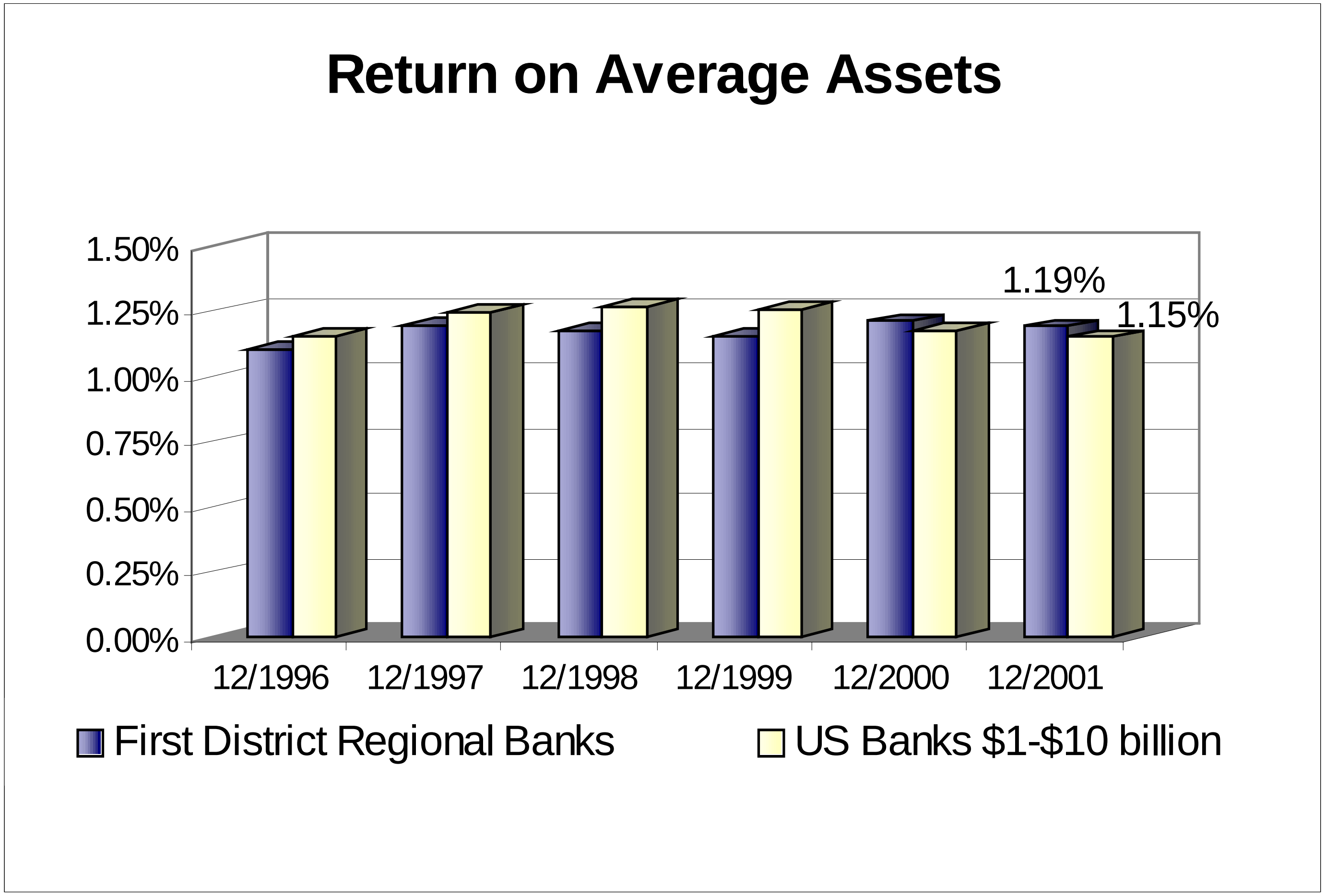
Regional Banks



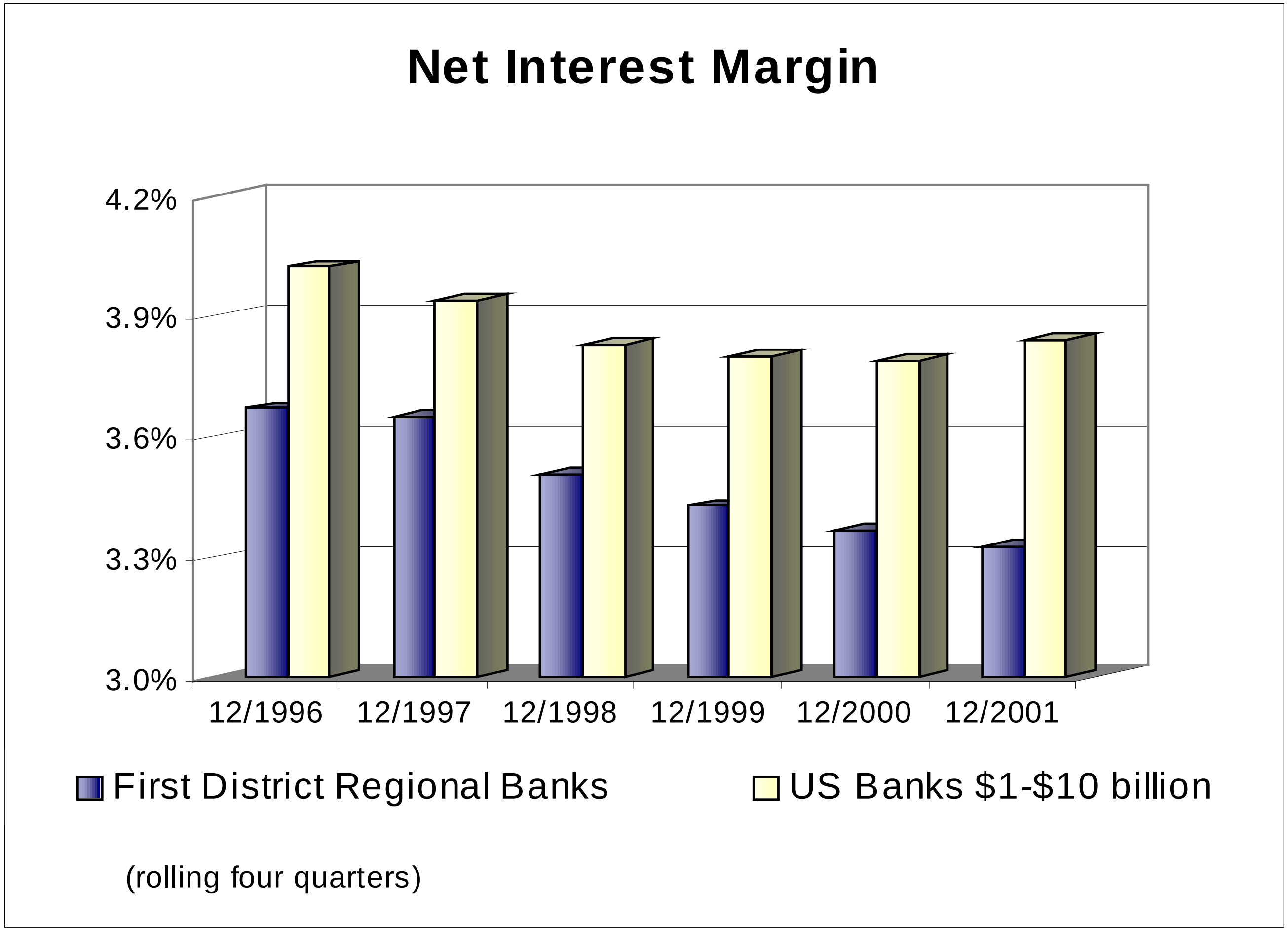
Regional Banks



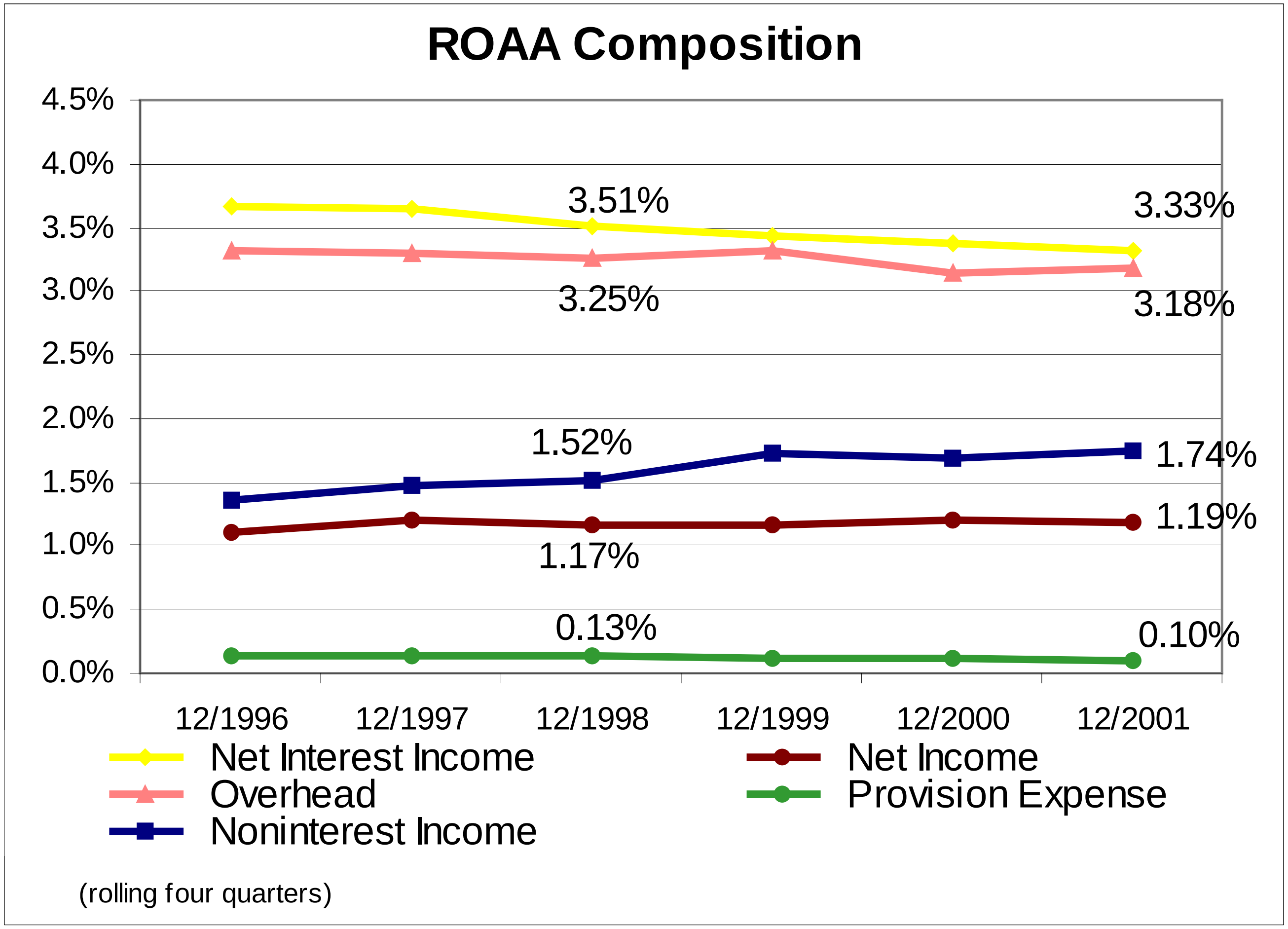
Regional Banks



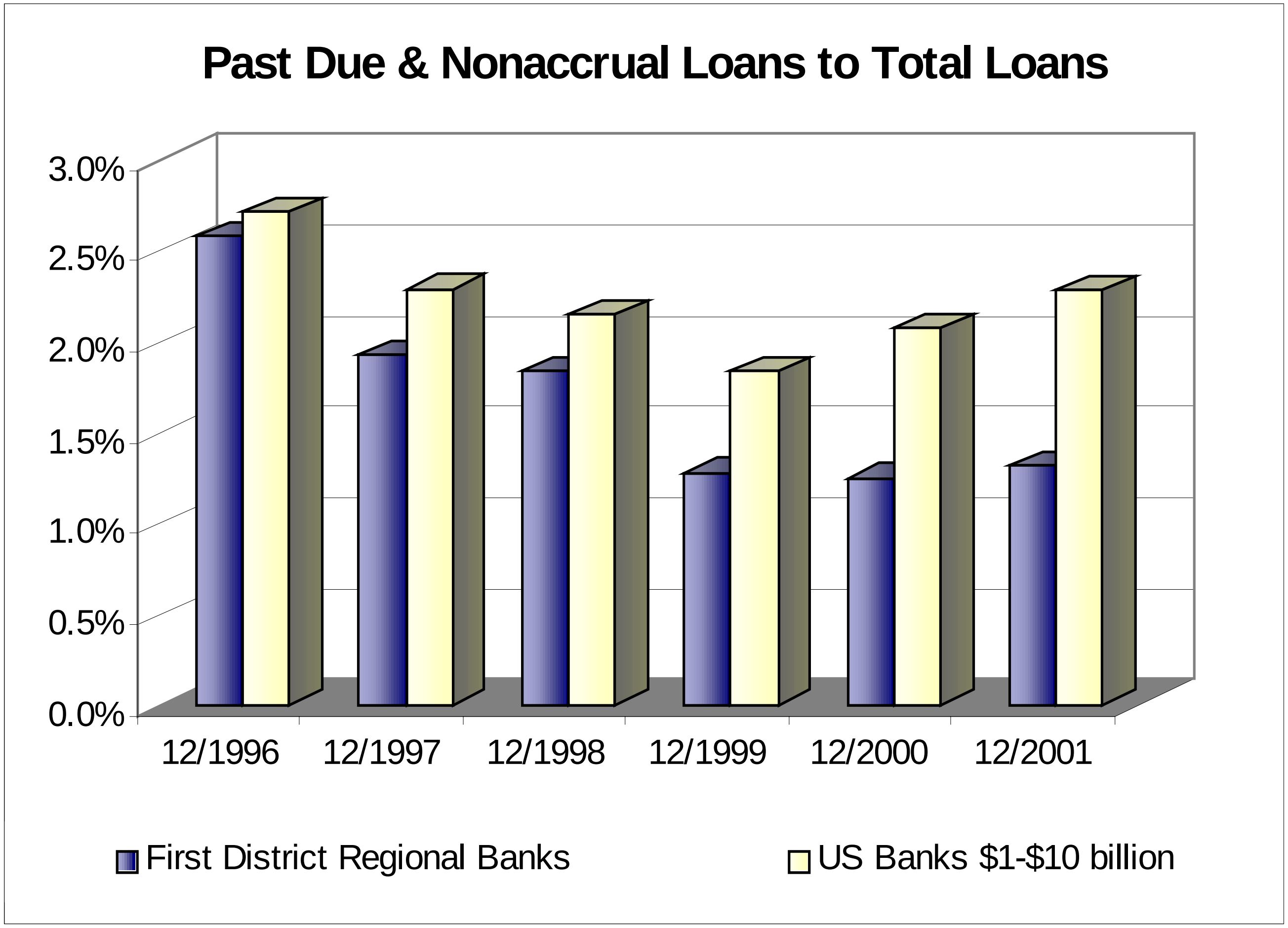
Regional Banks



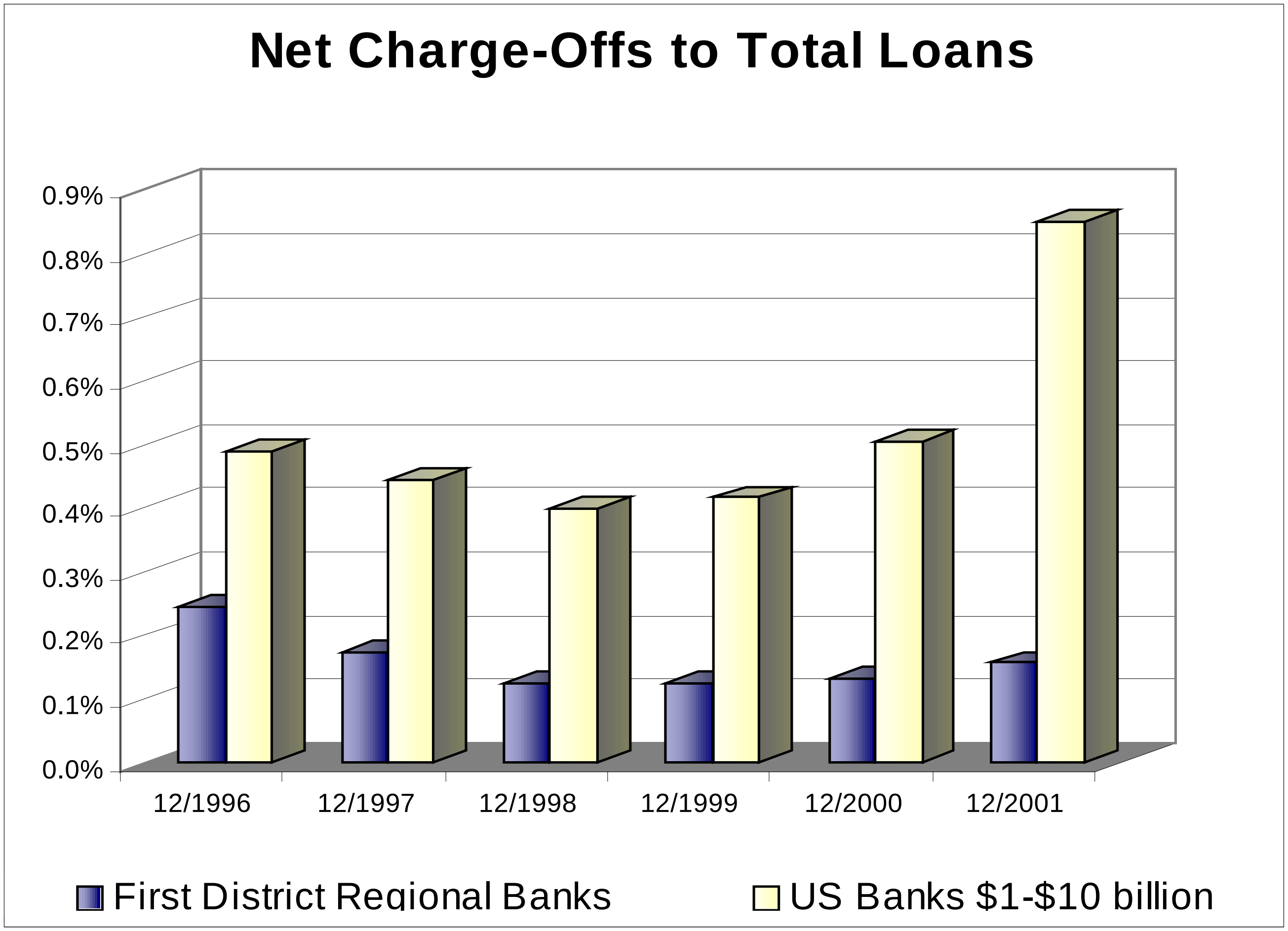
Regional Banks



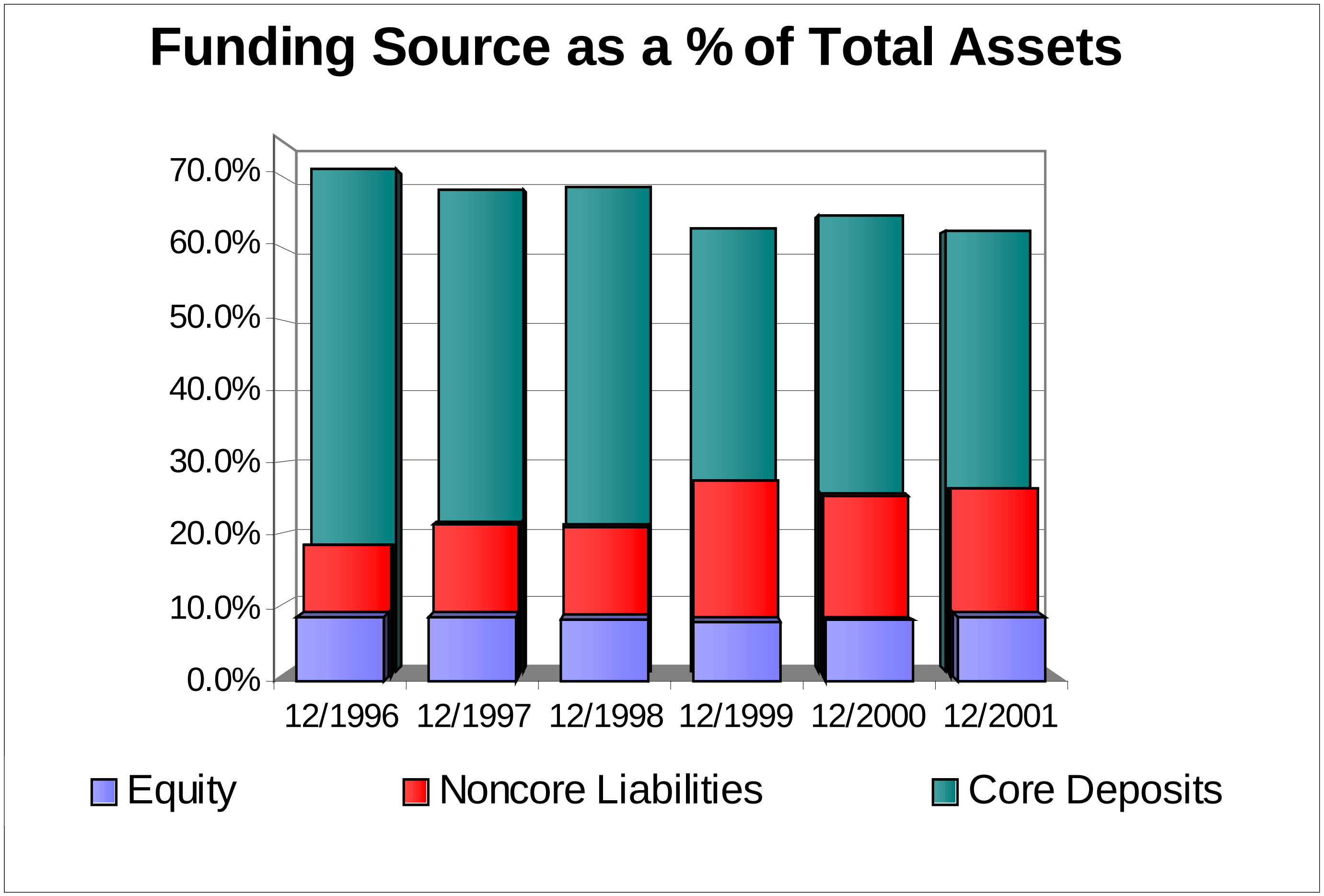
Regional Banks



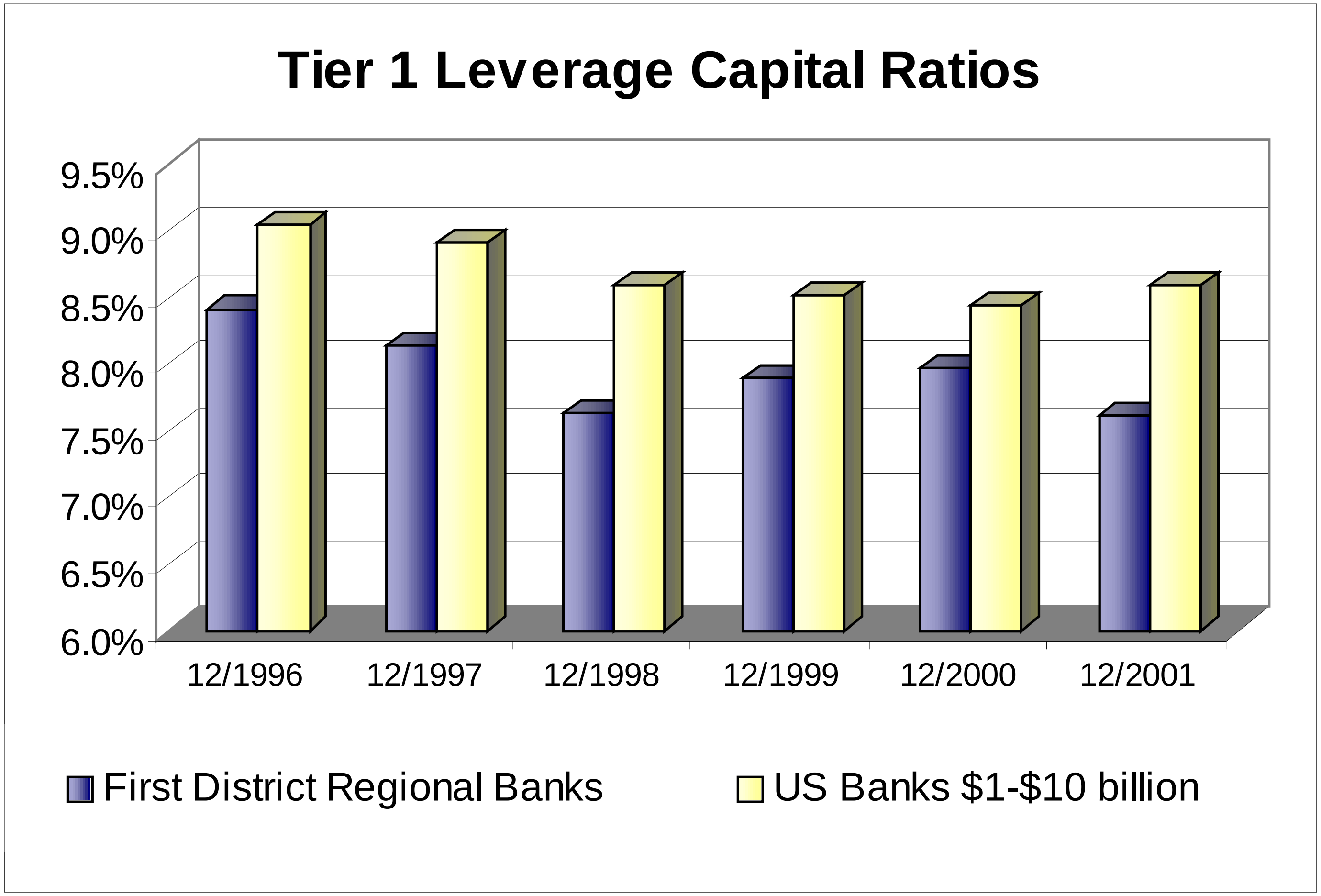
Regional Banks



Regional Banks



Regional Banks

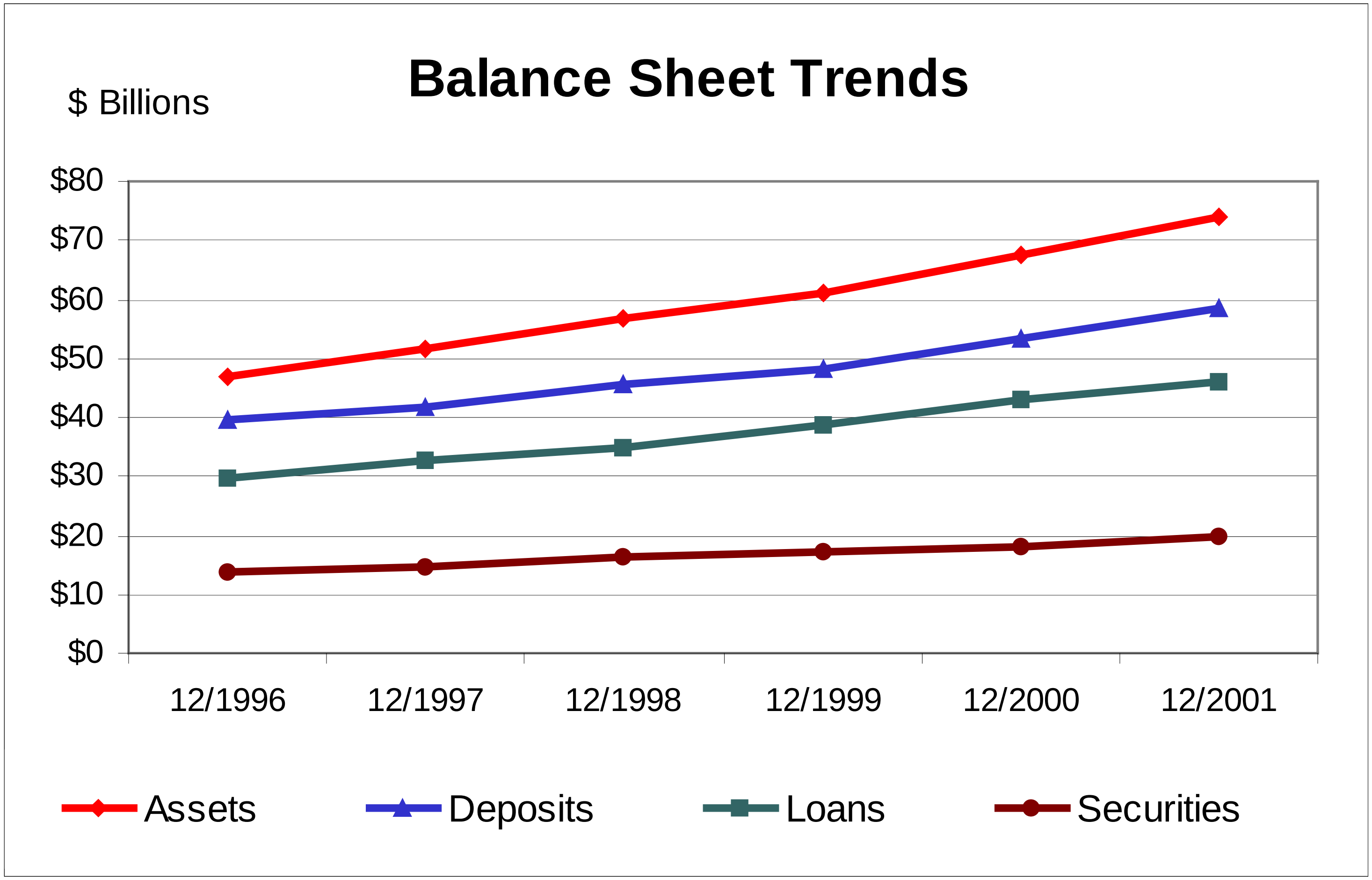


Community Banks

- Total Assets of $74 Billion
- 283 banks
  - 80% of assets are in banks with TA less than $500 million
  - 20% of assets are in banks with TA between $500 and $1 Billion
- Approximately 61% of the group's assets are in banks headquartered in Massachusetts; 15% in CT, 10% in ME, 6% in NH, 5% in VT and 3% in RI.

- National Peer Group: total assets of $808 Billion and 702 banks with total assets between $1 - $10 Billion. Geographically, approximately 40% of the bank are in NY, CA, TX and PA.

Community Banks



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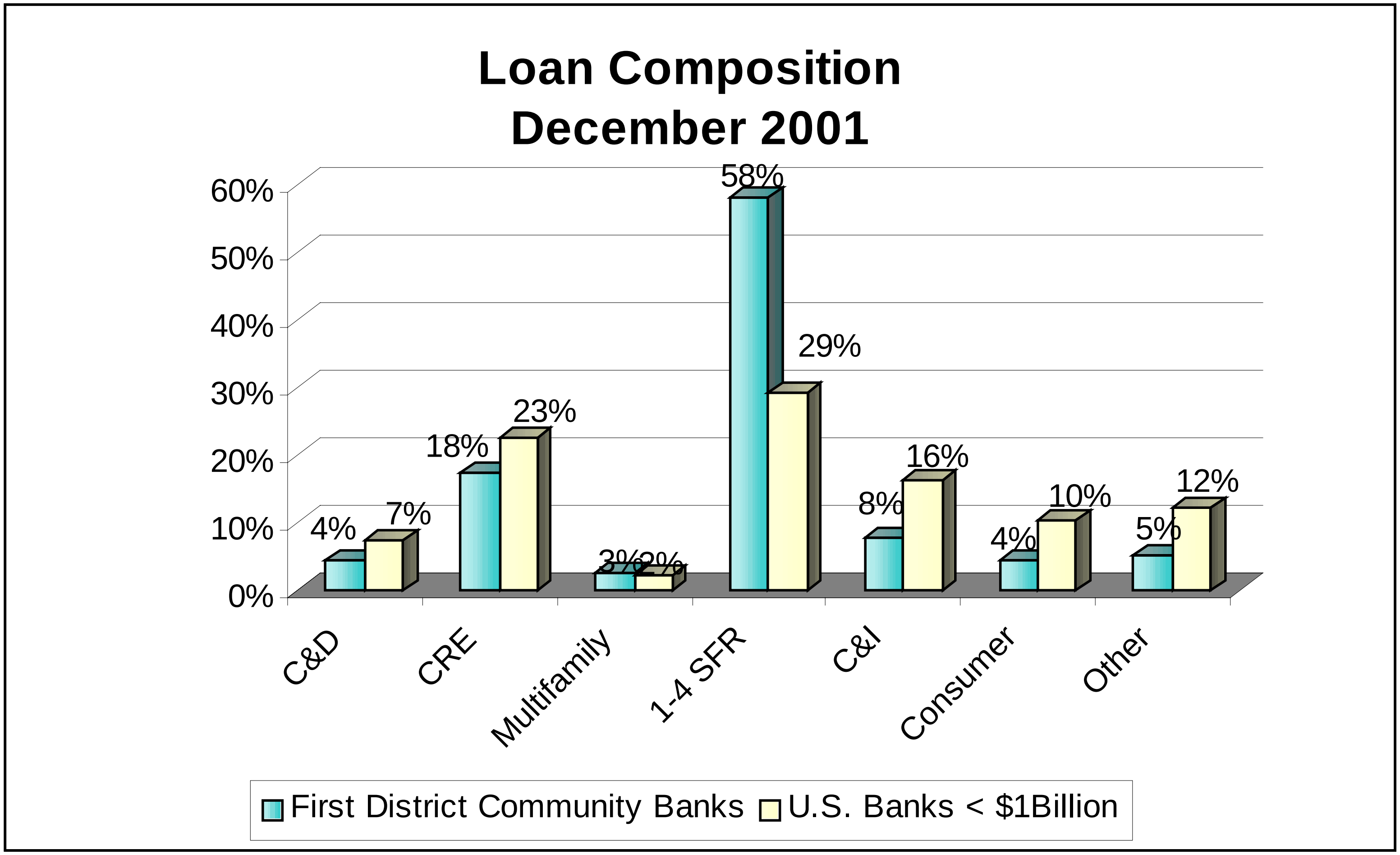

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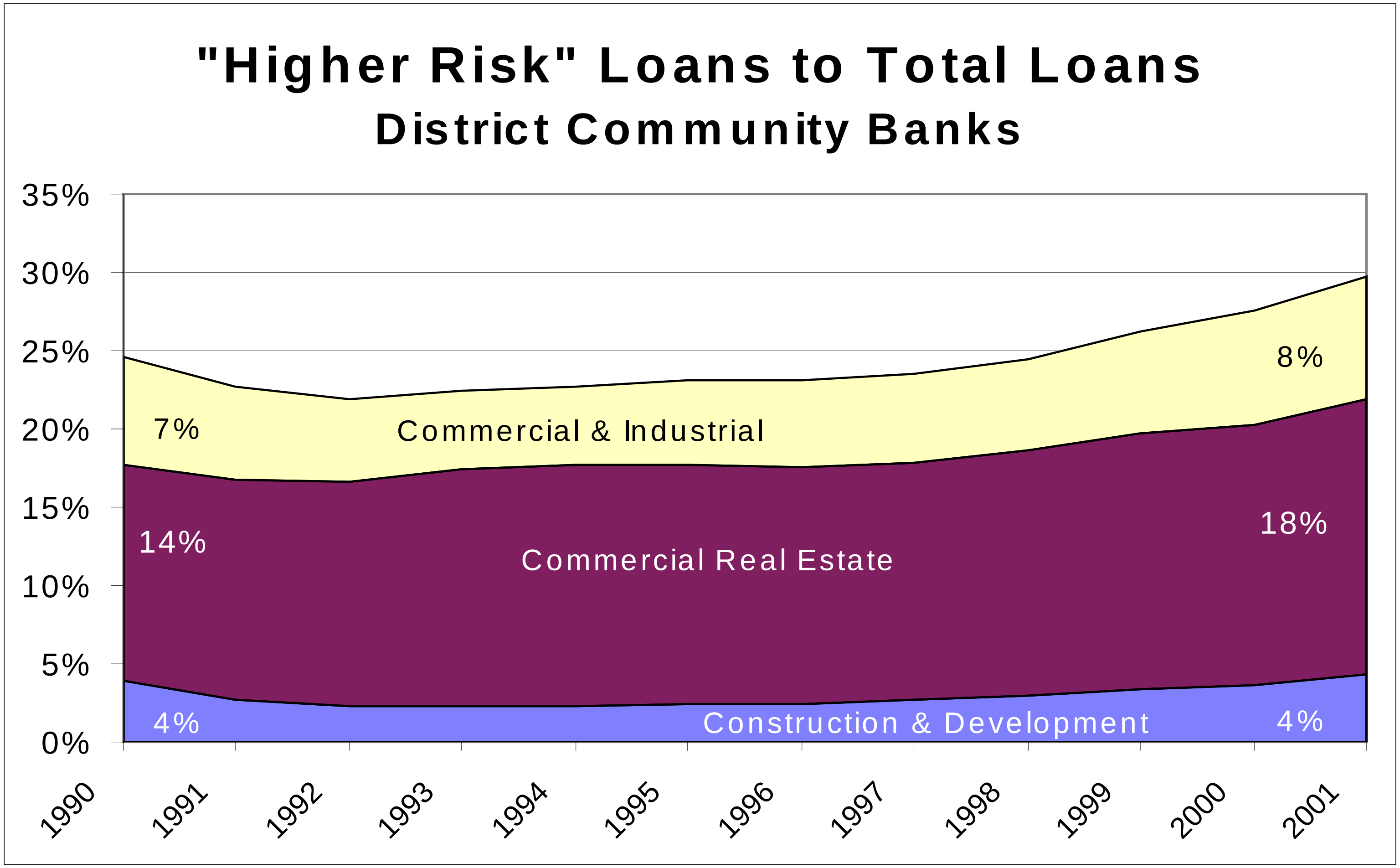

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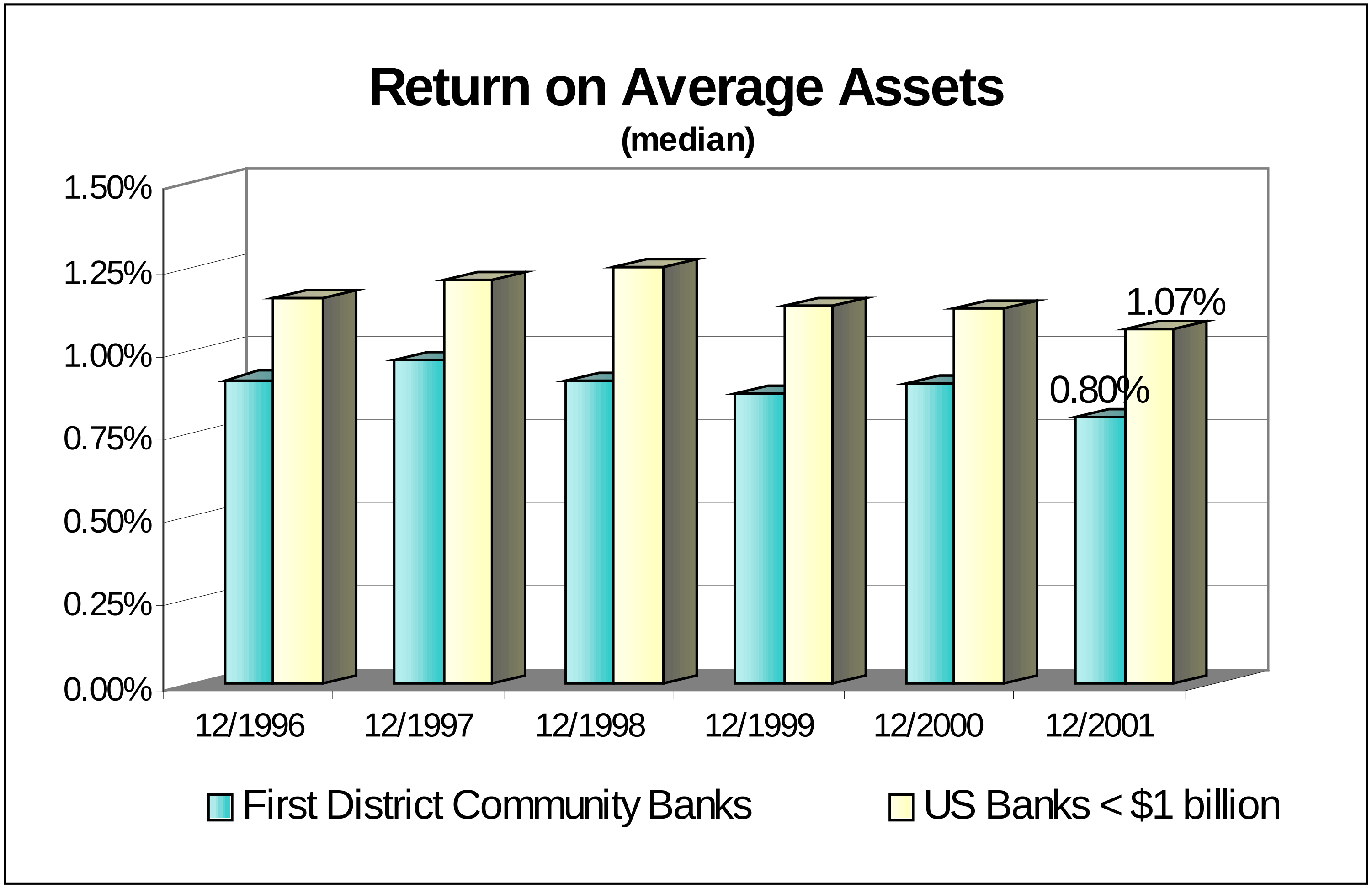

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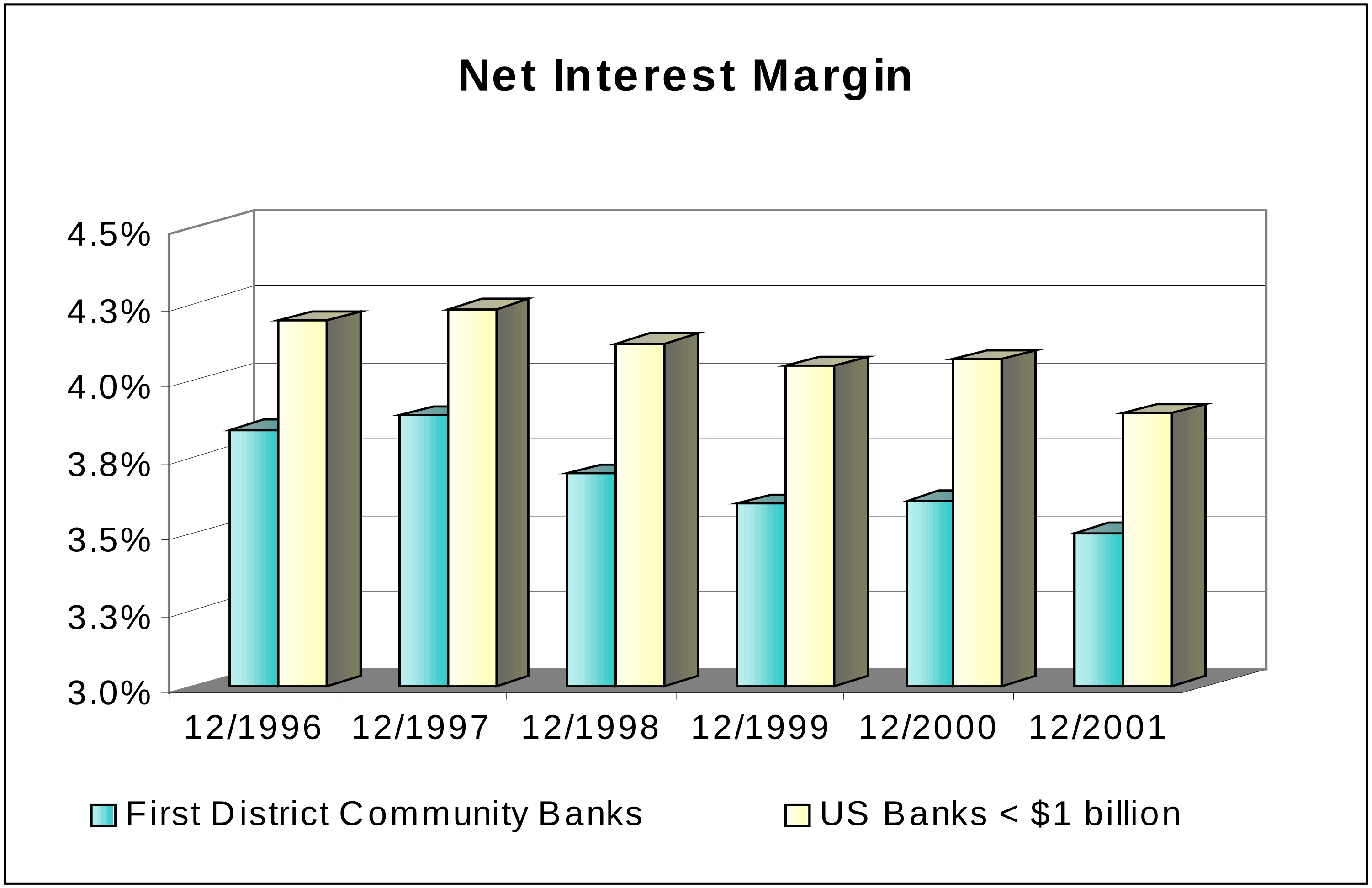

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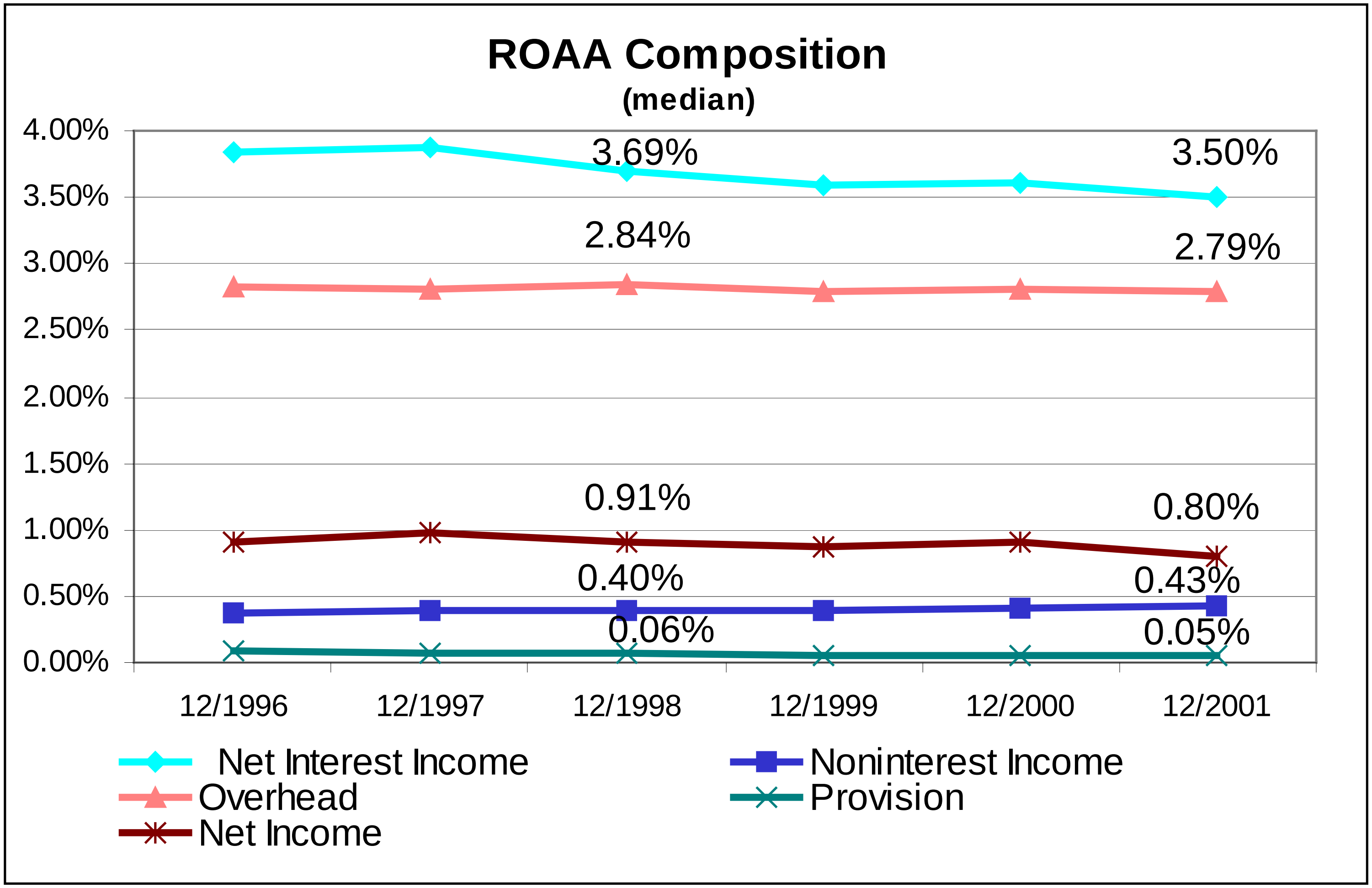
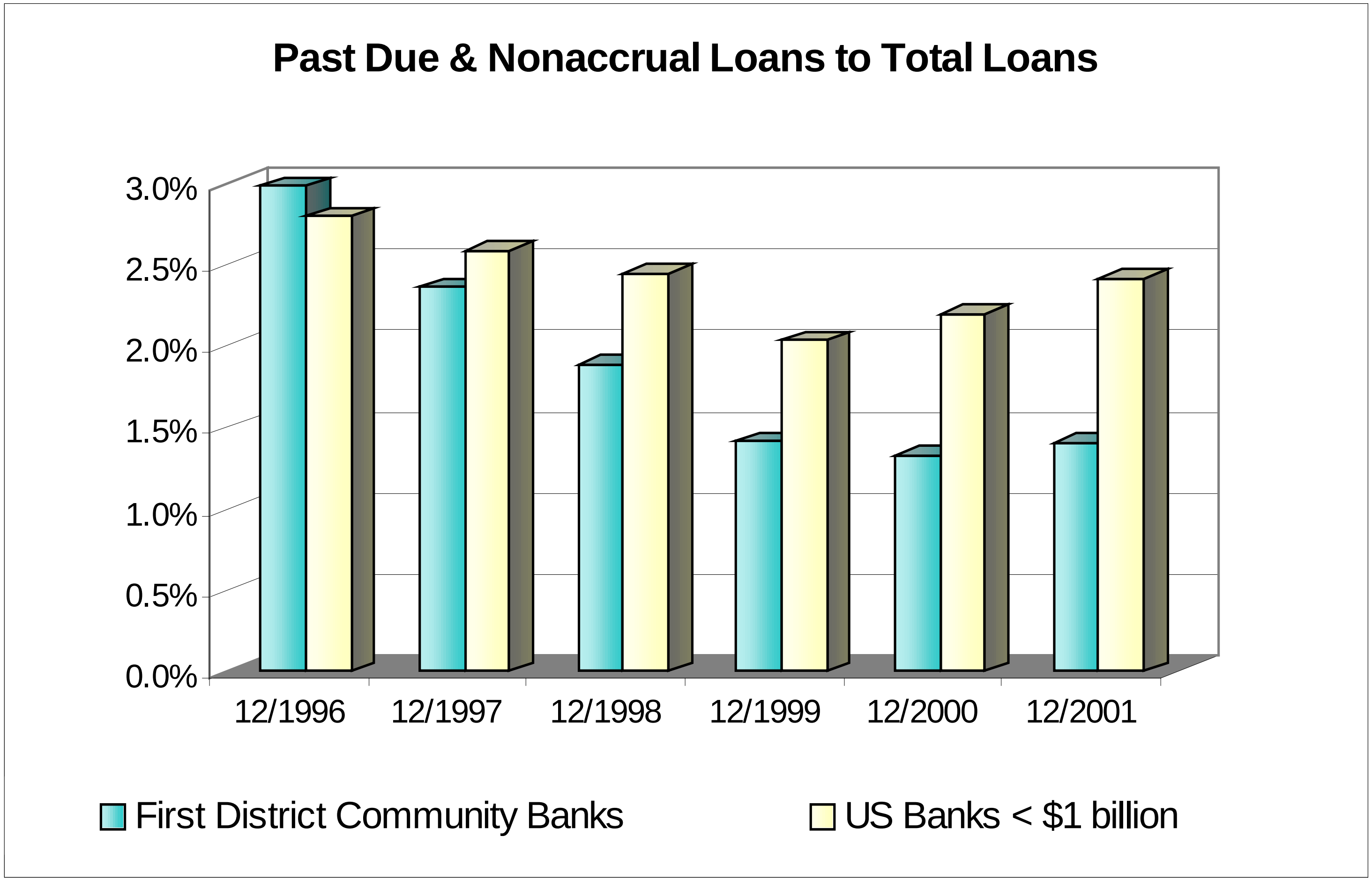


Community Banks



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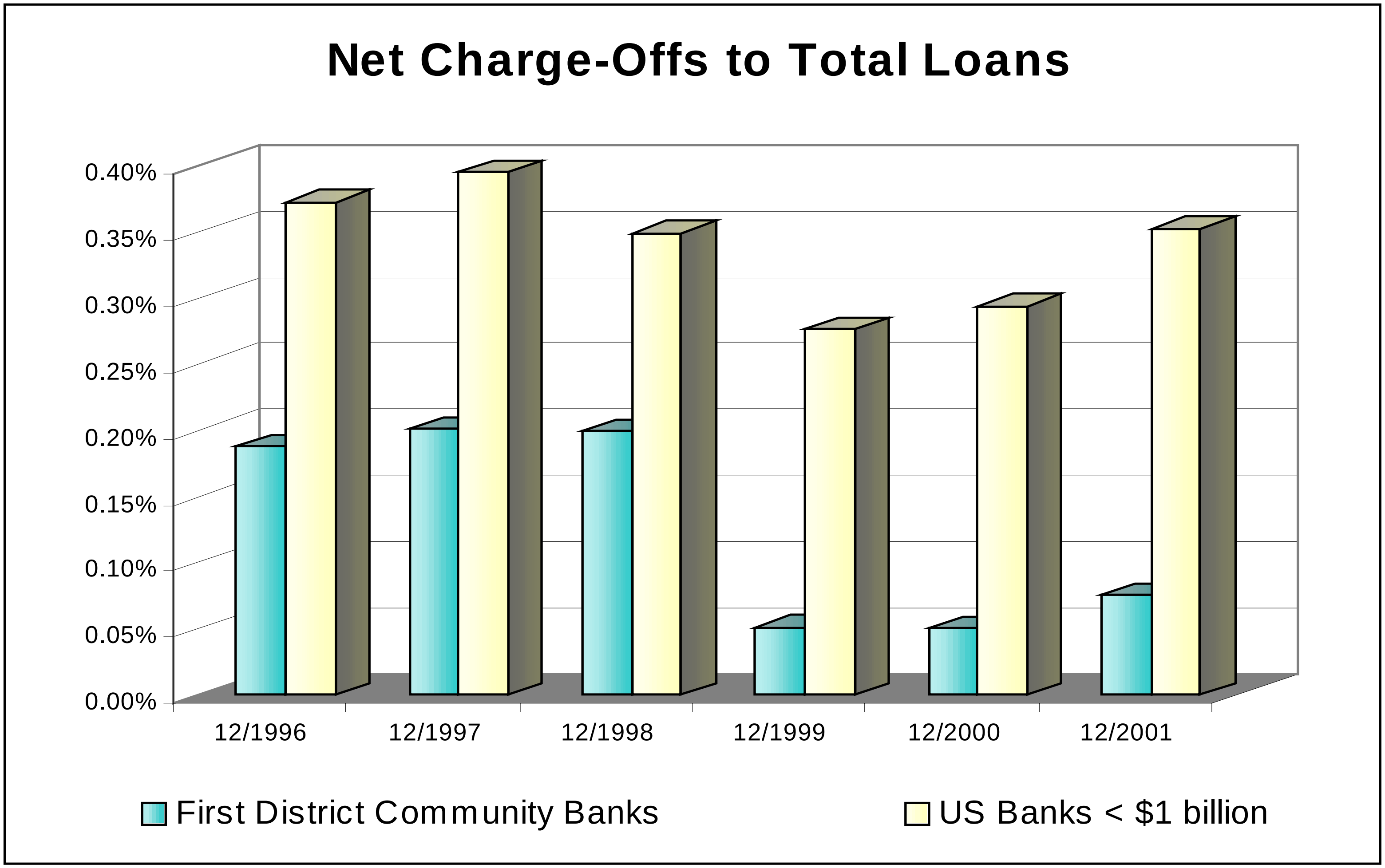

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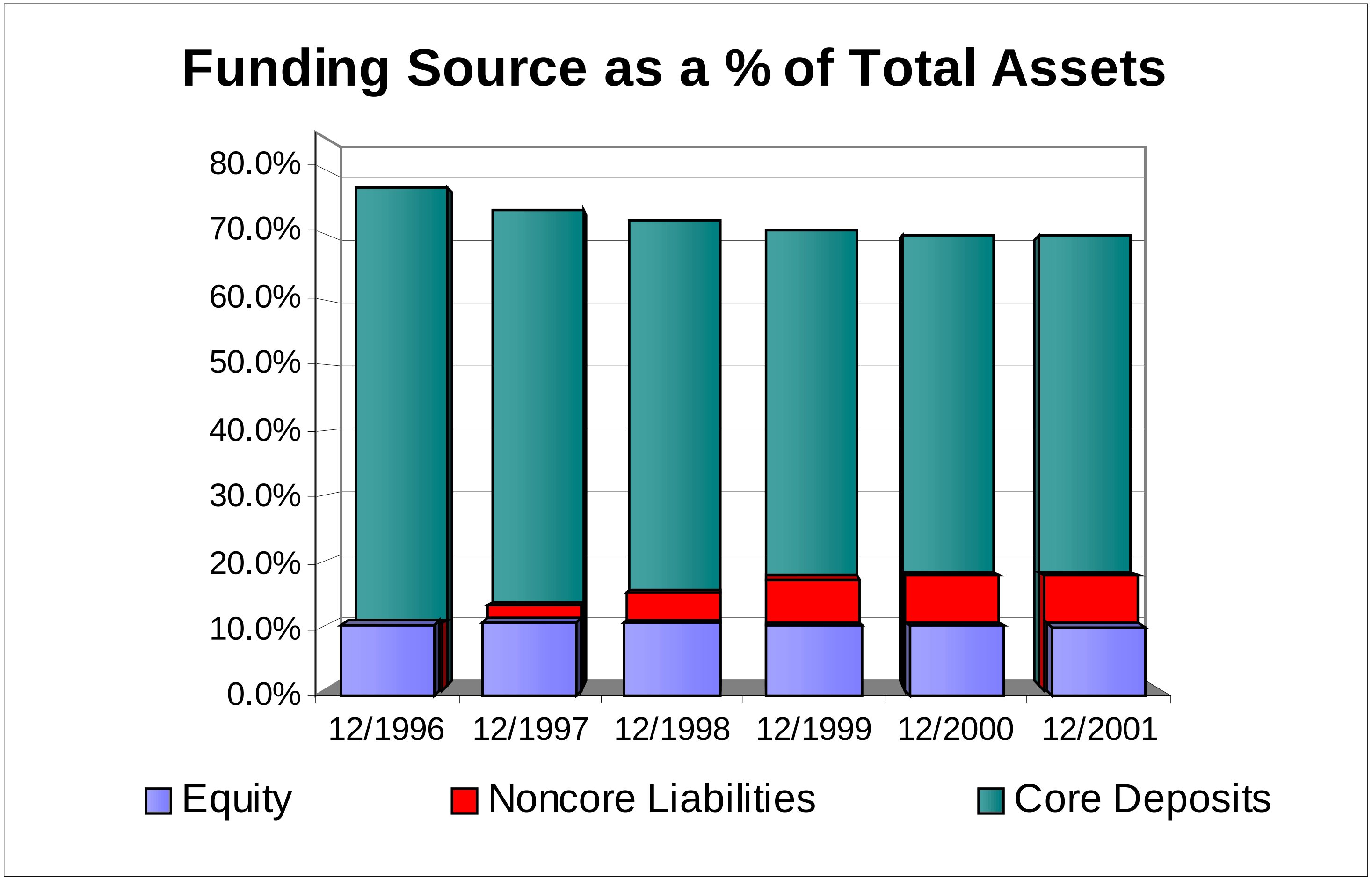

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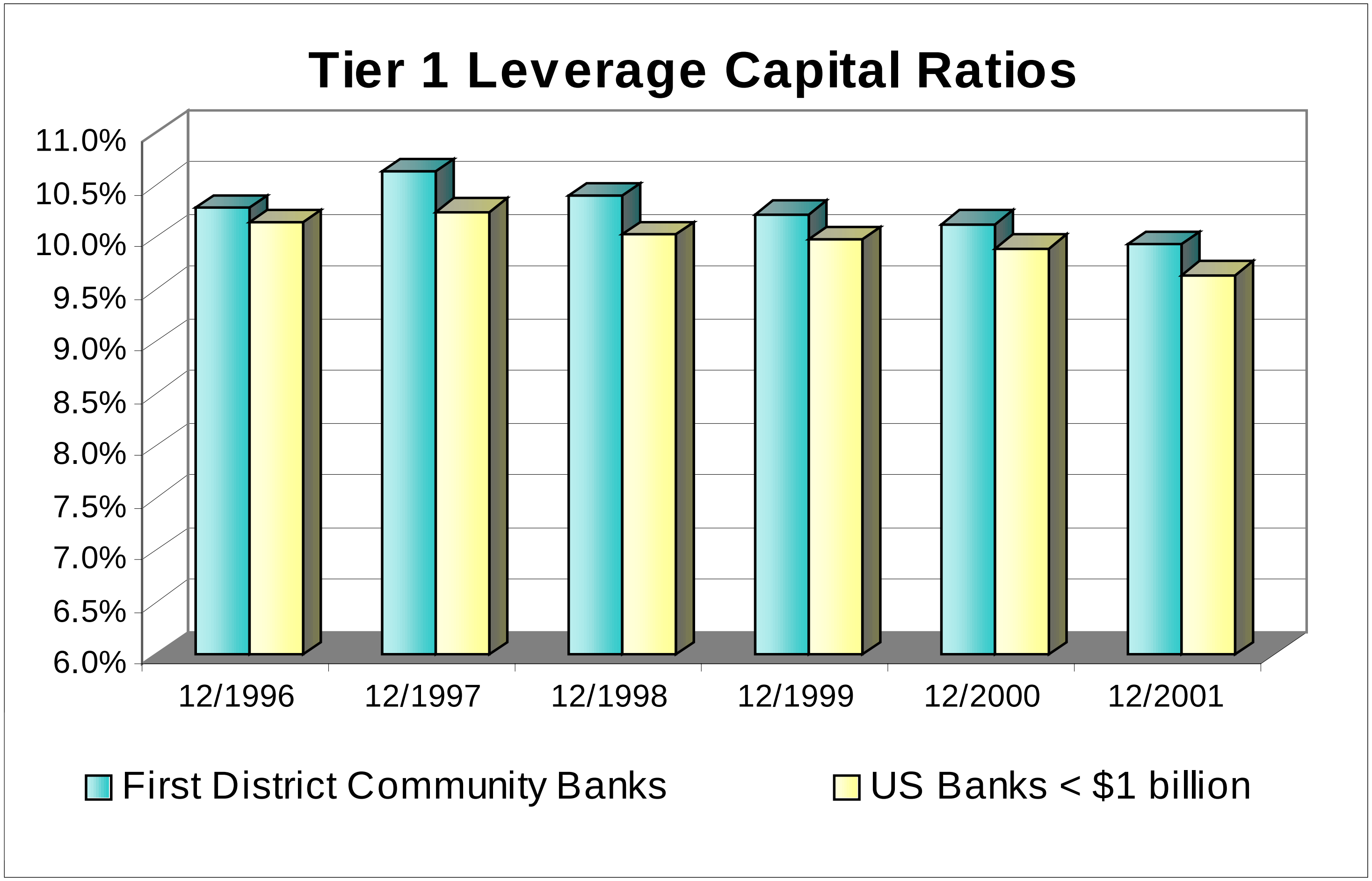


Emerging Risks

Regional and Community Banks

Credit Risk

- Continued trend toward "higher risk" loan types (construction & development, commercial real estate, commercial and industrial)
- Aggressive "higher risk" loan growth rates
- Mitigating factor: number of banks with significant concentrations remains low.

Interest Rate Risk

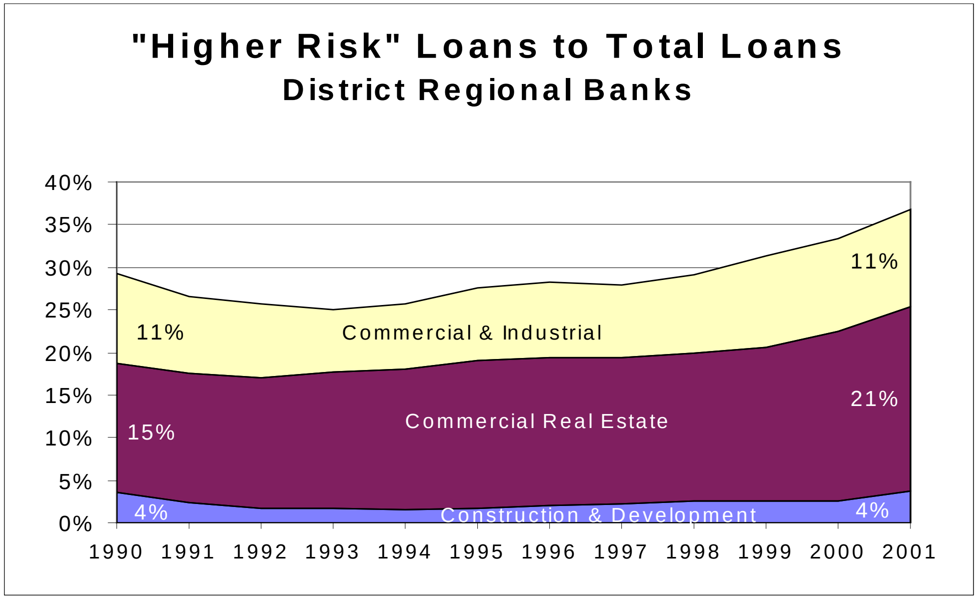
- Risk has increased since the mid 1990s.
- Affects both Regional and Community Banks, but Community Banks appear more vulnerable.
- Mitigating factor: high capital levels.

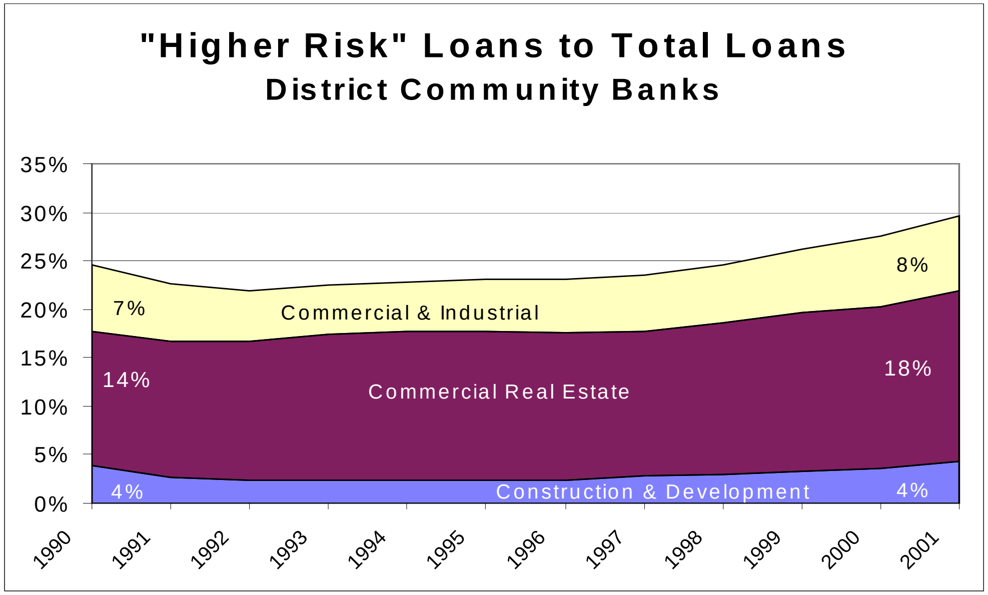
Increase in "Higher Risk" Portfolio

"Higher Risk" loan growth has outpaced total loan growth since 1993, causing these loans to grow as a percent of the total loan portfolio.

This upward trend did not abate as of December 2001.

Continued securitization activity for residential loans has contributed to the decline in residential loans as a percent of total loans.



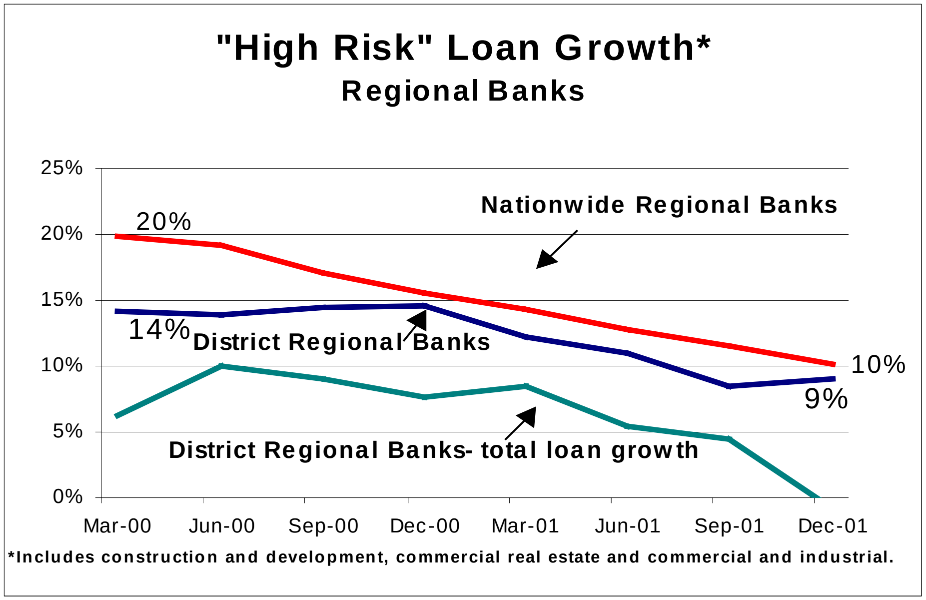


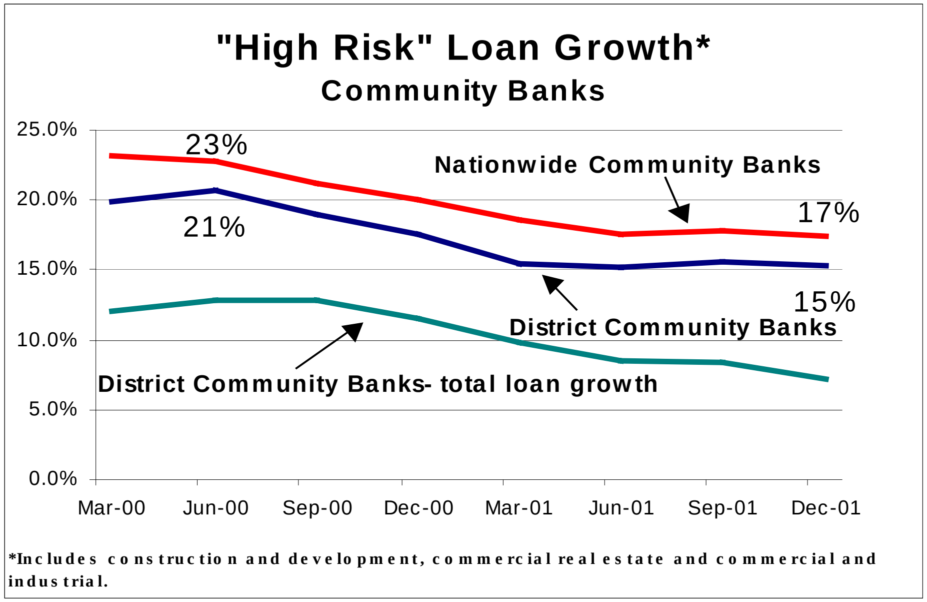
Aggressive Loan Growth

"High risk" loan growth was strong during the late stages of the economic cycle for both Regional and Community Banks.

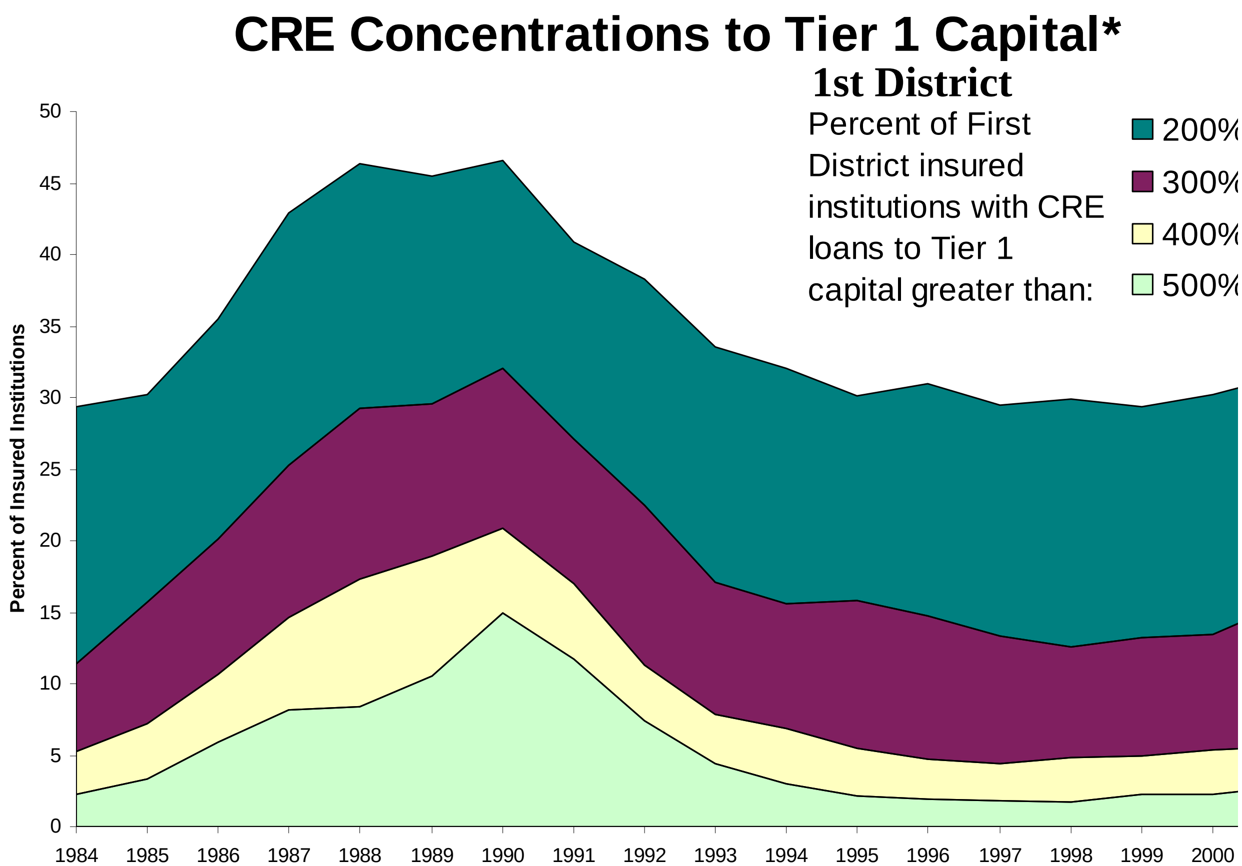
District Community Banks "high risk" loans grew at a faster rate than that for District Regional Banks.

Since loan losses typically lag origination, we will pay close attention to emerging trends.



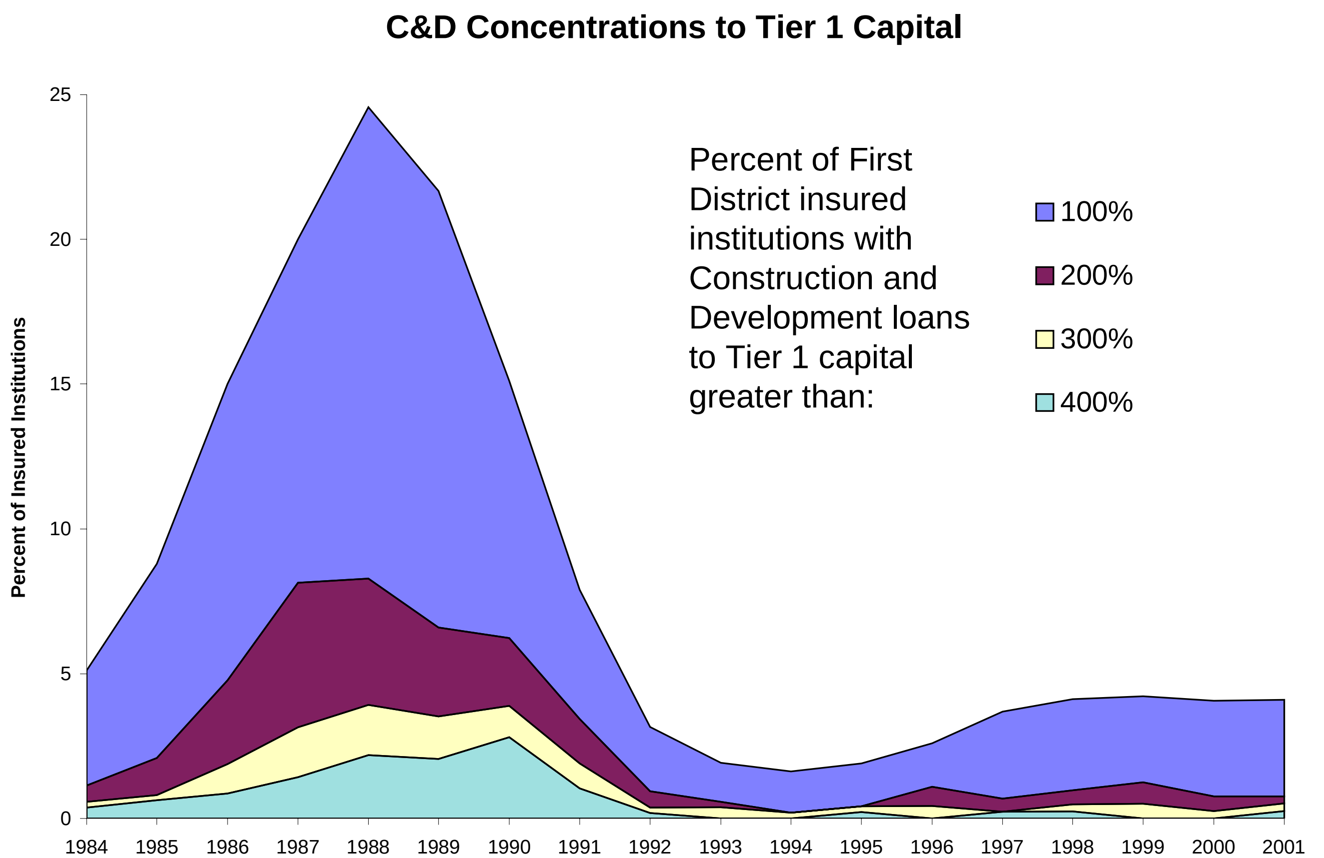


"Higher Risk" Loan Concentrations



Source: Bank & Thrift Call Reports * Includes construction & development, nonfarm/nonresidential and multi-family.

“High Risk” Loan Concentrations



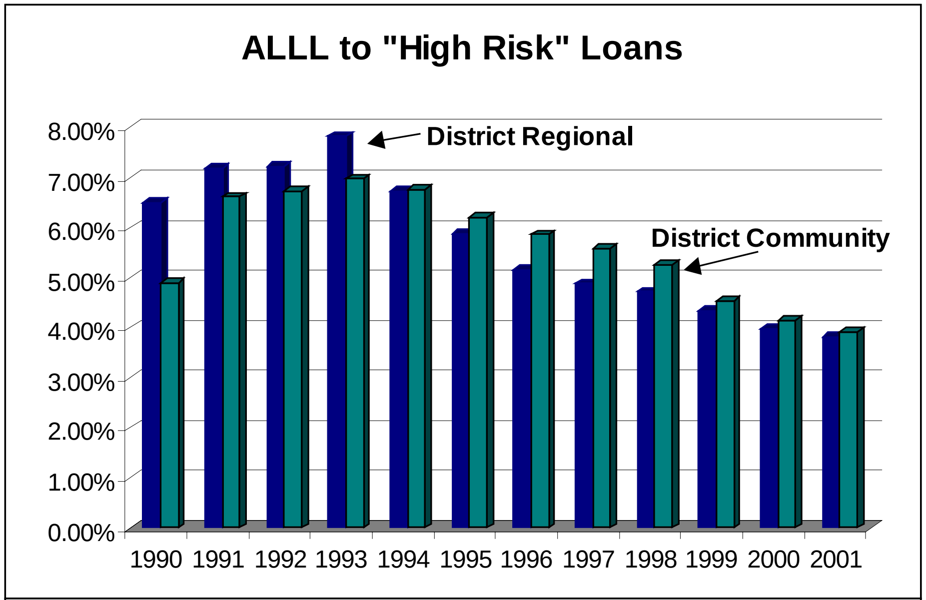
Source: Bank & Thrift Call Reports

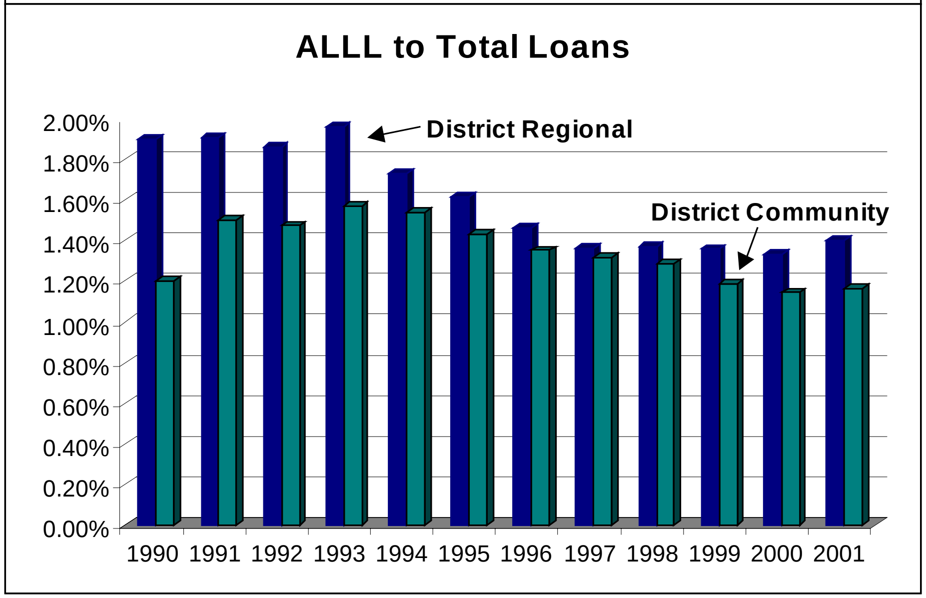
Loan Loss Reserve Adequacy

Loan loss reserves have declined as a percent of "high risk" loans and total loans.

Material increases in net charge-offs would likely be followed by increased provisions.

District Community Banks' earnings not well positioned to absorb significant provision expenses, but capital is strong.

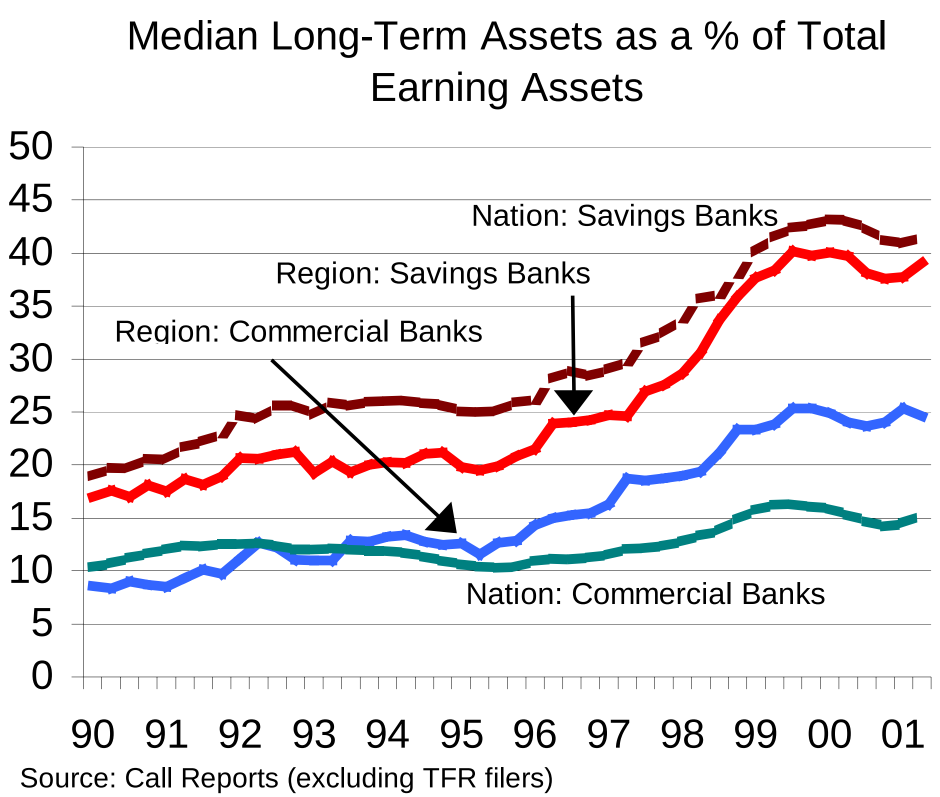




Interest Rate Risk

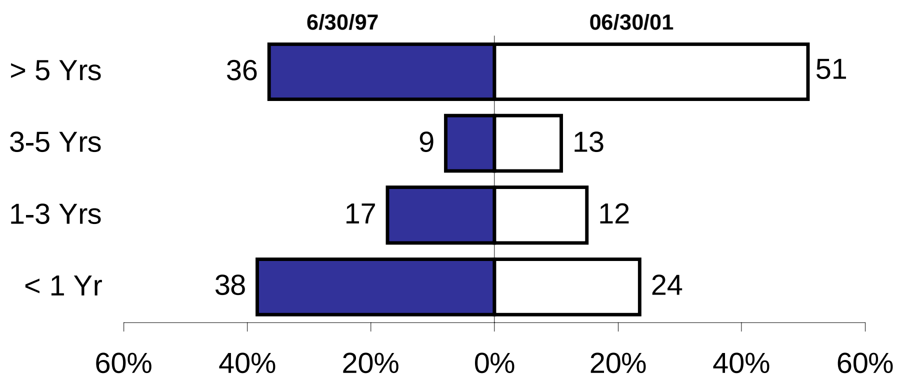
Growing concentration in long-term assets elevates interest rate risk, as funding duration has remained shorter term.

Growth in long-term assets has occurred across residential and commercial loan portfolios as well as securities portfolios.



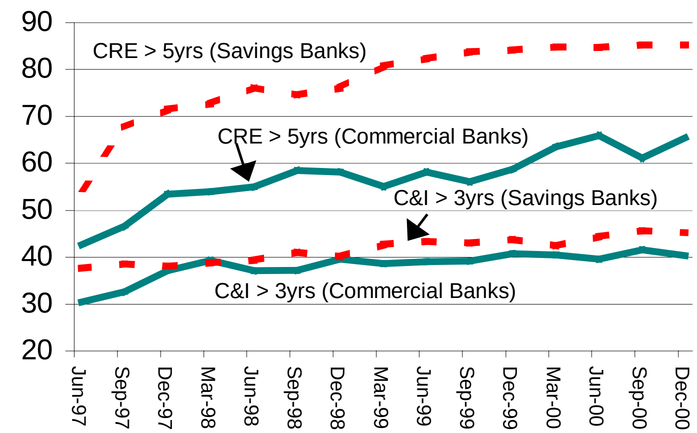
Interest Rate Risk

% of Mortgages* Maturing/Repricing in:



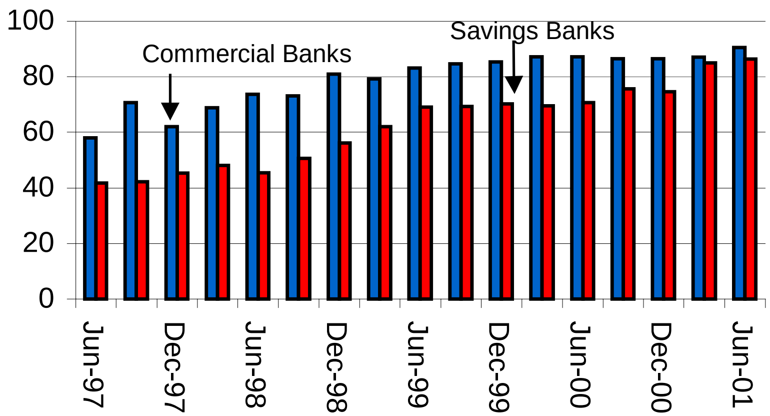
Source: Call Reports - Boston Fed District, Merger Adjusted (no TFR filers)
*Residential first liens

Median % of Respective Loan Class



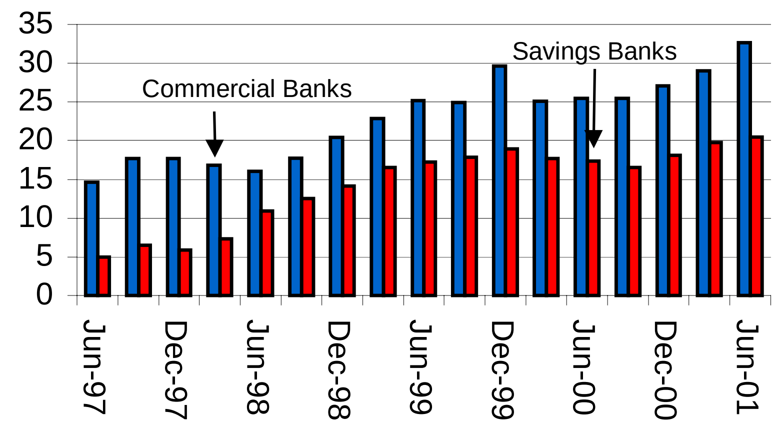
Source: Call Reports: Boston Fed District (excluding TFR filers)

Median Share Mortgage Backed Securities Maturing/Repricing > 5 Years



Source: Call Reports: Boston Fed District (excluding TFR

Median Share of Other Securities Maturing/Repricing > 5 Years



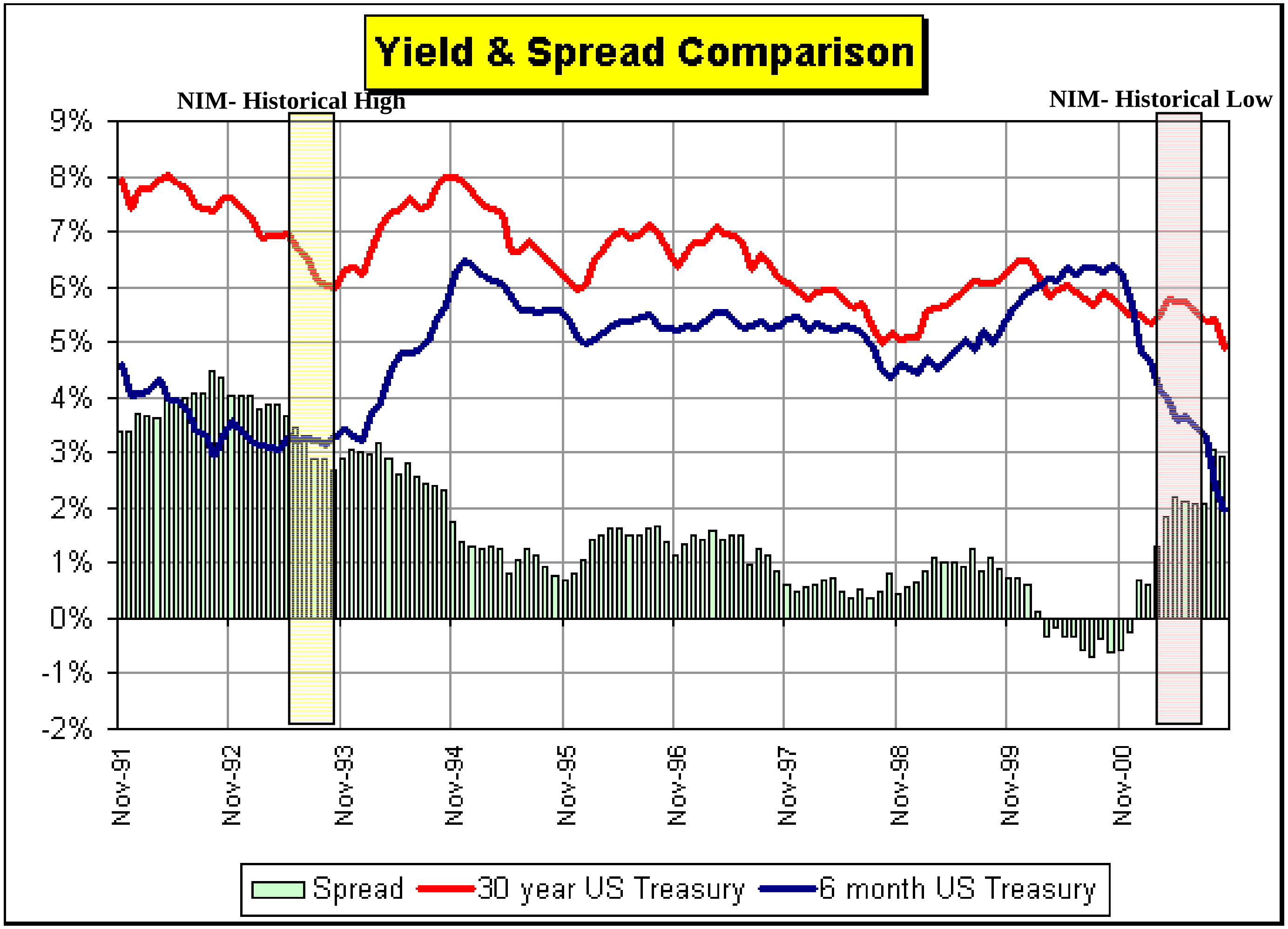
Source: Call Reports: Boston Fed District (excluding TFR

Interest Rate Risk

Combination of factors elevates risk profile: higher levels of IRR, low interest rates by historical standards (more upside risk), low NIM and overall profitability.

Strong overall capital ratios are a mitigating factor toward significant supervisory concern.

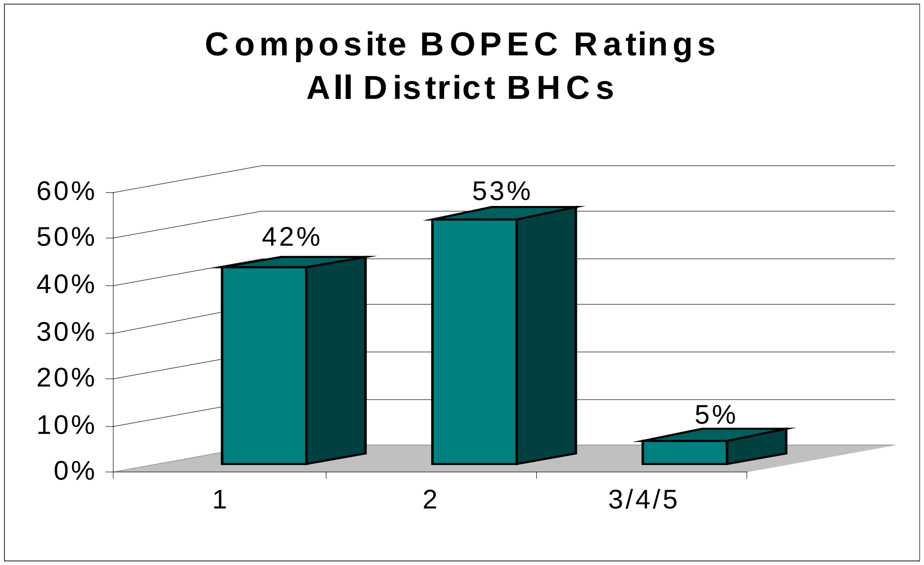
In the event adverse interest rate moves result in earnings pressure, would there be a temptation to take on additional/ different risks to compensate?

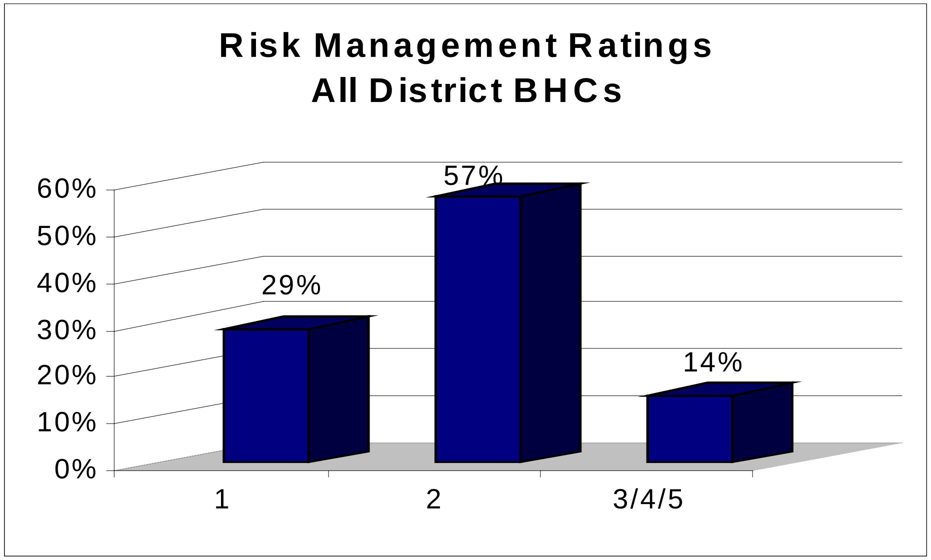


BOPEC Ratings

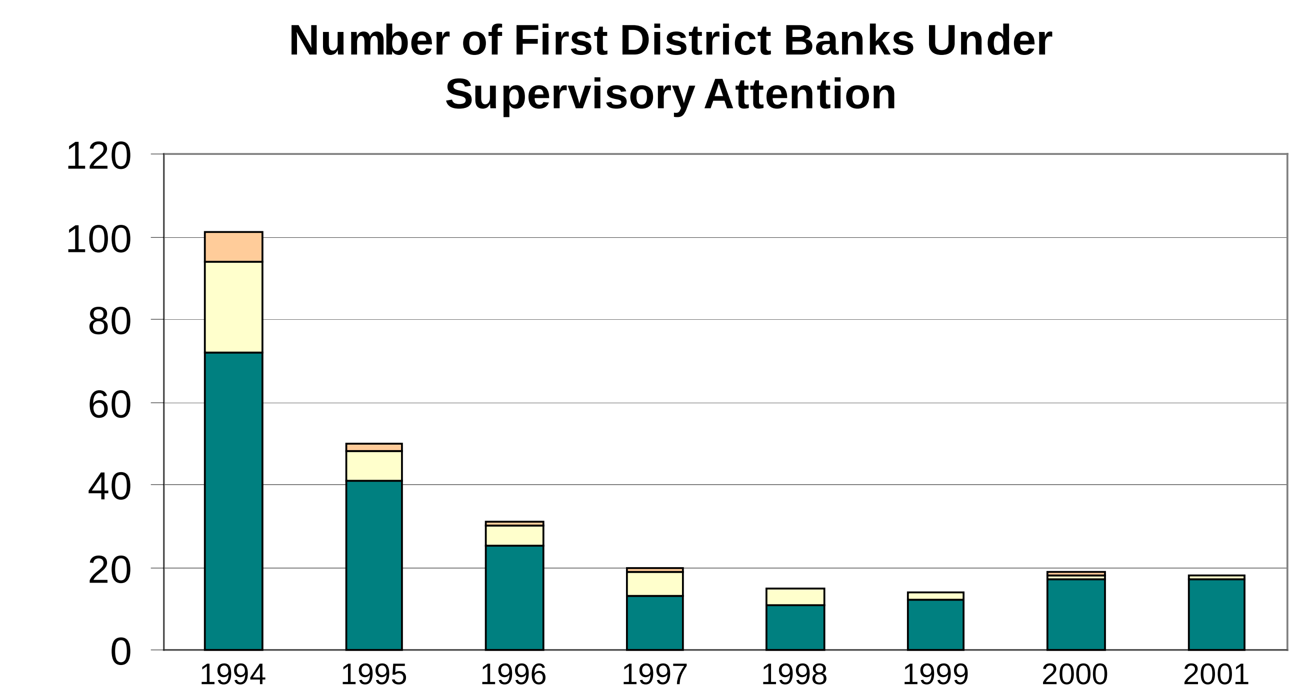
As of year end 2001, bank holding company BOPEC ratings (Bank, Other, Parent, Earnings, Capital) confirm the overall favorable District banking conditions.

Risk management ratings reflect satisfactory results.





Exam Ratings



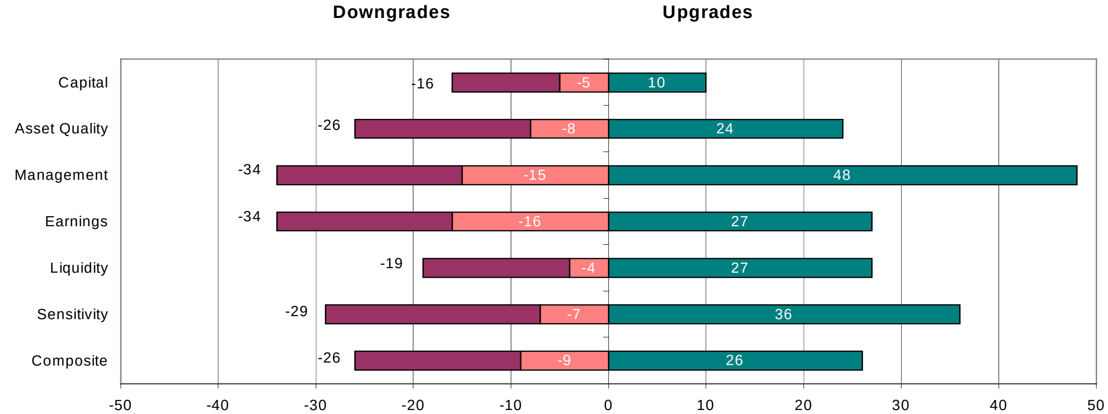
	1994	1995	1996	1997	1998	1999	2000	2001
5-Rated	7	2	1	1	0	0	1	0
4-Rated	22	7	5	6	4	2	1	1
3-Rated	72	41	25	13	11	12	17	17

Exam Ratings

•CAMELS Ratings confirm overall favorable District banking conditions.

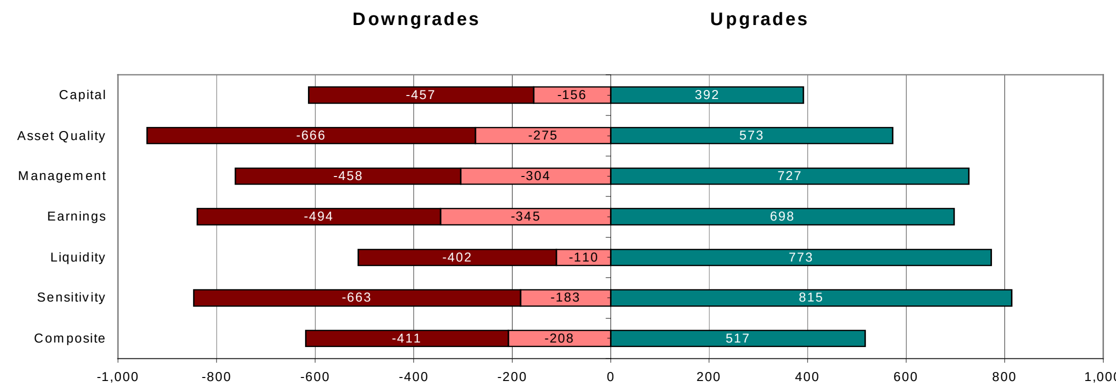
•Trends reflect more Asset Quality and Earnings component downgrades than upgrades in the District, although the majority of downgrades continue to reflect satisfactory ratings.

CAMELS Component Trends for All First District Bank Exams Conducted Between 1/1/01 and 12/31/01*



* This exhibit includes the 274 commercial, savings, and cooperative banks from the First District that had examinations during this period.
Light orange shading represents companies downgraded below a satisfactory rating.

CAMELS Component Trends for All U.S. Bank Exams Conducted Between 1/1/01 and 12/31/01*



* This exhibit includes the 7,478 commercial, savings, and cooperative banks from across the U.S. that had examinations during this period.