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
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.
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

Balance Sheet Trends

assets, deposits, loans, securities

$ Billions

Regional Banks

Loan Composition December 2001

<table>
<thead>
<tr>
<th>Category</th>
<th>First District Regional Banks</th>
<th>U.S. Banks $1 - $10 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>C&amp;D</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>CRE</td>
<td>21% 22%</td>
<td></td>
</tr>
<tr>
<td>Multifamily</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>1-4 SFR</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>C&amp;I</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>Consumer</td>
<td>12% 13%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>10% 8%</td>
<td></td>
</tr>
</tbody>
</table>

First District Regional Banks vs. U.S. Banks $1 - $10 Billion
"Higher Risk" Loans to Total Loans
District Regional Banks

- Commercial & Industrial: 11% (1990), 15% (2000), 21% (2001)
- Commercial Real Estate: 11% (1990), 15% (1995), 21% (2001)
- Construction & Development: 4% (1990), 4% (1999), 4% (2000), 4% (2001)
Net Interest Margin

First District Regional Banks  US Banks $1-$10 billion

(rolling four quarters)
Regional Banks

ROAA Composition

Net Interest Income
Overhead
Noninterest Income

Net Income
Provision Expense

(running four quarters)
Past Due & Nonaccrual Loans to Total Loans

- **First District Regional Banks**
- **US Banks $1-$10 billion**

Dimensions: 12/1996 to 12/2001

- 1996: 3.0%
- 1997: 2.5%
- 1998: 2.0%
- 1999: 1.5%
- 2000: 1.0%
- 2001: 0.5%
Regional Banks

Net Charge-Offs to Total Loans

First District Regional Banks
US Banks $1-$10 billion
Regional Banks

Funding Source as a % of Total Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity</th>
<th>Noncore Liabilities</th>
<th>Core Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/1996</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
</tr>
<tr>
<td>12/1997</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
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<tr>
<td>12/1998</td>
<td>10%</td>
<td>20%</td>
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<td>70%</td>
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<tr>
<td>12/2000</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
</tr>
<tr>
<td>12/2001</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
</tr>
</tbody>
</table>
• 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

Balance Sheet Trends

$ Billions


Assets
Deposits
Loans
Securities
Loan Composition
December 2001
"Higher Risk" Loans to Total Loans
District Community Banks

- Commercial & Industrial: 7% (1990), 14% (1991), 18% (2000), 8% (2001)
- Commercial Real Estate: 4% (1990), 15% (1991), 18% (2000)
- Construction & Development: 4% (1990), 4% (1991), 4% (2000), 4% (2001)
Community Banks

Return on Average Assets (median)

- First District Community Banks
- US Banks < $1 billion
Community Banks

Net Interest Margin

First District Community Banks
US Banks < $1 billion
Community Banks

ROAA Composition
(median)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Interest Income</th>
<th>Noninterest Income</th>
<th>Overhead</th>
<th>Provision</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/1996</td>
<td>3.69%</td>
<td>0.43%</td>
<td>3.00%</td>
<td>0.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>12/1997</td>
<td>3.50%</td>
<td>0.40%</td>
<td>3.00%</td>
<td>0.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>12/1998</td>
<td>2.84%</td>
<td>0.06%</td>
<td>3.00%</td>
<td>0.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>12/1999</td>
<td>2.79%</td>
<td>0.00%</td>
<td>3.00%</td>
<td>0.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>12/2000</td>
<td>3.00%</td>
<td>0.50%</td>
<td>3.00%</td>
<td>0.00%</td>
<td>0.50%</td>
</tr>
<tr>
<td>12/2001</td>
<td>3.00%</td>
<td>1.00%</td>
<td>3.00%</td>
<td>0.00%</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

- Net Interest Income
- Noninterest Income
- Overhead
- Provision
- Net Income
Past Due & Nonaccrual Loans to Total Loans

- First District Community Banks
- US Banks < $1 billion
Community Banks

Net Charge-Offs to Total Loans

First District Community Banks
US Banks < $1 billion

Community Banks

Funding Source as a % of Total Assets

- Equity
- Noncore Liabilities
- Core Deposits


Percentage: 0.0%, 10.0%, 20.0%, 30.0%, 40.0%, 50.0%, 60.0%, 70.0%, 80.0%
Community Banks

Tier 1 Leverage Capital Ratios

First District Community Banks
US Banks < $1 billion
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.
“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.
“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.

*Includes construction and development, commercial real estate and commercial and industrial.
“Higher Risk” Loan Concentrations

CRE Concentrations to Tier 1 Capital*

1st District

Percent of First District insured institutions with CRE loans to Tier 1 capital greater than:

- 200%
- 300%
- 400%
- 500%

Source: Bank & Thrift Call Reports

* Includes construction & development, nonfarm/nonresidential and multi-family.
“High Risk” Loan Concentrations

C&D Concentrations to Tier 1 Capital

Percent of First District insured institutions with Construction and Development loans to Tier 1 capital greater than:

Source: Bank & Thrift Call Reports
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.
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.

Median Long-Term Assets as a % of Total Earning Assets

Source: Call Reports (excluding TFR filers)
Interest Rate Risk

% of Mortgages* Maturing/Repricing in:

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Commercial Banks</th>
<th>Savings Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 5 Yrs</td>
<td>36</td>
<td>51</td>
</tr>
<tr>
<td>3-5 Yrs</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>1-3 Yrs</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>&lt; 1 Yr</td>
<td>38</td>
<td>24</td>
</tr>
</tbody>
</table>

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

*Residential first liens

Median % of Respective Loan Class

Median Share Mortgage Backed Securities Maturing/Repricing > 5 Years

Median Share of Other Securities Maturing/Repricing > 5 Years

Source: Call Reports - Boston Fed District (excluding TFR filers)
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?
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.
Number of First District Banks Under Supervisory Attention

- 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

• 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.