1-1-1993

Checklists and illustrative financial statements for savings institutions : a financial accounting and reporting practice aid, January 1993 edition

American Institute of Certified Public Accountants. Technical Information Division

Neil Selden

January 1993 Edition

Checklists and Illustrative Financial Statements for Savings Institutions

A FINANCIAL ACCOUNTING AND REPORTING PRACTICE AID

AICPA

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CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR SAVINGS INSTITUTIONS

The checklists and illustrative financial statements included in this section have been developed by the staff of the Technical Information Division of the AICPA as nonauthoritative technical practice aids. Readers should be aware of the following:

- The checklists and illustrative financial statements are "tools" and in no way represent official positions or pronouncements of the AICPA.

- The checklists and illustrative financial statements have been updated through SAS No. 71, SSARS No. 6, FASB Statement of Financial Accounting Standards No. 109, FASB Interpretation No. 39, FASB Technical Bulletin No. 90-1, AICPA Statement of Position No. 92-3 and EITF consensus adopted up to and including the July 23, 1992 Emerging Issues Task Force meeting. A supplemental checklist outlines disclosure requirements for institutions which are SEC registrants. The checklists should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

- The auditor should be constantly alert to new accounting and financial reporting requirements that may be issued by the Office of Thrift Supervision ("OTS"), which is the primary regulator for savings institutions, and/or any other regulatory agency's requirements. In addition, the auditor should read the latest AICPA Audit Risk Alerts.

- The checklists and illustrative financial statements should be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.

- The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standard should be reviewed if clarification is needed to determine whether the disclosure indicated is required or suggested, and to what extent the disclosure is relevant to the financial statements being audited.

Users of these checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline (see back cover).

Susan Menelaides
Director
Technical Information

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR SAVINGS INSTITUTIONS

TABLE OF CONTENTS

PAGE

INTRODUCTION

The Savings Institutions Industry operates under comprehensive federal and state rules and regulations. Those rules and regulations greatly influence accounting and financial reporting.

Savings institutions subject to the reporting requirements of the Securities Exchange Act of 1934 administered by the Securities and Exchange Commission, and of the Office of Thrift Supervision, are subject to extensive financial and accounting disclosures.

Common accounting and reporting presentations and disclosures by savings institutions include:

- The financial statements of all insured institutions must be prepared in accordance with GAAP and the requirements set forth in the OTS regulations.

- Savings institutions usually prepare a nonclassified statement of financial condition.

- Investments in debt securities and similar assets should be recorded at cost, except for available for sale or trading assets. Any premium or discount on debt securities should be amortized using the interest method. Parenthetical disclosures of market values should be made in the financial statements or notes.

- Most institutions invest in mortgage-backed securities which should be classified as a separate line item on the statement of financial condition with potential disclosure of market value.

- Savings institutions that are members of the FHLB System Supervision are required to maintain a specified investment in shares of Federal Home Loan Bank (FHLB) stock and be insured.

- Disclosures should be made in the notes to financial statements of the composition of savings accounts by interest rates and maturities.

- Advances can be obtained from the FHLB. Appropriate note disclosures should be made.

- The statement of operations is usually reported on a "net interest income" basis (interest expense is deducted from interest revenue).

- The provision for loan losses is usually reported as a deduction from net interest income.

Disclosure Checklists--General

Many auditors and accountants find it helpful to use checklists as practice aids in preparing financial statements and reports. Some firms have developed their own checklists for internal use, and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids that may be available to other practitioners as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

Checklists typically consist of a number of brief questions or statements that are accompanied by references to Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements of Financial Accounting Standards, Accounting Principles Board Opinions and Accounting Research Bulletins, AICPA Statements of Position and EITF Consensuses. Some checklists also include references to FASB Interpretations and Industry Audit Guides. The extent of detail included in checklists varies with the judgment of the preparers on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct references to the authoritative literature.

Checklists usually provide for checking off or initialling each question or point to show that it has been considered. The format used herein is a typical one; it provides for "yes," "no," and "not applicable" answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: "not applicable," "not material," "in statements," and "in notes" (with provisions for indicating a cross reference to the specific statement caption or note). Another format may provide for only two answers, "disclosed" and "not applicable." Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

Disclosure checklists are generally accompanied by caveats that include all of the following points:

- Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.

- The checklists are not all-inclusive and are not intended to present minimum requirements.

- Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

Financial Statements and Notes Checklist

This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

Explanation of References:

ARB = Accounting Research Bulletin

APB = Accounting Principles Board Opinion

SFAS = Statement of Financial Accounting Standards

SAS = Statement on Auditing Standards

FASBI = Financial Accounting Standards Board Interpretation

TB = Technical Bulletin issued by the staff of the FASB

AC = Reference to section number in FASB Accounting Standards Current Text

AU = Reference to section number in AICPA Professional Standards (Vol 1) of SAS cited

A&AG = Audit and Accounting Guide, Audits of Savings Institutions

SOP = AICPA Statement of Position

PB = AICPA Practice Bulletin

EITF = Emerging Issues Task Force Consensus

SAB = Staff Accounting Bulletin of the Securities and Exchange Commission

FRR = Financial Reporting Release of the Securities and Exchange Commission

SX = Regulation S-X of the Securities and Exchange Commission

ARA = AICPA Audit Risk Alert

Yes No N/A

General

A. Titles and References

1. Are the financial statements suitably titled? ___ ___ ___
   [SAS 62, par. 7 (AU 623.07)]

2. Does each statement include a general reference to the notes indicating that they are an integral part of the financial statements? ___ ___ ___
   [Generally accepted]

B. Disclosure of Accounting Policies

1. Is a description of all significant accounting policies of the reporting entity presented as an integral part of the financial statements? ___ ___ ___
   [APB 22, par. 8 (AC A10.102)]

2. Does disclosure of significant accounting policies encompass important judgments as to the appropriateness of principles concerning recognition of revenue, allocation of asset costs to current and future periods and loss reserve policies? ___ ___ ___
   [APB 22, par. 12 (AC A10.105)]

3. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes) so duplication of details is avoided? ___ ___ ___
   [APB 22, par. 14 (AC A10.107)]

4. Has information about business risks and uncertainties faced by financial institutions been disclosed? ___ ___ ___
   [ARA]

C. Accounting Changes

1. For all changes in accounting principles, are the following disclosures made in the year of change?

   a. Nature of the change. ___ ___ ___

Yes No N/A

b. Justification for the change. ___ ___ ___

c. Effect on income before extraordinary items and on net income. ___ ___ ___

d. Effect on related per share amounts. ___ ___ ___
[APB 20, pars. 17 and 19 (AC A06.113 and .115)]

2. For those changes in accounting principles requiring disclosures of cumulative effect and pro forma amounts, are such disclosures made? ___ ___ ___
[APB 20, pars. 19-21, 25 (AC A06.115-.118 and .121)]

3. For changes in the method of accounting for post-retirement life insurance and health care benefits, are appropriate disclosures made? ___ ___ ___
[TB 87-1, par. 4 (AC P50.503); FASB 106, par. 74 (AC P40.169a)]

4. For those changes in accounting principles requiring restatement of prior periods, is the effect of the change disclosed for all periods presented? ___ ___ ___
[APB 20, pars. 28 and 35 (AC A06.124 and A35.113)]

5. Have the applicable AICPA Statements of Position and Guides listed in Appendix A to SFAS 83 (AC section A06, Exhibit 112A) been considered in justifying a change in accounting principle? ___ ___ ___
[SFAS 32, pars. 10-11 (AC A06.112); APB 20, par. 16 (AC A06.112); SFAS 83, pars. 5-6 (AC A06.112)]

6. For a change in accounting estimate affecting future periods, are the following disclosures made in the year of change:

a. Effect on income before extraordinary items and on net income? ___ ___ ___

b. Effect on related per share amounts? ___ ___ ___
[APB 20, par. 33 (AC A06.132)]

	Yes	No	N/A

7. Is the correction of an error shown as a prior period adjustment with disclosure of the following in the period of its discovery and correction?

   a. Nature of the error in previously issued financial statements. ___ ___ ___

   b. Effect of its correction on income before extraordinary items, net income (and related per share amounts). ___ ___ ___
      [APB 20, pars. 36-37 (AC A35.105); SFAS 109, par. 288n (AC A35.103)]

D. Comparative Financial Statements

1. Have comparative statements been considered? ___ ___ ___
   [ARB 43, Ch. 2A, pars. 1-2 (AC F43.101-.102)]

2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance? ___ ___ ___
   [ARB 43, Ch. 2A, par. 3 (AC F43.103)]

3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? ___ ___ ___
   [ARB 43, Ch. 2A, par. 3 (AC F43.103)]

E. Business Combinations

1. If a business combination occurred during the period and met the specified conditions for a pooling of interests: [APB 16, pars. 45-48 (AC B50.104-.107)]

   a. Has the pooling interest method been applied? ___ ___ ___
      [APB 16, pars. 50-62 (AC B50.109-.121)]

   b. Do the statements and notes include the names and descriptions of companies involved, number of shares of stock issued, details of operations for the part of the year before the pooling, adjustments to adopt common accounting principles and effect on prior net income, details of

Yes No N/A

equity changes if fiscal year change, and reconciliation of revenue and net income previously reported to amounts now reported?
[APB 16, pars. 63-65 (AC B50.122-.124)]

2. If a business combination does not meet the specified conditions for a pooling of interests:

   a. Has the combination been accounted for by the purchase method?
   [APB 16, pars. 66-94; SFAS 96, pars. 23 and 205c (AC B50.125-.147A and .159-.163); SFAS 38 (AC B50.148-.150 and .166); FASBI 9, pars. 4-7 (AC B50.155-.157)]

   b. Do the statements and notes include the name and description of purchased company; time period for which post-purchase results are included in income; cost, number of shares issued or issuable, and amounts assigned to such shares; method and period for amortizing goodwill; contingent payments or commitments; and the nature and amounts of any regulatory financial assistance granted in connection with the acquisition of a banking or thrift institution?
   [APB 16, pars. 95-96 (AC B50.164-.165)]

   c. In connection with the acquisition of a banking or thrift institution, are the nature and amounts of any regulatory financial assistance disclosed?
   [SFAS 72, par. 11 (AC B50.158F), A&AG 17.02-17.15, EITF 88-19]

3. Has any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill or other noncurrent intangible assets of an acquired entity or directly to contributed capital (paragraphs 30 and 36 of SFAS 109, AC Section I27.129 and .135) been disclosed?
[SFAS 109, par. 48 (AC I27.147)]

Yes No N/A

4. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired:

   a. Is the amortization period no greater than the estimated remaining life of long-term interest-bearing assets acquired? ___ ___ ___
   [SFAS 72, par. 4 (AC I60.131)]

   b. Is the interest method used as the amortization method? ___ ___ ___
   [SFAS 72, par. 5 (AU I60.133)]

   c. Are method and period of amortization disclosed? ___ ___ ___
   [APB 17, par. 30 (AC I60.111)]

5. If financial statements for prior years are restated, have all purchase business combinations that were consummated in those prior years been remeasured in accordance with the requirements of SFAS 109? ___ ___ ___
[SFAS 109, par. 53 (AC Appendix C - C23)]

6. If a savings institution was acquired by the Federal Savings and Loan Insurance Corporation or a successor governmental agency under a Management Consignment Program, was the amount of the excess of liabilities over identified assets acquired classified as deficit equity, not as goodwill, and presented separately from subsequent retained earnings? ___ ___ ___
[EITF 85-41]

7. If a financial institution is acquired pursuant to an assistance agreement between the acquiror and the Federal Savings and Loan Insurance Corporation (or its successor) ("the governmental agency"), are the following considered?

   a. If part of the governmental agency assistance involved a note receivable from the agency, was a portion of the note receivable, equal to the fair value of the equity securities sold to the governmental agency, offset against the equity securities (unless it can be demonstrated that the equity

Yes No N/A

security is economically separable from the note)? Economic separability may be demonstrated only if all of the following conditions are met: ___ ___ ___

(1) The regulator acquires equity securities for cash at the same per-share price as other shareholders, and the securities are identical in all substantive respects (except for voting rights) to those issued to other shareholders. ___ ___ ___

(2) The portion of stock acquired by the regulator is less than 20 percent of the outstanding stock. ___ ___ ___

(3) The dividend requirements on the stock held by the regulator are the same as on the stock held by others. ___ ___ ___

(4) The dividend terms of the equity securities do not match and offset the principal and interest terms of the note receivable. ___ ___ ___

(5) Repayment of principal and interest on the note is due independently of dividend or redemption payments. ___ ___ ___

(6) The interest rate stated in the note receivable from the regulator is a market rate. ___ ___ ___

(7) The stock cannot be put back to the institution by the regulator (however, callable stock is acceptable). ___ ___ ___

b. If all or a portion of the note receivable from the governmental agency is offset against the equity from the securities issued to the agency, are subsequent dividend payments to the governmental agency on the equity securities netted against cash receipts from the governmental agency for interest payments on the note, and the net amount recorded as regulatory assistance? ___ ___ ___
[EITF 88-19]

	Yes	No	N/A
8. Where the entity has purchased an enterprise, and applied guidance outlined in EITF 87-11 regarding the intended disposition of a subsidiary in accounting for the purchase, and the subsidiary has not yet been disposed, has the additional disclosure guidance in EITF 90-6, if applicable, been followed? [EITF 90-6]	___	___	___

F. Consolidations

1. If consolidated statements are presented:

	Yes	No	N/A
a. Is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, par. 13 (AC A10.106)]	___	___	___
b. Are material intercompany balances and transactions eliminated? [ARB 51, par. 6 (AC C51.109)]	___	___	___
c. Are summarized financial statements of consolidated subsidiaries included in notes to financial statements or in a schedule by majority owned financial institutions? [A&AG, pars. 1.590 and 19.02]	___	___	___
d. In instances when the financial reporting periods of subsidiaries differ from those of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations? [ARB 51, par. 4 (AC C51.107)]	___	___	___
2. Are the accounts of majority owned or controlled subsidiaries and joint ventures consolidated? [SFAS 94, par. 13 (AC C51.103)]	___	___	___
3. If the consolidated financial statements include more than one accepted practice of accounting for marketable securities, are the required disclosures for the various methods disclosed? [SFAS 12, par. 20 (AC I89.114)]	___	___	___
4. Have combined financial statements been considered if entities are under common control? [ARB 51, pars. 22-23 (AC C51.121-.122)]	___	___	___

	Yes	No	N/A

G. Related-Party Transactions and Economic Dependency

1. For related-party transactions, do disclosures include:

   a. The nature of the relationship(s) involved (e.g., parent, subsidiary and affiliated companies, officers, stockholder, etc.)? ___ ___ ___

   b. A description of the transactions, including transactions for which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements? ___ ___ ___

   c. The dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period? ___ ___ ___

   d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement? ___ ___ ___
   [SFAS 57, pars. 2-4 (AC R36.102-.104)]

   e. If the institution is part of a group that files a consolidated tax return, is the amount of current and deferred tax expense disclosed for each of the periods for which income statements are presented and the amount of any tax-related balances due to or from affiliates as of the date of each balance sheet presented disclosed? ___ ___ ___
   [SFAS 109, par. 49(a) (AC I27.148(a))]

   f. Are the principal provisions of the method by which current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in the method disclosed for each of the periods for which separately issued income statements are presented? ___ ___ ___
   [SFAS 109, par. 49(b) (AC I27.148(b))]

Yes No N/A

2. Is information about economic dependency disclosed when necessary for a fair presentation? ___ ___ ___
   [SFAS 21, par. 9 (AC S20.103)]

3. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting enterprise and one or more other enterprises are under common ownership or management control, and the existence of the control could result in operating results or financial position of the reporting enterprise being significantly different from those that would have resulted if the enterprise were autonomous? ___ ___ ___
   [SFAS 57, pars. 2 and 4 (AC R36.102 and .104)]

4. Was a review made of selected related-party transactions and has it been substantiated that the transactions were made on terms equivalent to those that prevail in arm's length transactions? ___ ___ ___
   [SFAS 57, par. 3 (AC R36.103)]

H. Financial Instruments (General - See also steps for specific areas)

1. For financial instruments with off-balance-sheet risk (except for certain insurance contracts, lease contracts under SFAS 13, purchase obligations, employers' obligations for pension benefits and other forms of defined compensation, and extinguished debt pursuant to an in-substance defeasance) are the following disclosed either in the body of the financial statements or in the notes by class of financial instrument?[1]

   a. The face or contract amount (or notional principal amount if there is no face or contract amount). ___ ___ ___

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[1] Practices for grouping and separately identifying--classifying--similar financial instruments in statements of financial condition, in notes to financial statements, and in various regulatory reports have developed and become generally accepted, largely without being codified in authoritative literature. In SFAS 105, class of financial instrument refers to those classifications.

Yes No N/A

b. The nature and terms, including, at a minimum, a discussion of:

(1) The credit and market risk of those instruments. ___ ___ ___

(2) The cash requirements of those instruments. ___ ___ ___

(3) The related accounting policy pursuant to the requirements of APB Opinion No. 22. ___ ___ ___
[SFAS 105, pars. 14, 15 and 17 (AC F25.112)]

2. For financial instruments with off-balance-sheet risk, (except as noted above in step H.1.) are the following disclosed, either in the body of the financial statements or in the notes, by class of financial instrument?[2]

a. The amount of accounting loss the entity would incur if any party to the financial instrument failed completely to perform according to the terms of the contract and the collateral or other security, if any, for the amount due proved to be of no value to the entity. ___ ___ ___

b. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments. ___ ___ ___
[SFAS 105, par. 18 (AC F25.113)]

3. Do the disclosures of all significant concentrations of credit risk arising from all financial instruments, whether off-balance-sheet or from individual counterparty or groups of counterparties, (except for certain insurance contracts, purchase contracts and pension obligations) include:

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[2] See footnote 1.

Yes No N/A

a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration? ___ ___ ___

b. The amount of the accounting loss due to credit risk the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity? ___ ___ ___

c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? ___ ___ ___

[SFAS 105, par 20 (AC F25.115)]

4. For all fiscal years subsequent to the year of transition, have SFAS 105 disclosures been included for each year for which a statement of financial condition is presented for comparative purposes? ___ ___ ___
[SFAS 105, par. 22]

5. Has the fair value of financial instruments for which it is practicable to estimate that value (except for those excluded in paragraphs 8 and 13 of SFAS 107) been disclosed either in the body of the financial statements or in the accompanying notes (for those entities with less than $150 million in assets, the effective date is for financial statements of SFAS 107 issued for fiscal years ending after December 15, 1995)? ___ ___ ___
[SFAS 107, par. 10 (AC F25.115C)]

6. Have the method(s) and significant assumptions used to estimate the fair value of financial instruments been disclosed? ___ ___ ___
[SFAS 107, par 10 (AC F25.115C)]

7. If it is not practicable to estimate the fair market value of a financial instrument, has the following been disclosed?

	Yes	No	N/A
a. Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity.	___	___	___
b. The reasons why it is not practicable to estimate fair value. [SFAS 107, par. 14 (AC F25.115G)]	___	___	___

I. Contingencies and Commitments

	Yes	No	N/A
1. Are the nature and amount of accrued loss contingencies including those related to litigation, claims and assessments, disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, pars. 9 and 34 (AC C59.108 and 140)]	___	___	___
2. For loss contingencies, including those related to litigation, claims and assessments not accrued, do disclosures indicate: [SFAS 5, pars. 10 and 34-39 (AC C59.109,.111 and .139-.145)]			
a. Nature of the contingency?	___	___	___
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109 and .111)]	___	___	___
3. Are the nature and amount of guarantees disclosed (for example, obligation under standby letters of credit, and guarantees to repurchase loans that have been sold and commitments to originate loans)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1-3 (AC C59.114); (A&AG 6.53)]	___	___	___
4. Are gain contingencies adequately disclosed and misleading implications about the likelihood of realization avoided? [SFAS 5, par. 17 (AC C59.118)]	___	___	___

Yes No N/A

5. Is there adequate disclosure of commitments, such as those for capital expenditures, for purchase or sale of securities under financial futures contracts, and for funding of loans? [SFAS 5, pars. 18-19 (AC C59.120); A&AG - 6.53-54, 16.34] ___ ___ ___

J. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03-.04, .07 and 561.01-.09 (AU 560.03-.04, .07 and 561.01-.09)] ___ ___ ___

2. Are subsequent events that provide evidence about conditions that did not exist at balance sheet date but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120); SAS 1. secs. 560.05-.07, .09 and 561.01-.09 (AU secs. 560.05-.07, .09 and 561.01-.09)] ___ ___ ___

K. Pension Plans - [For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 (AC Pe5)]

1. If there is a defined benefit plan, do disclosures include:

   a. A description of the plan, including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented? [SFAS 87 par. 54a (AC P16.150A)] ___ ___ ___

Yes No N/A

b. The amount of net periodic pension cost for the period, showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components?[3] [SFAS 87 par. 54b (AC P16.150B)] ___ ___ ___

c. Are all amounts shown within three months of balance-sheet date using a consistent date from year to year? (Estimates may be necessary.) [SFAS 87, par. 52 (AC P16.148)] ___ ___ ___

d. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial condition, showing separately:

(1) The fair value of plan assets? ___ ___ ___

(2) The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation? ___ ___ ___

(3) The amount of unrecognized prior service cost? ___ ___ ___

(4) The amount of unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)? ___ ___ ___

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[3] The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87. That net total includes:

(1) The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on assets).

(2) Amortization of the net gain or loss from earlier periods.

(3) Amortization of unrecognized prior service cost.

(4) Amortization of the unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 [AC P16].

Yes No N/A

(5) The amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 (AC P16)? ___ ___ ___

(6) The amount of any additional liability recognized pursuant to SFAS 87, par. 36 (AC P16.130)? ___ ___ ___

(7) The amount of net pension asset or liability recognized in the statement of financial condition pursuant to SFAS 87, paragraphs 35-36 (AC P16.129-.130) (which is the net result of combining the preceding six items)? ___ ___ ___
[SFAS 87, par. 54c (AC P16.150c)]

e. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets? ___ ___ ___
[SFAS 87, par. 54d (AC P16.150d)]

f. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties? ___ ___ ___
[SFAS 87, par. 54e (AC P16.150e)]

g. If applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 [AC P16 .120 and .127], and the existence and nature of the commitment discussed in SFAS 87, paragraph 41 [AC P16.135]? ___ ___ ___
[SFAS 87, par. 54 (AC P16.150)]

h. If more than one defined benefit plan exists:
[SFAS 87, par. 56 (AC P16.153)]

(1) Have the required disclosures required by step K.1. above been aggregated for all of the employer's single-employer defined benefit plans or disaggregated

	Yes	No	N/A
in groups so as to provide the most useful information?	___	___	___
(2) Are plans with assets in excess of accumulated benefit obligations not aggregated with plans that have accumulated benefit obligations that exceed plan assets?	___	___	___
(3) Are disclosures for plans outside the U.S. not combined with those for U.S. plans unless those plans use similar economic assumptions? [SFAS 87 par. 56 (AC P16.153)]	___	___	___
2. If there is a defined contribution plan, do disclosures include:			
a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented?	___	___	___
b. The amount of cost recognized during the period? [SFAS 87, par. 65 (AC P16.162)]	___	___	___
c. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan:			
(1) The substance of the plan to provide a defined benefit?	___	___	___
(2) If the answer is yes, have disclosures required for a defined benefit plan under step K.1. above been made? [SFAS 87, par. 66 (AC P16.163)]	___	___	___
3. If there is a multiemployer plan, do disclosures include:			
a. A description of the multiemployer plan(s) including the employee groups covered, the types of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting			

Yes No N/A

comparability of information for all periods presented? ___ ___ ___
[SFAS 87, par. 69a (AC P16.166a)]

b. The amount of cost recognized during the period? ___ ___ ___
[SFAS 87, par. 69b (AC P16.166b)]

c. If the situation arises where the withdrawal from a multiemployer plan may result in the employer having an obligation to the plan for a portion of its unfunded benefit obligations, which is either possible or reasonably possible, have the provisions of SFAS 5 [AC C59] been applied? ___ ___ ___
[SFAS 87, par. 70 (AC P16.167)]

4. If there is a settlement and/or curtailment of a defined benefit pension plan, termination benefits under such a plan, and/or asset reversion transactions, do disclosures include:

a. A description of the nature of the event(s)? ___ ___ ___

b. The amount of gain or loss recognized? ___ ___ ___
[SFAS 88, par. 17 (AC P16.187)]

5. If an enterprise terminates a defined benefit plan and (1) contributes the assets withdrawn to either a defined contribution plan or an ESOP, (2) the amount contributed is in excess of the employer's required annual contribution to the plan, and (3) the risk and rewards of the ownership of the assets are retained by the employer, are the following considered:

For a defined contribution plan:

a. Is the excess contribution that is not allocated to individual participants accounted for as an asset regardless of the source of funds? ___ ___ ___

b. Is the unallocated amount treated as if it were part of the employer's investments portfolio and recorded as an asset? ___ ___ ___

	Yes	No	N/A
(1) Is the income attributed to such securities including dividends, interest and realized gains and losses reported in a manner consistent with the employer's reporting of similar items?	___	___	___
c. Are the unallocated assets consisting of the employer's own stock recorded as treasury stock in the employer's financial statements?	___	___	___
d. Are the unallocated assets consisting of the employer's debt securities recorded as assets (rather than debt extinguishment) in the employer's financial statements? [EITF 86-27]	___	___	___

L. Postretirement Health Care and Life Insurance Benefits [See Exhibit A] (Assumes Adoption of SFAS 106)

1. If there are one or more defined benefit postretirement plans, do disclosures include:

	Yes	No	N/A
a. A description of the substantive plan(s) that is the basis for the accounting, including the nature of the plan, any modifications of the existing cost-sharing provisions that are encompassed by the substantive plan(s), and the existence and nature of any commitment to increase monetary benefits provided by the postretirement benefit plan, employee groups covered, types of benefits provided, funding policy, types of assets held and significant nonbenefit liabilities, and the nature and effect of significant matters affecting the comparability of information for all periods presented, such as the effect of a business combination or divestiture?	___	___	___

b. The amount of net periodic postretirement benefit cost showing separately the service cost component, the interest cost component, the actual return on plan assets for

	Yes	No	N/A
the period, amortization of the unrecognized transition obligation or transition asset, and the net total of other components?[4]	___	___	___
c. A schedule reconciling the funded status of the plan(s) with amounts reported in the employer's statement of financial condition, showing separately:			
(1) The fair value of plan assets?	___	___	___
(2) The accumulated postretirement benefit obligation, identifying separately the portion attributable to retirees, other fully eligible plan participants, and other active plan participants?	___	___	___
(3) The amount of unrecognized prior service cost?	___	___	___
(4) The amount of unrecognized net gain or loss (including plan asset gains and losses not yet reflected in market-related value)?	___	___	___
(5) The amount of any remaining unrecognized transition obligation or transition asset?	___	___	___
(6) The amount of net postretirement benefit asset or liability recognized in the statement of financial condition, which is the net result of combining the preceding five items?	___	___	___

[4] The net total of other components is generally the net effect during the period of certain delayed recognition provisions of SFAS 106. That net total includes:

a. The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on plan assets).

b. Amortization of unrecognized prior service cost.

c. Amortization of the net gain or loss from earlier periods.

d. Any gain or loss recognized due to a temporary deviation from the substantive plan (paragraph 61 of SFAS 106).

	Yes	No	N/A
d. The assumed health care cost trend rate(s) used to measure the expected cost of benefits covered by the plan (gross eligible charges) for the next year and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when the rate is expected to be achieved?	___	___	___
e. The weighted-average of the assumed discount rate(s) and rate(s) of compensation increase (for pay-related plans) used to measure the accumulated postretirement benefit obligation and the weighted-average of the expected long term rate(s) of return on plan assets and, for plans whose income is segregated from the employer's investment income for tax purposes, the estimated income tax rate(s) included in that rate of return?	___	___	___
f. The effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on:			
(1) The aggregate of the service and interest cost components of net periodic postretirement health care benefit cost?	___	___	___
(2) The accumulated postretirement benefit obligation for health care benefits? (For purposes of this disclosure, all other assumptions should be held constant and the effects should be measured based on the substantive plan that is the basis for the accounting.)	___	___	___
g. The amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer and related parties?	___	___	___
h. Any alternative amortization method used pursuant to paragraphs 53 or 60 of SFAS 106 [AC P40.148 or .155]?	___	___	___

Yes No N/A

i. The amount of gain or loss recognized during the period for a settlement or curtailment and a description of the nature of the event(s)? ___ ___ ___

j. The cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event(s)? ___ ___ ___
[SFAS 106, par. 74a-j (AC P40.169a-j)]

k. If applicable, disclosure transition provisions allowed under SFAS 106? ___ ___ ___
[SFAS 106 pars. 108-113]

2. If more than one defined benefit postretirement plan exists:

a. Have the disclosures required by step 1 above been aggregated for all of an employer's single-employer defined benefit postretirement plans or disaggregated in groups so as to provide the most useful information (except for purposes of the disclosures required by step 1c above, the aggregate plan assets and the aggregate accumulated postretirement benefit obligation of the underfunded plans should be separately disclosed)? ___ ___ ___

b. Are plans that provide primarily postretirement healthcare benefits and plans that provide primarily other postretirement welfare benefits separately disclosed if the accumulated postretirement benefit obligation of the latter plans is significant relative to the aggregate accumulated postretirement benefit obligation for all the plans? ___ ___ ___
[SFAS 106, par. 77 (AC P40.172)]

3. If there is a multiemployer plan, do disclosures include:

a. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided (defined benefits or defined contribution), and the nature and effect of significant matters affecting

Yes No N/A

comparability of information for all periods presented? ___ ___ ___

b. The amount of postretirement benefit cost recognized during the period, if available, otherwise, the amount of the aggregate required contribution for the period to the general health and welfare benefit plan that provides health and welfare benefits to both active employees and retirees? ___ ___ ___
[SFAS 106, par. 82a-b (AC P40.178a-b)]

c. Have the provisions of SFAS 5 [AC C59] been applied if the situation arises where withdrawal from a multiemployer plan may result in an employer's having an obligation to the plan for a portion of the plan's unfunded accumulated postretirement benefit obligation and it is either probable or reasonably possible that:

(1) An employer would withdraw from the plan under circumstances that would give rise to an obligation? ___ ___ ___

or

(2) An employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage? ___ ___ ___
[SFAS 106, par. 83 (AC P40.179)]

4. If there are one or more defined contribution postretirement plans, have the following items been disclosed separately from defined benefit postretirement plan disclosures:

a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented? ___ ___ ___

b. The amount of cost recognized during the period? ___ ___ ___
[SFAS 106, par. 106 (AC P40.198)]

	Yes	No	N/A
M. Options, Interest Rate Futures Contracts and Similar Instruments			
1. If an interest rate futures contract is to be designated a hedge are the following conditions met:			
a. Does the item to be hedged expose the institution as a whole to interest rate risk?	___	___	___
b. Does the futures contract reduce the exposure to interest-rate risk and is it designated as a hedge? [A&AG, par. 16.66]	___	___	___
2. If the futures contract is to hedge an anticipated transaction, are the following criteria met: [SFAS 80, par. 9 (AC F80.109)]			
a. Are the significant characteristics and expected terms of the anticipated transaction identified?	___	___	___
b. Is it probable that the anticipated transaction will occur? [A&AG, par. 16.67]	___	___	___
3. If an interest rate futures contract is accounted for as a hedge, do disclosures include:			
a. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts?	___	___	___
b. The method of accounting for the futures contracts, including a description of the events or transactions that result in income recognition of the changes in value of the futures contracts? [A&AG, par. 16.81]	___	___	___
4. Are the following disclosures (in addition to SFAS 106 disclosures) made for options:			
a. The market value of options purchased and written, and the market value of option premiums paid or received?	___	___	___

	Yes	No	N/A
b. For options accounted for as hedges, the nature of the assets or liabilities that are being hedged? [A&AG, par. 16.84]	___	___	___
5. Are the following disclosures (in addition to SFAS 106 disclosures) made for interest rate swaps:			
a. The notional amount(s) and nature and purpose of the swap, including a determination of whether the swap is speculative or is intended to hedge or modify the terms of an existing asset or liability?	___	___	___
b. The treatment of any fees received or paid?	___	___	___
c. Interest rates on the swap at the balance-sheet date, including disclosure of whether the institution pays or receives a fixed or variable rate?	___	___	___
d. The original and remaining term to maturity of the swap?	___	___	___
e. Swap terminations, including the amount and method of accounting for gains and losses on swap terminations?	___	___	___
f. The nature of any other commitments made by the institution, such as the commitment to take delivery of mortgage-backed securities at a specified price on a mortgage swap? [A&AG, par. 16.84]	___	___	___
N. Other Matters			
1. If required, does the financial statement presentation include segment information? [SFAS 14 (AC 520); SFAS 24, par. 5 (AC S20.109-.110); SFAS 30, par. 6 (AC S20.145); and TB's 79-4, 79-5 and 79-8 (AC S20.501-507)]	___	___	___
O. Lessee Leases			
1. For capital leases, do disclosures include:			
a. Gross amounts of assets and accumulated amortization thereon recorded by major			

Yes No N/A

classes as of the date of each balance sheet presented? ___ ___ ___
[SFAS 13, par. 16a (AC L10.112a(1))]

b. Future minimum lease payments, as of the latest balance sheet date, presented in the aggregate and for each of the five succeeding fiscal years and thereafter, with appropriate separate deductions therefrom for executory costs, including any profit thereon, included in the minimum lease payments and imputed interest to reduce net minimum lease payments to present value? ___ ___ ___
[SFAS 13, pars. 10 and 16a (AC L10.106 and .112a(2))]

c. The total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented? ___ ___ ___
[SFAS 13, par. 16a (AC L10.112a(3)]

d. Total contingent rentals actually incurred for each period for which an income statement is presented? ___ ___ ___
[SFAS 13, par. 16a (AC L10.112a-(4)) amended 10/1/79 by SFAS 29, par. 12]

e. Separate identification of:
[SFAS 13, par. 13 (AC L10.112a(5))]

(1) Assets recorded under capital leases? ___ ___ ___

(2) Accumulated amortization of capital leases? ___ ___ ___

(3) Obligations under capital leases? ___ ___ ___

(4) Amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense? ___ ___ ___

2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:
[SFAS 13, par. 16b (AC L10.112b)]

a. Future minimum rental payments required as of the latest balance sheet date presented

	Yes	No	N/A
in the aggregate and for each of the five succeeding fiscal years and thereafter?	___	___	___
b. The total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented?	___	___	___
3. For all operating leases, do disclosures include rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	___	___	___
4. Do disclosures include a general description of the lessee's leasing arrangements, including but not limited to:			
a. Basis for determination of contingent rentals?	___	___	___
b. Terms of any renewal or purchase options or escalation clauses?	___	___	___
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d)]	___	___	___
P. Nonmonetary Transactions			
1. Have the following disclosures for nonmonetary transactions been made:			
a. Nature of transactions?	___	___	___
b. Basis of accounting?	___	___	___
c. Gain or loss on transfer? [APB 29, par. 28 (AC C11.102, AC N35.120)]	___	___	___

Statement of Financial Condition

	Yes	No	N/A
A. Cash			
1. If material, is the amount of certificates of deposit included in cash disclosed?	___	___	___
2. Are compensating balance arrangements with other financial institutions disclosed?	___	___	___

Yes No N/A

3. Are (1) cash with withdrawal restrictions and (2) material interest-bearing deposits with banks disclosed separately on the statement of financial condition? [A&AG 10.02] ___ ___ ___

4. Outstanding checks in excess of demand deposit account balances (overdraft) excluded and shown as a liability? ___ ___ ___

B. Securities Purchased Under Agreements to Resell [A&AG 3.23]

1. Is the following end of period information disclosed:

   a. A description of the securities underlying the agreements? ___ ___ ___

   b. The cost of the agreements, including accrued interest? ___ ___ ___

   c. The market value of the securities underlying any agreement if less than the cost of that agreement? ___ ___ ___

   d. The maturity of the agreements? ___ ___ ___

   e. The dollar amount of agreements to resell the same securities? ___ ___ ___

   f. The dollar amount of agreements to resell substantially identical securities? ___ ___ ___

   g. Any material concentrations at the end of the period? ___ ___ ___

      (1) If any material concentrations exist at the end of the period, has disclosure been made of the institution's control of the securities underlying the agreements? ___ ___ ___

      (2) If concentrations at the end of the period vary from those during the period, has consideration been given to disclosing this information? ___ ___ ___

   h. Gross repos (assets) and gross reverse repos (liabilities)? ___ ___ ___

Yes No N/A

2. Is the following additional information for repos during the period disclosed?

   a. The maximum amount of outstanding agreements at any month-end during the period. ___ ___ ___

   b. The average amount of outstanding agreements for the period. ___ ___ ___

   c. A statement of whether the securities underlying the agreements were under the institution's control. ___ ___ ___

C. Other Investment Securities (Including Mortgage-Backed Securities)

1. For debt securities held as assets:

   a. 1. Has the institution included in the notes to financial statements an explanation of its accounting policies for debt securities held, including the basis for classification into balance-sheet captions, such as investment, available for sale or trading? ___ ___ ___
      [A&AG 3.34]

      2. Has this institution classified investments as (a) held for sale, (b) assets held for sale, or (c) assets held for trading? ___ ___ ___
      [A&AG 3.27]

   b. For each balance sheet presented, has the institution disclosed in the notes to the financial statements for debt securities carried at either historical cost or the lower of cost or market value: the amortized cost, estimated market values, gross unrealized gains, and gross unrealized losses for each pertinent category listed below: ___ ___ ___
   (SOP 90-11, par. 9)

      (1) Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies? ___ ___ ___

Yes No N/A

(2) Debt securities issued by states of the U.S. and political subdivisions of the states? ___ ___ ___

(3) Debt securities issued by foreign governments and not classified as loans? ___ ___ ___

(4) Corporate securities? ___ ___ ___

(5) Mortgage-backed securities? ___ ___ ___

(6) Other debt securities? ___ ___ ___

c. For the most recent balance sheet, has the institution presented the amortized cost and estimated market values of debt securities due? (SOP 90-11, par. 9)

(1) In one year or less. ___ ___ ___

(2) After one year through five years. ___ ___ ___

(3) After five years through ten years. ___ ___ ___

(4) After ten years. ___ ___ ___

d. For each period for which results of operations are presented, have the proceeds from sales of such debt securities and gross realized gains and gross realized losses on such sales been disclosed? (SOP 90-11, par. 9) ___ ___ ___

2. Are appropriate disclosures made for marketable equity securities? ___ ___ ___
[SFAS 12, par. 12 (AC I89.106)]

3. Is Federal Home Loan Mortgage Corporation Participating Preferred Stock reported at lower of cost or market, with declines reflected as a component in equity absent an intent to dispose of the stock, in conformity with SFAS 12 [AC I89]? ___ ___ ___
[TB 85-1, par. 3 (AC Bt7.503)]

4. Is Federal Home Loan Bank Stock classified as a restricted security and is its value determined based on the ultimate recoverability of

	Yes	No	N/A
the par value, rather than by recognizing temporary declines in value? [A&AG 3.06 & 3.07]	___	___	___
5. Have the following been considered in relation to the investment in high-yield bonds (bonds not rated by at least one nationally recognized statistical rating organization in one of the four highest rating categories): (A&AG 3.24)			
a. Has disclosure been made that the institution is in the process of divestiture as quickly as can be prudently done, but no later than July 1, 1994?	___	___	___
b. Are the investments accounted for at the lower of cost or market (EITF 89-18)?	___	___	___
c. If any of the investments have been transferred to a qualified affiliate, has such transfer been accounted for without gain or loss in the consolidated financial statements? [ARB 51, par. 6 AC C51.109]	___	___	___
6. Have investments made in open-end mutual funds to meet liquidity requirements been reported at the lower of cost or market in accordance with SFAS 12, including changes in valuation? [(A&AG 3.20) (EITF 86-40)]	___	___	___
7. Mortgage Loans and Mortgage-Backed Securities Held			
a. Are mortgage loans and mortgage-backed securities available for sale reported separately in the statement of financial condition? [SFAS 65, par. 28 (AC Mo4.129)]	___	___	___
b. Is the method used in determining lower of cost or market value disclosed (i.e., individual vs. aggregate method)? [SFAS 65, par. 29 (AC Mo4.130)(A&AG 8.25)]	___	___	___

	Yes	No	N/A
c. If the right to service mortgage loans was acquired, is the following information disclosed: [SFAS 65, pars. 29-30 (AC Mo4.130 and .131) and (A&AG 8.25)]			
(1) The amount capitalized during the period in acquiring the right to service and the method used to capitalize such amounts?	___	___	___
(2) The method of amortizing the capitalized amounts?	___	___	___
(3) The amount of amortization for the period?	___	___	___
(4) The amount of the servicing portfolio maintained by the institution for each year in which a statement of operations is presented?	___	___	___
(5) A roll-forward of deferred loan sale premium or discount activity (scheduled amortization, amortization due to changes in prepayment assumptions, additions due to loan sale activity, and so on) for each year of operations presented?	___	___	___
(6) The nature and extent of any recourse provisions caused by, for example, the borrower's default, or by technical underwriting exceptions associated with both the institution's servicing portfolio and loans that the institution may have subsequently sold?	___	___	___
(7) The amount of aggregate gains on sales of servicing included in operations?	___	___	___
(8) A roll-forward of purchased servicing activity (purchases, sales and amortization, and so forth) for each year of operations presented?	___	___	___
(9) The nature and extent of off-balance-sheet escrow accounts?	___	___	___

Yes No N/A

d. If investments in high-risk CMOs are significant, were the following disclosures made in the annual financial statements:

(1) The effective yield, calculated as of the reporting date, for either each CMO or for the CMO portfolio? (This yield will be used to accrue income in the following period.) ___ ___ ___

(2) The carrying amount and fair value of investments in high-risk CMOs? ___ ___ ___

(3) If market quotations were not available, were estimates made? ___ ___ ___

[EITF 89-4]

D. Loans Receivable [A&AG 6.72]

1. Are the loans presented separately on the balance sheet in an aggregate amount? ___ ___ ___

2. Are the following accounts presented separately on the balance sheet or disclosed in a note to the financial statements:

a. Allowance for credit losses? ___ ___ ___

b. Undisbursed portions of loans receivable (loans in process)? ___ ___ ___

c. Unearned income? ___ ___ ___

d. Unamortized premiums and discounts? ___ ___ ___

e. Net unamortized deferred fees and costs? ___ ___ ___

3. Are the following footnote disclosures made: [A&AG, par. 6.73]

a. A classification of loans by major types of lending--for example, residential real estate; commercial real estate; real estate construction; commercial, financial, and agricultural loans; consumer installment loans; and lease financing? ___ ___ ___

b. ADC arrangements that are accounted for as investments or joint ventures and in-

	Yes	No	N/A
substance foreclosed assets reported as separate assets and not within loans?	___	___	___
c. Commitments to purchase or sell loans, including standby commitments?	___	___	___
d. For outstanding loans whose terms have been modified (regardless of when the restructuring occurred) in troubled debt restructurings, have the following required disclosures by major categories of receivables been made in accordance with SFAS 15: (These disclosures are not required for real estate loans secured as one-to-four family residential properties or loans to individuals for household, family or other personal expenditures.)			
(1) The aggregate recorded investment?	___	___	___
(2) The gross interest income that would have been recognized in the period then ended if those receivables had been current in accordance with their original terms and had been outstanding throughout the period (or since origination, if held for only part of the period)?	___	___	___
(3) The amount of interest income that was included in the current period?	___	___	___
(4) The amount of commitments, if any, to lend additional funds to the troubled debtors?	___	___	___
e. The amount of loans on a non-accrual basis, including loans accruing at a reduced rate, and the income effect, if material?	___	___	___
f. Commitments to lend additional funds to debtors whose loans are nonperforming?	___	___	___
g. Disclosure of the aggregate of related party loans if significant to the loan portfolio or the institution's equity? In addition, has consideration been given to the disclosure of activity in such loans and special terms? [SFAS 57, par. 2 (AC R36.102)]	___	___	___

	Yes	No	N/A
h. Disclosure of the activity in the allowance for credit losses for each period for which an income statement is presented? (The note should present the balance in the allowance for credit losses at the beginning and end of each period, additions charged to operations, losses charged against the allowance, and recoveries of amounts previously charged off.)	___	___	___
i. Disclosure of the total carrying value of loans pledged as collateral?	___	___	___
j. Disclosure of other information, such as maturities for significant categories of loans, and the amounts of loans at fixed and variable rates of interest?	___	___	___
k. The weighted average interest rate at each balance sheet date?	___	___	___
4. Does the summary of significant accounting policies include:			
a. The basis of accounting for loans held for portfolio and loans available for sale?	___	___	___
b. Management's policy used in establishing the allowance for loan losses?	___	___	___
c. The method of determining the carrying value of loans available for sale and mortgage-backed securities?	___	___	___
d. The method for recognizing interest income on loans, including the institution's policy for discontinuing accrual of interest on nonperforming loans, and the treatment of loan fees and costs, including the method of amortizing net deferred fees or costs, and the policy for discontinuing the amortization of deferred loan fees on nonperforming loans?	___	___	___
e. The method of amortizing premiums and discounts related to loans and mortgage-backed securities?	___	___	___

	Yes	No	N/A
f. Consider disclosing the ability of regulators to require additions for losses based on information available to them?	___	___	___

E. Real Estate Acquired in Settlement of Loans

	Yes	No	N/A
1. Is real estate acquired in settlement of loans shown separately on the statement of financial condition? [A&AG 19.15]	___	___	___
2. After foreclosure or in-substance foreclosure, is such real estate stated at the lower of fair value at acquisition date (the new cost basis) or fair value minus estimated costs to sell? [SOP 92-3, par. 12]	___	___	___
3. Is activity in the credit allowance account disclosed similar to that for loans receivable? [A&AG 19.19]	___	___	___
4. Are foreclosed assets held for sale valued and disclosed at the lower of fair value minus estimated costs to sell or cost? [SOP 92-3, par. 12]	___	___	___
5. If the fair value of the asset, minus the estimated costs to sell, is less than the cost of the asset, has the deficiency been recognized and disclosed as a valuation allowance? [SOP 92-3, par. 12]	___	___	___
6. Have changes in the valuation allowance based upon fluctuations in the fair value less disposal costs been charged or credited to income? [SOP 92-3, par. 12]	___	___	___
7. Are foreclosed assets held for the production of income reported and accounted for in the same way had they been acquired other than through foreclosure? [SOP 92-3, par. 15]	___	___	___
8. If foreclosed assets originally classified as held-for-sale are reclassified to be held for production of income, has the net effect of			

	Yes	No	N/A
such change been reported in income from continuing operations in the period in which the decision not to sell the asset was made? [SOP 92-3, par. 16]	___	___	___
9. In the period of transition for the adoption of SOP 92-3 for foreclosed assets, has the nature of the change been disclosed in the financial statements in the period in which the change is made? [SOP 92-3, par. 17]	___	___	___
F. Real Estate Acquired for Sale or Development			
1. Is such real estate recorded at lower of cost (including cost of improvements and amenities incurred subsequent to acquisition) or estimated net realizable value? [A&AG 9.03]	___	___	___
2. If interest cost has been incurred in connection with the completing or developing real estate, including real estate held by an equity method investee, is the amount of capitalized interest cost disclosed? [SFAS 34, par. 21 (AC I67.118) (A&AG 9.09)]	___	___	___
3. Have ADC arrangements that do not have characteristics of loans been appropriately classified as investments in joint ventures or investments in real estate? (A&AG 9.14 and Appendix A par. 17)]	___	___	___
G. Investments in Joint Ventures [A&AG 19.19]			
1. If an allowance for real estate losses, subsequent to acquisition, is maintained, is the amount disclosed and deducted from other real estate owned?	___	___	___
a. Are appropriate details disclosed:	___	___	___
(1) Name and percentage of ownership?	___	___	___
(2) Accounting policy of the institution for equity investments?	___	___	___
(3) The difference, if any, between the average amount of the investment and			

Yes No N/A

the amount of the underlying equity in net assets and the accounting investment of that difference? ___ ___ ___
[SOP 78-9, par. 12]

2. Has a consolidating statement of financial condition and consolidating operating statement from majority owned subsections and joint ventures been presented as supplementary information? ___ ___ ___
[A&AG 1.59]

3. Is a separate summary of financial statements presented for each service corporation and joint venture of an institution or its subsidiaries meeting certain OTS criteria. ___ ___ ___
[A&AG 19.02]

H. Premises and Equipment

1. Are fixed assets shown on the balance sheet net of accumulated depreciation? ___ ___ ___
[A&AG 19.15]

2. Is the carrying basis and method of depreciation disclosed? ___ ___ ___
[A&AG 19.19 (APB 12 par. 5) (D40.105(a)]

3. Are the balances of major classes of depreciable assets disclosed? ___ ___ ___
[APB 12, par. 5b (AC D40.105b); and A&AG 19.19]

4. Is accumulated depreciation, either by major classes of assets or in total, disclosed? ___ ___ ___
[APB 12, par. 5c (AC D40.105c)]

5. Are material commitments for property expenditures disclosed? ___ ___ ___
[SFAS 5, pars. 18-19 (AC C59.120)]

6. Is the amount of capitalized interest cost disclosed? ___ ___ ___
[SFAS 34, par. 21 (AC I67.118)]

7. Is depreciation expense for the period disclosed? ___ ___ ___
[APB 12 par. 5 (D40.107(a)]

Yes No N/A

8. For an existing property with an asbestos problem, were the costs incurred to treat the problem if charged to expense not classified as an extraordinary item? ___ ___ ___
[EITF 89-13]

I. Federal Home Loan Bank Stock

1. Has consideration been given to having the stock shown separately on the statement of financial condition at cost after considering the ultimate recoverability of the par value? ___ ___ ___
[A&AG 3.07]

2. If used as collateral for advances from the Federal Home Loan Bank, is this fact disclosed? ___ ___ ___
[A&AG 3.09]

J. Accrued Interest Receivable

1. Has consideration been given to showing accrued interest receivable separately, by major categories of assets on the statement of financial condition, if material? ___ ___ ___
[A&AG 19.15 and 19.19]

K. Other Assets

1. Are investments in life insurance contracts reported at amounts that can be realized as of the balance sheet date? ___ ___ ___
[TB 85-4, par. 2 (AC I50.508)]

2. Are the following items disclosed for an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired in a combination initiated after September 30, 1982:

a. The method and period of amortization? (If material, disclose separately the core deposit intangible and life over which it is being amortized) ___ ___ ___
[APB 17, par. 30 (AC I60.111)]

Yes No N/A

b. If regulatory assistance was not received, and receipt of assistance is probable and reasonably estimable, has a portion of the cost of the acquired enterprise been assigned to such assistance? ___ ___ ___
[SFAS 72, par. 9 (AC B50.158D)]

c. If the receipt of the assistance is not probable or the amount is not reasonably estimable, has any assistance subsequently received been reported as a reduction of goodwill? ___ ___ ___
[SFAS 72, par. 9 (AC B50.158D)]

d. Has consideration been given to writing off impaired goodwill in a troubled institution or an institution with factors leading to a going concern opinion? ___ ___ ___
[A&AG, par. 10.12 and SFAS 72, par. 6 (AC I60.134)]

e. Has subsequent amortization been adjusted proportionately? ___ ___ ___
[SFAS 72, par. 9 (AC B50.158D)]

f. Has assistance received in excess of goodwill been reported as income? ___ ___ ___
[SFAS 72, par. 9 (AC B50.158D)]

L. Savings Accounts

1. Is the following information disclosed:
[A&AG 13.26]

a. Major types of interest-bearing and non-interest-bearing deposits by interest rate ranges? (Typical categories include NOW accounts, MMDA accounts, savings deposits, and time deposits.) ___ ___ ___

b. The rates at which the institution paid interest on deposit accounts and the related deposit balances at year end? (Typically, this information is broken out by type of deposit.) ___ ___ ___

c. The aggregate amount of contractual maturities of time deposits for each of the five years following the date of the latest

	Yes	No	N/A
balance sheet presented (in accordance with SFAS 47 [AC C32])?	___	___	___
d. The weighted-average interest rate of year-end deposit balances?	___	___	___
e. Securities or mortgage loans pledged as collateral for certain deposits?	___	___	___
f. Income from early-withdrawal penalties?	___	___	___
g. Overdrawn balances of demand accounts that are included in loan balances?	___	___	___
h. Deposits received from related parties, if material?	___	___	___
i. Separate disclosure of accounts over $100,000 and collateral requirements, if any?	___	___	___
j. Interest expense by type of account?	___	___	___
k. Deposits of government entities and collateral securing such deposits?	___	___	___
M. Advances From Federal Home Loan Bank			
1. Do the notes to the financial statements disclose the following:			
a. Maturity dates due after one year? [A&AG 19.19]	___	___	___
b. Assets pledged as collateral? [SFAS 5, par. 18 (AC C59.120); A&AG, par. 19.19]	___	___	___
N. Securities Sold Under Agreements to Repurchase [A&AG 11.29]			
1. Is the following end of period information disclosed:			
a. A description of the securities underlying the agreements?	___	___	___
b. The book value, including accrued interest, of the securities underlying the agreements?	___	___	___

	Yes	No	N/A
c. The market value of the securities underlying the agreements?	___	___	___
d. The maturity of the agreements?	___	___	___
e. The weighted-average interest rate of the agreements?	___	___	___
f. The dollar amount of agreements to repurchase the same securities?	___	___	___
g. The dollar amount of agreements to repurchase substantially identical securities?	___	___	___
h. With regard to any material concentrations at the end of the period:			
(1) Has disclosure been made of the institution's control of the securities underlying the agreements?	___	___	___
(2) If the concentrations at the end of the period vary from those during the period, has consideration been given to disclosing this information?	___	___	___
i. Financial investments with off balance sheet risk?	___	___	___
2. Disclosures for reverse repos and dollar reverse repos during the period should include the following:			
a. The maximum amount of outstanding agreements at any month end during the period.	___	___	___
b. The average amount of outstanding agreements for the period.	___	___	___
c. A statement of whether the securities underlying the agreements were under the institution's control. [A&AG 1.29]	___	___	___

O. Income Taxes (Assumes Adoption of SFAS 109)

1. Have deferred tax assets and liabilities determined for each tax-paying component (an individual entity or group of entities that is

	Yes	No	N/A
consolidated for tax purposes) in each tax jurisdiction been presented separately? [SFAS 109, par. 17 (AC I27.116)]	___	___	___
2. Have the components of the net deferred tax asset or liability recognized in the statement of financial condition been disclosed? [SFAS 109, par. 43 (AC I27.142)]	___	___	___
a. The total of all deferred tax liabilities.	___	___	___
b. The total of all deferred tax assets.	___	___	___
c. The total valuation allowance and charge for the year for deferred tax assets.	___	___	___
d. The types of significant temporary differences and carryforwards.	___	___	___
P. Other Borrowed Money			
1. Are the principal terms of the agreements disclosed including, but not limited to the following: [A&AG 12.30]			
a. Title and nature?	___	___	___
b. Interest rate?	___	___	___
c. Payment terms and maturity dates?	___	___	___
d. Maturities and subsidiary fund requirements for each of the next five years?	___	___	___
e. Restrictive covenants?	___	___	___
f. Collateral-type and carrying value?	___	___	___
g. If the debt is considered in-substance defeased, has a general description of the transaction and the amount of the debt that is considered extinguished at the end of the period been disclosed as long as the debt remains outstanding?	___	___	___

	Yes	No	N/A
2. Are all significant categories of borrowings presented as separate line items in the liability section of the balance sheet? [A&AG 12.30]	___	___	___
3. Is the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented? [SFAS 47, par. 10f (AC C32.105b)]	___	___	___
4. Are conversion features appropriately accounted for and disclosed? [SFAS 84, pars. 2, 3, 23, 93; APB14, pars. 17-18 (AC D10.103 and D10.105-.107); APB 15, par. 19 (AC E09.110)]	___	___	___
5. For a troubled debt restructuring occurring during the current period, do disclosures include: [SFAS 15, par. 25 (AC D22.121)]			
a. For each restructuring (individually or grouped by category of debtor), a description of the principal changes in terms, the major features of settlement, or both?	___	___	___
b. Aggregate gain on restructuring of payables and the related income tax effect?	___	___	___
c. Aggregate net gain or loss on transfers of assets recognized during the period?	___	___	___
6. For periods after a troubled debt restructuring, do disclosures include:			
a. The extent to which amounts contingently payable are included in the carrying amount of restructured payables?	___	___	___
b. Total amounts that are contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [SFAS 15, par. 26 (AC D22.122)]	___	___	___

Yes No N/A

7. If debt is considered to be extinguished through an in-substance defeasance, does the disclosure include:
[SFAS 76, par. 6 (AC D14. 108)]

   a. A general description of the transaction? ___ ___ ___

   b. The amount of debt that is considered extinguished at the end of the period, so long as that debt remains outstanding? ___ ___ ___

8. If there is an extinguishment of debt, (including prepayment of FHLB advances) is the difference between reacquisition price and carrying amount:

   a. Recognized currently in income? ___ ___ ___
   [APB 26, pars. 20-21 (AC D14.103-.104); TB 80-1, pars. 3-4 (AC D14.503-.504); SFAS 84, par. 5 (AC D14.101)]

   b. Identified as a separate or extraordinary item, as appropriate? ___ ___ ___
   [SFAS 4, par. 8 as amended by SFAS 64, par. 4 (AC D14.105)]

9. Do disclosures for extinguishment of debt include:

   a. Description of the extinguishment transactions, including the sources of any funds used to extinguish debt if it is practicable to identify the sources? ___ ___ ___

   b. Income tax effect in the period of extinguishment? ___ ___ ___
   [SFAS 4, par. 9 (AC D14.107)]

Q. Advances From Borrowers for Taxes and Insurance

1. Is the amount shown separately on the statement of financial condition? ___ ___ ___
[A&AG 19.15]

2. If required to establish special funds, consider separately disclosing the special funds and related liability? ___ ___ ___
[A&AG 10.09]

	Yes	No	N/A

R. Other Liabilities

1. Are short sale proceeds reported as a liability? ___ ___ ___
   [A&AG, par. 3.13]

2. For loans transferred with recourse that are not reported as sales, is the amount of proceeds from the transfer reported as a liability? ___ ___ ___
   [SFAS 77, par. 8 (AC R20.108) and A&AG 6.48]

3. Are liabilities appropriately accrued and reported for employees' compensation for future absences? ___ ___ ___
   [SFAS 43, par. 6 (AC C44.104)]

4. Are liabilities for special termination benefits to employees appropriately accrued and reported when the employees accept the offer and the amount can be reasonably estimated? ___ ___ ___
   [SFAS 88, par. 15 (AC P16.185)]

S. Capital Stock

1. For each class of stock, do disclosures include the number of shares authorized, issued and outstanding, and par or stated value per share? ___ ___ ___
   [APB 12, par. 10 (AC C08.102)]

2. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding, for example: dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, or unusual voting rights? ___ ___ ___
   [APB 15, par. 19 (AC E09.110)]

3. Are the amounts of redemption requirements for all issues of capital stock that are redeemable at fixed or determinable prices on fixed or determinable dates disclosed for each of the five years following the date of the latest balance sheet presented? ___ ___ ___
   [SFAS 47, par. 10 (AC C32.105)]

	Yes	No	N/A
4. Has consideration been given to the classification of preferred stock instruments related to the including or excluding from equity? [A&AG 14.09]	___	___	___
5. Are liquidation preferences of preferred stock issues disclosed in the equity section of the balance sheet in the aggregate? [APB 10, par. 10 (AC C16.101)]	___	___	___
6. For preferred stock do disclosures include: [APB 10, par. 11 (AC C16.102)]			
a. The aggregate or per share amounts at which shares may be called or are subject to redemption?	___	___	___
b. The aggregate and per share amounts of arrearages in cumulative preferred dividends?	___	___	___
7. For stock option and stock purchase plans, do disclosures include:			
a. The number of shares under option?	___	___	___
b. The option price?	___	___	___
c. The number of shares as to which options are exercisable?	___	___	___
d. For options exercised during the period, the number of shares involved and option price? [ARB 43, Ch. 13B, par. 15 (AC C47.123)]	___	___	___
8. Has the carrying basis and the number of shares been disclosed for treasury stock? [APB 6, pars. 12b and 13 (AC C23.102-104)]	___	___	___
9. Have the guarantees of ESOP debt been deducted from equity? [SOP 76-3, par. 7]	___	___	___
T. Additional Paid-In Capital			
1. Is the amount of additional paid-in capital shown separately on the statement of financial condition? [A&AG 19.15]	___	___	___

Yes No N/A

U. Retained Earnings

1. Is the amount of retained earnings shown separately on the statement of financial condition? ___ ___ ___
   [A&AG 14.07 and 19.15]

2. Are significant restrictions on the use of retained earnings for payment of dividends disclosed? ___ ___ ___
   [SFAS 5, par. 18 (AC C59.120); A&AG 14.13 and 14.14]

3. If significant restrictions exist, does the caption for retained earnings indicate that retained earnings are "substantially restricted?" ___ ___ ___
   [A&AG 14.07 and 19.15]

4. Are any appropriations of retained earnings for loss contingencies and general reserves clearly identified and included in stockholders' equity? ___ ___ ___
   [SFAS 5, par. 15 (AC C59.117)]

5. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant? ___ ___ ___
   [ARB 43, Ch. 7A, par. 10 and ARB 46, par. 2 (AC Q15.111)]

V. Other Stockholders' Equity Accounts

1. Sundry Capital Accounts

   a. For treasury shares purchased at a stated price significantly in excess of current market price, is the allocation of amounts paid and the accounting treatment for such amounts disclosed? ___ ___ ___
      [TB 85-6, par. 3 (AC C23.501-.503)]

   b. Is the valuation allowance for marketable equity securities or investments in mutual funds separately disclosed? ___ ___ ___
      [SFAS 12 par. 11 (AC I89.104) A&AG 14.08b, 19.15]

Yes No N/A

c. Are receivables taken in exchange for capital presented as a contra equity account? [A&AG 14.08a and EITF 85-1] ___ ___ ___

2. a. Regulatory Capital [A&AG, par. 14.11, 14.12, 14.18]

(1) Has a reconciliation of equity capital to regulatory capital been presented? ___ ___ ___

(2) Is the following information disclosed for regulatory capital requirements:

(i) The institution is or is not in compliance? ___ ___ ___

(ii) Amount? ___ ___ ___

(iii) The amount by which the institution exceeds or fails to meet requirements? ___ ___ ___

(iv) Significant sanctions and actions taken by regulatory authorities if not in compliance? ___ ___ ___

(v) Consider disclosing the general provisions of FIRREA and FDICIA and the effects on the institution's business? ___ ___ ___

b. When an institution is failing or is in danger of failing to satisfy its current or projected regulatory capital requirements, consider disclosing the following:

(1) Reasons why the institution is failing or is in danger of failing to satisfy its current or projected requirements. ___ ___ ___

(2) Possible or probable effects on the institution and its stockholders. ___ ___ ___

(3) Description of management's plan to satisfy the current and projected requirements and the viability of such plans. ___ ___ ___

	Yes	No	N/A
3. Does disclosure of the following aspects of capital instruments include:			
a. Bases for calculation of dividends?	___	___	___
b. Redemption provisions?	___	___	___
c. Liquidation accounts for computed institutions?	___	___	___
d. Cumulative dividends in arrears?	___	___	___
e. Changes in control provisions? [A&AG 14.15]	___	___	___

Statement of Operations

A. Interest on Loans

	Yes	No	N/A
1. Is interest on loans shown separately on the statement of operations? [A&AG 19.16]	___	___	___
2. Has interest income been reported using the interest method? [A&AG 6.23]	___	___	___

B. Loan Fees

	Yes	No	N/A
1. Is amortization of loan fees being amortized on the straight-line basis over the commitment period or included when the commitment expires, reported as service fee income? [SFAS 91, par. 22 (AC L20.121)]	___	___	___

C. Interest/Dividends on Investments

	Yes	No	N/A
1. Is the amount for investment income shown separately on the statement of operations? [A&AG 19.16]	___	___	___

D. Gain/Loss on Sales of Investments [A&AG 3.13 and 19.16]

	Yes	No	N/A
1. Is the amount shown separately on the statement of operations?	___	___	___

Yes No N/A

2. Is the market value of securities required to complete a short sale adjusted to market value as of the date of the report? ___ ___ ___

3. Has consideration been given to separate disclosure if significant interest has accrued on the short position? ___ ___ ___

E. Gain/Loss on Sales of Loans

1. Are material gains/losses on loans sold with recourse separately disclosed? [SFAS 77, pars. 9 and 39b (AC R20.109b)] ___ ___ ___

F. Gain/Loss on Pension Plan Settlements or Curtailments or Termination Benefits

1. Are such gains (losses) disclosed? [SFAS 88, par. 17 (AC P16.187)] ___ ___ ___

G. Interest on Savings Accounts

1. Is the amount shown separately on the statement of operations or otherwise disclosed by type of account? [A&AG 13.26 and 19.16] ___ ___ ___

2. Is the interest penalty for early withdrawals reported as a reduction of interest expense in the period that the penalty is assessed? [A&AG 13.14] ___ ___ ___

H. Interest on Advances and Other Borrowings

1. Is the amount shown separately on the statement of operations? [A&AG 12.30 and 19.19] ___ ___ ___

I. Interest Capitalized

1. Is the amount shown separately on the statement of operations as a reduction of interest expense? [SFAS 34, par. 21 (AC I67.118); A&AG 19.16] ___ ___ ___

Yes No N/A

J. General and Administrative Expenses

1. Salaries

a. If there is a compensatory stock issuance plan:

(1) Is compensation expense accrued in the proper period and, if prepaid, shown as a reduction of equity? ___ ___ ___
[APB 25, pars. 12-15 (AC C47.112-.115); FASBI 38, pars. 2-6 (AC C47.135A-.135E)]

(2) Are deferred income taxes recorded and disclosed, if material to recognize temporary differences between accrual of compensation expense and deduction for income tax purposes? ___ ___ ___
[APB 25, pars. 16-18 (AC C47.116-.118); TB 82-2, pars. 8 and 13 (AC C47.511 and .516)]

(3) Are the following disclosures made as to the status of the plan:
[ARB 43, Ch. 13B, par. 15 (AC C47.123)]

(i) Number of shares under option at end of period? ___ ___ ___

(ii) Option price at end of period? ___ ___ ___

(iii) Number of shares as to which the options are exercisable at end of period? ___ ___ ___

(iv) As to options exercised, the number of shares and exercise price? ___ ___ ___

2. Is rental expense for operating leases for each period for which an income statement is presented disclosed with separate amounts for minimum rentals, contingent rentals, and sublease rentals disclosed? ___ ___ ___
[SFAS 13, par. 16c (AC L10.112c)]

3. Is the cost of the pension plan(s) disclosed as follows: ___ ___ ___

	Yes	No	N/A
a. Service cost?	___	___	___
b. Interest cost?	___	___	___
c. Actual return on plan assets, if any?	___	___	___
d. Net total of other components? [SFAS 87, par. 54b (AC P16.150b)]	___	___	___
4. Have settlements curtailments or termination benefits of defined benefit pension plans been disclosed as follows:	___	___	___
a. A description of the nature of the event(s)?	___	___	___
b. The amount of the gain or loss recognized? [SFAS 88, par. 17 (AC P16.187)]	___	___	___
K. Loss Provisions on Loans and Real Estate			
1. Is the loss provision on loans shown separately on the statement of operations as a deduction from net interest income? [A&AG 19.16]	___	___	___
2. Is the loss provision for real estate shown separately on the statement of operations or in a footnote?	___	___	___
3. Is the policy for providing valuation allowances for estimated losses on loans and real estate disclosed? [A&AG 19.19]	___	___	___
L. Other Expenses			
1. Is depreciation expense for the period(s) disclosed accompanied by a general description of the method(s) used to compute depreciation for the major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	___	___	___
M. Income Taxes (Assumes Adoption of SFAS 109)			
1. Have the types of significant temporary differences and carryforwards been disclosed? [SFAS 109, par. 43 (AC I27.142)]	___	___	___

Yes No N/A

2. Have the following significant components of income tax expense attributable to continuing operations for each year presented been disclosed in the financial statements or notes thereto:

   a. Current tax expense or benefit? ___ ___ ___

   b. Deferred tax expense or benefit (exclusive of the effects of other components listed below)? ___ ___ ___

   c. Investment tax credits? ___ ___ ___

   d. Government grants (to the extent recognized as a reduction of income tax expense)? ___ ___ ___

   e. The benefits of operating loss carryforwards? ___ ___ ___

   f. Tax expense that results from allocating certain benefits either directly to contributed capital or to reduce goodwill or other noncurrent intangible assets of an acquired entity? ___ ___ ___

   g. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the enterprise? ___ ___ ___

   h. Adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years? ___ ___ ___

   [SFAS 109, par. 45a-h (AC I27.144a-h)]

3. Has the amount of income tax expense or benefit allocated to continuing operations and the amounts separately allocated to other items (in accordance with the provisions of paragraphs 35-39 of SFAS 109 [AC I27.134.138]) been disclosed for each year for which those items are presented? ___ ___ ___
   [SFAS 109, par. 46 (AC I27.145)]

4. a. Has the nature of significant reconciling items for public enterprises been disclosed

Yes No N/A

by the use of percentages or dollars of the reported amount of income tax expense attributable to continuing operations to the amount of income tax expense that would result from applying domestic federal statutory rates to pretax income from operations? ___ ___ ___

b. Has a nonpublic enterprise disclosed the nature of significant reconciling items? (Omission of numerical calculations is permitted.) ___ ___ ___
[SFAS 109, par. 47 (AC I27.146)]

5. Have the amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes been disclosed? ___ ___ ___
[SFAS 109, par. 48 (AC I27.147)]

6. If the entity is a member of a group that files a consolidated tax return, have the following items been disclosed in its separately issued financial statements:

a. The aggregate amount of current and deferred tax expense for each statement of income presented and the amount of any tax-related balances due to or from affiliates as of the date of each statement of financial position presented? ___ ___ ___

b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in (a) above are presented? ___ ___ ___
[SFAS 109, par. 49 a-b (AC I27.148 a-b)]

7. Has the effect of initially applying SFAS 109 been reported as the effect of a change in accounting principle in a manner similar to the cumulative effect of a change in accounting principle (APB 20, paragraph 20) except for initially recognized tax benefits of the type required by SFAS 109 to be excluded from comprehensive income? ___ ___ ___
[SFAS 109, par. 51]

Yes No N/A

8. When initially presented, have the financial statements for the year SFAS 109 is first adopted disclosed the following:

   a. The effect, if any, of adopting SFAS 109 on pretax income from continuing operations (for example, the effect of adjustments for prior purchase business combinations and for regulated enterprises) for the year of adoption if restated financial statements for the prior year are not presented? ___ ___ ___

   b. The effect of any restatement on income from continuing operations, income before extraordinary items, and net income (and on related per share amounts) for each year for which restated financial statements are presented? ___ ___ ___

   [SFAS 109, par. 52 a-b]

N. Discontinued Operations

1. Are operations of a segment that has been discontinued or is the subject of a formal plan for disposition:

   a. Reported separately from income from continuing operations and as a component (including applicable income taxes) of income before extraordinary items? ___ ___ ___
      [APB 30, pars. 8 and 13-18 (AC I13.105-.106 and .108-.109)]

   b. Accompanied by disclosure in the notes of revenue applicable to the discontinued operations? ___ ___ ___

   [APB 30, par. 8 (AC I13.105-106)]

2. a. Is the gain or loss from disposal of a discontinued segment reported separately (including applicable income taxes) in conjunction with results of discontinued operations as a component of income before extraordinary items? ___ ___ ___
      [APB 30, par. 8 (AC I13.105)]

   b. If a company had accounted for the discontinuance of a segment in accordance with APB 30 and subsequently decided to retain the segment, was any impairment writedown

	Yes	No	N/A
of the individual assets classified in continuing operations? [EITF 90-16]	___	___	___
c. If the entity plans to dispose of two segments of a business, and a net gain is expected (one has a net gain and the other a net loss), was that gain shown net? [EITF 85-36]	___	___	___
3. For the period encompassing the measurement date, do the notes to financial statements disclose: [APB 30, par. 18 (AC I13.108-.109)]			
a. Identity of the segment discontinued?	___	___	___
b. Expected disposal date, if known?	___	___	___
c. Expected manner of disposal?	___	___	___
d. Description of the remaining assets and liabilities of the discontinued segment at the balance sheet date?	___	___	___
e. Income or loss from operations and any proceeds from disposal, of the discontinued segment during the period from the measurement date to the balance sheet date?	___	___	___
f. If loss on disposal cannot be estimated within reasonable limits, this fact shall be disclosed?	___	___	___
4. For periods after the measurement date and including the period of disposal, do notes to the financial statements disclose the information required? [APB 30, par. 18 (AC I13.108)]	___	___	___
5. For nonpublic companies, if there was a restructuring charge, was it reflected using the most meaningful income statement presentation within the framework of ABP 30? [EITF 87-4]	___	___	___

	Yes	No	N/A
O. Extraordinary Items			
1. Do material extraordinary items meet both criteria of (1) an unusual nature, and (2) infrequency of occurrence? [APB 30, pars. 20 and 24 (AC I17.107 and .118)]	___	___	___
2. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before net income? [APB 30, par. 11 (AC I17.102)]	___	___	___
3. Are descriptive captions and amounts (including applicable income taxes) presented for individual extraordinary events or transactions, preferably on the face of the income statements if practicable? [APB 30, par. 11 (AC I17.102)]	___	___	___
4. Do disclosures include descriptions of extraordinary events or transactions and the principal items entering into determination of extraordinary gains or losses? [APB 30, par. 11 (AC I17.102)]	___	___	___
5. Are material events or transactions that are either unusual in nature, or of infrequent occurrence but not both (and therefore not meeting criteria for extraordinary items): [APB 30, par. 26 (AC I22.101); TB 82-1, par. 6 (AC I25.505)]			
a. Reported as a separate component of income from continuing operations?	___	___	___
b. Accompanied by disclosure of the nature and financial effects of each event?	___	___	___
6. For gains or losses from extinguishment of debt classified as extraordinary items, do disclosures include: [SFAS 4, par. 9 (AC I17.104)]			
a. A description of the extinguishment transactions, including the sources of any funds used to extinguish the debt if it is practicable to identify the sources?	___	___	___

Yes No N/A

b. The income tax effect in the period of extinguishment? ___ ___ ___

P. Other

1. Are the following excluded from determination of net income or results of operations under all circumstances:
(APB 9, par. 28 (AC C08.101)]

    a. Adjustments or charges or credits resulting from transactions in the institution's own capital stock? ___ ___ ___

    b. Transfers to and from accounts properly designated as appropriated retained earnings? ___ ___ ___

    c. Adjustments made pursuant to a quasi-reorganization. ___ ___ ___

2. Is earnings per share information for public entities presented on the face of the statement of operations accompanied by appropriate disclosure that includes the basis of the calculation? ___ ___ ___
[APB 15, (AC E09)]

Statement of Changes in Stockholders' Equity

1. Are changes in the separate component accounts of stockholders' equity disclosed? ___ ___ ___
[APB 12, par. 10 (AC C08.102)]

2. Are changes in the number of shares of equity securities disclosed? ___ ___ ___
[APB 12, par. 10 (AC C08.102)]

3. Are prior period adjustments limited to:

    a. Correction of an error in financial statements of prior periods? ___ ___ ___
    [APB 20, par. 13, APB 9, pars. 18 and 26, SFAS 16, par. 16a, SFAS 109, par. 288n (AC A35.103)]

Yes No N/A

b. Adjustments resulting from realization of income tax benefits of preacquisition operating loss or tax credit carryforwards of purchased subsidiaries? ___ ___ ___
[SFAS 109, par. 30 (AC I27.129)]

4. Are prior period adjustments and their resulting effects (both gross and net of applicable income taxes) appropriately disclosed? ___ ___ ___
[APB 9, par. 26 (AC A35.107)]

5. For a correction of an error, was the nature of the error disclosed in the period in which the error was discovered and corrected? ___ ___ ___
[APB 20, par. 37 (AC A35.105)]

Statement of Cash Flows

1. Is a statement of cash flows presented as a basic financial statement for each period for which both a statement of financial condition and a statement of income is presented? ___ ___ ___
[SFAS 95, par. 3 (AC C25.101)]

2. Are cash receipts and cash payments from operating activities shown separately on the statement of cash flows? ___ ___ ___
[SFAS 95, pars. 27-28 (AC C25.125-.126)]

a. Are cash receipts and payments resulting from purchases and sales of securities and other assets acquired for resale and carried at market value in a trading account classified as operating cash flows? ___ ___ ___
[SFAS 102, par. 8 (AC C25.122A)]

b. Are cash receipts and payments resulting from acquisitions and sales of loans if those loans are acquired specifically for resale and are carried at market value or the lower of cost or market classified as operating cash flows? ___ ___ ___
[SFAS 102, par. 9 (AC C25.122B)]

c. Are loans made to customers and principal collections of loans shown net as investing cash flows? ___ ___ ___
[SFAS 104, par. 7a (AC C25.111A)]

	Yes	No	N/A
d. Are time deposits accepted net of repayment of deposits shown as financing cash flows? [SFAS 104, par. 7a (AC C25.111A)]	___	___	___
3. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities: [SFAS 95, pars. 22-23 (AC C25 .120-.121)]			
a. Interest received on loans?	___	___	___
b. Insurance proceeds except those directly related to investing or financing activities?	___	___	___
c. Interest paid to creditors?	___	___	___
d. Payments to suppliers and employees?	___	___	___
e. Payments to governments for taxes, duties, fines, and other fees or penalties?	___	___	___
f. Payments to settle lawsuits?	___	___	___
g. Contributions to charities?	___	___	___
4. Are cash receipts and payments for investing activities shown separately on the statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	___	___	___
5. Are cash receipts and payments for the following transactions classified as cash flows from investing activities: [SFAS 95, pars. 16-17, SFAS 102, pars. 10c and 10d (AC C25. 114-.115)]			
a. Receipts from collections or sales of loans?	___	___	___
b. Receipts from sales of property or investments?	___	___	___
c. Loans to another entity?	___	___	___
d. Payments to acquire property or investments?	___	___	___
6. Are cash receipts and payments from financing activities shown separately on the statement of cash flows? [SFAS 95, par. 31 (C25.129)]	___	___	___

Yes No N/A

7. Are cash receipts and payments for the following transactions classified as cash flows from financing activities:
[SFAS 95, pars. 19-20 (AC C25.117-.118)]

   a. Proceeds from issuing debt or equity instruments? ___ ___ ___

   b. Repayment of amounts borrowed? ___ ___ ___

   c. Dividend payments or other distributions to shareholders? ___ ___ ___

   d. Acquisition of treasury stock? ___ ___ ___

8. Are the net amounts of cash receipts and cash payments because of quick turnover, large amounts and short maturities reported for:
[SFAS 95, par. 13, SFAS 104, par. 7a (AC C25 .111)]

   a. Deposits placed with financial institutions and withdrawals of deposits? ___ ___ ___

   b. Time deposits accepted and repayments of deposits? ___ ___ ___

   c. Loans made to customers and principal collections of loans? ___ ___ ___

9. Does the statement of cash flows explain the effect of cash flows by showing change in cash and cash equivalents? ___ ___ ___
[SFAS 95, par. 7 (AC C25.105)]

10. Is the policy for defining what is a cash equivalent disclosed? ___ ___ ___
[SFAS 95, par. 10 (AC C25.108)]

11. Is a reconciliation of net income to net cash flow from operating activities presented either within the statement of cash flows or in a separate schedule? ___ ___ ___
[SFAS 95, pars. 29-30 (AC C25.127-.128)]

12. Are noncash investing and financing activities (i.e., converting debt to equity, foreclosure of collateral securing a loan, securitization of

Yes No N/A

mortgage loans, etc.) summarized in a separate schedule? ___ ___ ___
[SFAS 95, par. 32 (AC C25.134)]

13. When using the indirect method of presenting cash flows, are the following disclosures made:

    a. The amounts of interest paid (net of amounts capitalized)? ___ ___ ___

    b. Income taxes paid? ___ ___ ___
    [SFAS 95, par. 29 (AC C25.127)]

14. Are proceeds from maturities and sales presented separately? ___ ___ ___
[A&AG 3.34 and 19.18]

Exhibit A—Postretirement Health Care Benefits:

The effective date of SFAS 106 is for fiscal years beginning after December 15, 1992 except for plans outside the United States and for defined benefit plans of employers that (a) are nonpublic entities and (b) sponsor defined benefit postretirement plan(s) with no more than 500 plan participants in the aggregate in which case the effective date is for fiscal years beginning after December 15, 1994. Earlier application is encouraged. Until such time the following disclosures remain in effect:

1. Do disclosures include:

    a. Description of benefits and employee groups covered? ___ ___ ___

    b. Description of accounting and funding policies? ___ ___ ___

    c. Cost of benefits recognized during period unless par. 7 of SFAS 81 applies? ___ ___ ___

    d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented? ___ ___ ___
    [SFAS 81, par. 6 (AC P50.102)]

Auditor's Reports Checklist

This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

Explanation of References:

SAS = Statement on Auditing Standards

SSARS = Statement on Standards for Accounting and Review Services

AU = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited

AR = Reference to section number in AICPA Professional Standards (vol. 2) of SSARS cited

A&AG = Audit and Accounting Guide, Audits of Savings Institutions

Checklist Questionnaire

	Yes	No	N/A
1. Does the auditor's report include the appropriate:			
a. Addressee? [SAS 58, par. 9 (AU 508.09)]	___	___	___
b. Date (or dual dates) of the report? [SAS 1, sec. 530 (AU 530); SAS 29, par. 5 (AU 530.05)]	___	___	___
c. A title that includes the word "independent"? [SAS 58, par. 8 (AU 508.08)]	___	___	___
2. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided? [SAS 26, pars. 5, 9-10, (AU 504.5, 9-10)]	___	___	___
3. Does the reporting language conform with the auditor's standard report on comparative or single year or period financial statements? [SAS 58, par. 8 (AU 508.08)]	___	___	___
4. Does the auditor's report include appropriate explanatory language with respect to the following:			

	Yes	No	N/A
a. The auditor's opinion is based in part on the report of another auditor? [SAS 1, sec. 543 (AU 543); SAS 58, pars. 12-13 (AU 508.12-.13)]	___	___	___
b. Departure from a promulgated accounting principle which could lead to a misleading financial statement? [SAS 58, pars. 14-15 (AU 508.14-.15)]	___	___	___
c. The financial statements were affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation? [SAS 58, pars. 16-33 (AU 508.16-.33); A&AG, par. 18.32]	___	___	___
d. The auditor's conclusion that there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time and that conclusion is expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern"? [SAS 64, par. 1 (AU 341.12; A&AG, pars. 18.33 and 18.34)]	___	___	___
e. The auditor's assessment of the impact of "prompt corrective action" provisions of FDICIA on the institution's ability to continue as a going concern?	___	___	___
f. The auditor's assessment of the institution's ability to achieve its capital plan in connection with FIRREA's capital requirement? [A&AG, 18.21-.27]	___	___	___
g. There has been a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34-36 (AU 508.34-.36)]	___	___	___
h. Opinion on prior-period financial statements is different from the opinion previously expressed? [SAS 58, pars. 77-78 (AU 508.77-.78)]	___	___	___
i. Predecessor auditor's report reissued? [SAS 58, pars. 80-82 (AU 508.80-.82)]	___	___	___

Yes No N/A

j. Selected quarterly financial data required by the SEC has been omitted or has not been reviewed? ___ ___ ___
[SAS 71, par. 41 (AU 722.41)]

k. Supplemental information required by the FASB presented outside the financial statements in an auditor-submitted document, and have the following points been considered:

(1) Supplemental information omitted? ___ ___ ___

(2) Presentation of information departs materially from FASB guidelines? ___ ___ ___

(3) The auditor is unable to complete prescribed procedures? ___ ___ ___

(4) The auditor has substantial doubts that the information conforms to FASB guidelines? ___ ___ ___
[SAS 52 (AU 551.15)]

l. Other information in the document containing the audited financial statements is materially inconsistent with information appearing in the financial statements? ___ ___ ___
[SAS 8, par. 4 (AU 550.04)]

m. A matter regarding the financial statements should be emphasized? ___ ___ ___
[SAS 58, par. 37 (AU 508.37; A&AG, par. 18.31)]

n. The auditor has been engaged to report on one basic financial statement and there are no scope limitations? ___ ___ ___
[SAS 58, par. 48 (AU 508.48)]

o. The updating of the report on comparative financial statements including events affecting and adequacy of informational disclosure affecting the prior period financial statements? ___ ___ ___
[SAS 58, pars. 74-75 (AU 508.74-.75)]

p. For comparative financial statements, there is an unqualified opinion on one of the financial statements and a qualified or adverse opinion, disclaimer or an explanatory paragraph on one

Yes No N/A

or more financial statements for one or more periods? ___ ___ ___
[SAS 58, pars. 5 and 76 (AU 508.05 and .76)]

q. Audited and unaudited financial statements in comparative form? ___ ___ ___
[SAS 26, pars. 14-17 (AU 504.14-.17)]

r. Comparative statements of income, retained earnings, and cash flows without presentation of comparative balance sheets for the prior periods? ___ ___ ___
[SAS 58, par. 8, fn. 7 (AU 508.08, fn. 7)]

s. Comparative financial statements are presented and the current opinion on the prior year's financial statements is different from the opinion previously expressed? ___ ___ ___
[SAS 58, pars. 77-78 (AU 508.77-78)]

t. Has an explanatory paragraph been added to the auditor's report to disclose matters such as regulatory violations, enforcement actions, litigation or not following other governmental regulations? ___ ___ ___
[A&AG 18.11]

u. If a formal enforcement order has been received from a governmental regulatory agency to cease and desist from unsafe and unsound practices, has that fact been disclosed? ___ ___ ___
[A&AG 18.14]

v. Have material weaknesses in internal controls resulting in governmental regulatory agency enforcement actions been reported? ___ ___ ___
[A&AG 18.14 & 18.32]

w. Has the auditor determined the institution's compliance with regulatory capital requirements in considering appropriate disclosures to be made and opinion to be rendered? ___ ___ ___
[A&AG 18.16 & 18.22]

x. Has the contingent liability for a "liquidation account" resulting from a stock conversion been disclosed as a restriction on dividends? ___ ___ ___
[SAS 58, par. 37 (AU 508.37)]

	Yes	No	N/A
5. If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor indicated in the introductory paragraph:			
a. That the financial statements of the prior period were audited by another auditor?	___	___	___
b. The date of the predecessor's report?	___	___	___
c. The type of report issued by the predecessor auditor?	___	___	___
d. If the report was other than a standard report the substantive reasons therefor?	___	___	___
e. If the prior period financial statements audited by a predecessor auditor have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the prior period financial statements before restatement?	___	___	___
f. If the successor auditor is engaged to audit and applies sufficient procedures to satisfy himself or herself as to the appropriateness of the restatement adjustments, did he or she report on them in accordance with SAS No. 64, par. 2? [SAS 58, par. 83 (AU 508.83)]	___	___	___
6. If, following a pooling-of-interest transaction, an auditor is engaged to report on restated financial statements for one or more prior years when other auditors audited one or more of the entities included in such financial statements, did he include explanatory language? [SAS 64, par. 3 (AU 543.16)]	___	___	___
7. Has a qualified opinion or disclaimer of opinion been expressed if:			
a. There is a lack of sufficient competent evidential matter or there are restrictions on the scope of the audit? [SAS 48, pars. 20-23 (AU 326.20-23); SAS 58, par. 40-48 (AU 508.40-48)]	___	___	___

Yes No N/A

b. There is substantial doubt about the entity's ability to continue as a going concern and other uncertainties? ___ ___ ___
[A&AG, 18.29 and 18.34]

8. Has a qualified opinion or an adverse opinion been expressed if the following circumstances are present:

a. An uncertainty is not adequately disclosed in the financial statements? ___ ___ ___
[SAS 58, par. 20 (AU 508.20)]

b. The accounting principles used cause the financial statements to be materially misstated? ___ ___ ___
[SAS 58, par. 21 (AU 508.21)]

c. Unreasonable accounting estimates that cause the financial statements to be materially misstated? ___ ___ ___
[SAS 58, par. 22 (AU 508.22)]

d. The financial statements contain a material departure from GAAP, inadequate disclosure or an accounting change with which the auditor does not concur? ___ ___ ___
[SAS 58, pars. 49-66 (AU 508.49-.66); SAS 54, par. 18 (AU 317.18); SAS 32, par. 3 (AU 431.03); SAS 59, par. 12 (AU 341.12)]

e. Material misstatement of the financial statements? ___ ___ ___
[SAS 47, par. 31 (AU 312.31)]

f. Client representations about related party transactions? ___ ___ ___
[SAS 45, par. 12 (AU 334.12)]

g. There is no evidence to support carrying amount of investment securities and an allowance to write down to market has not been established? ___ ___ ___
[SAS 58, par. 42 (AU 508.42)]

h. Client's voluntarily including supplementary information which has not been audited? ___ ___ ___
[SAS 52, par. 3 (AU 558.03)]

	Yes	No	N/A
9. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed:			
a. Are all the substantive reasons for the opinion or disclaimer of opinion disclosed? [SAS 58, pars. 39, 40, 51, 68 and 71 (AU 508.39, .40, .51, .68 and .71)]	___	___	___
b. Is the reporting language clear and appropriate for the:			
(1) Qualified opinion? [SAS 58, pars. 38-66 (AU 508.38-.66)]	___	___	___
(2) Adverse opinion? [SAS 58, pars. 67-69 (AU 508.67-.69)]	___	___	___
(3) Disclaimer of opinion? [SAS 58, pars. 70-72 (AU 508.70-.72)]	___	___	___
10. Has a piecemeal opinion been avoided? [SAS 58, par. 73 (AU 508.73)]	___	___	___
11. If information is to accompany the basic financial statements and auditor's report in an auditor-submitted document:			
a. Is there a clear distinction between the client's representations and auditor's representations? [SAS 29, par. 20 (AU 551.20)]	___	___	___
b. Does the auditor's report on the accompanying information: [SAS 29, pars. 6-11 (AU 551.06-11); SAS 52, pars. 8-10 (AU 558.08-10)]			
(1) State that the audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole?	___	___	___
(2) Specifically identify the accompanying information?	___	___	___
(3) State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?	___	___	___

Yes No N/A

(4) State whether the additional information has been subjected to the auditing of the basic financial statements and whether the appropriate expression or disclaimer of opinion is included? ___ ___ ___

12. If an auditor-submitted document with accompanying information is co-existing with a document that includes just the basic financial statements and the auditor's report:

a. Do the basic financial statements in all co-existing documents consistently include all the information necessary for a fair presentation in conformity with generally accepted accounting principles? ___ ___ ___
[SAS 29, par. 21 (AU 551.21)]

b. Are any additional comments or explanations by the auditor consistent with the description of the scope of the examination in the auditor's standard (or modified) report? ___ ___ ___
[SAS 29, par. 20 (AU 551.20)]

13. If the document contains interim financial information, has the auditor's report been expanded, if required? ___ ___ ___
[SAS 71, pars. 36-39 (AU 722.36-.39)]

14. If a report is to be issued on "reportable conditions" observed during an audit of financial statements that come to the auditor's attention and which must be communicated to the audit committee or the board of directors, does the report disclose:

a. That the purpose of the audit was to report on the financial statements and not to provide assurances on internal control structure? ___ ___ ___

b. The definition of reportable conditions? ___ ___ ___

c. Restriction on distribution to the audit committee, management and other internal persons? ___ ___ ___
___ ___ ___

d. Conditions that are material weaknesses? ___ ___ ___
[SAS 60, pars. 11 and 15 (AU 325.11 and .15)]

	Yes	No	N/A
15. If a report expressing an opinion on the institution's system of internal accounting control is issued, does it contain:			
a. A description of the scope of the engagement?	___	___	___
b. The date to which the opinion relates?	___	___	___
c. A statement that the establishment and maintenance of the system is the responsibility of the management?	___	___	___
d. A brief explanation of the broad objectives and inherent limitations of internal accounting control?	___	___	___
e. The accountant's opinion on whether the system taken as a whole was sufficient to meet the broad objectives of internal accounting control insofar as those objectives pertain to the determination of errors or irregularities in amounts that would be material in relation to the financial statements?	___	___	___
f. Dating as of the date of completion of field work?	___	___	___
g. Addressed to the bank whose system is being studied or to its board of directors or shareholders? [SAS 30, par. 38; (AU 642.38)]	___	___	___
16. If reporting in a client-prepared document on condensed financial statements (either for an annual or an interim period) that are derived from audited financial statements of a public entity that is required to file, at least annually, complete audited financial statements with a regulatory agency, does the auditor's report indicate: [SAS 42, par. 5 (AU 552.05)]			
a. That the auditor has examined and expressed an opinion on the complete financial statements?	___	___	___
b. The date of the report on the complete financial statements?	___	___	___
c. The type of opinion expressed?	___	___	___

	Yes	No	N/A
d. Whether, in the auditor's opinion, the information set forth in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived?	___	___	___
17. If a statement in a client-prepared document that names the auditor and also states that condensed financial statements have been derived from audited financial statements is made and that document does not include audited financial statements and in addition the client is not a public entity (that is required to file complete audited financial statements with a regulatory agency, at least annually), does the auditor's report express a qualified or adverse opinion on the condensed financial statements because of inadequate disclosure? [SAS 58, par. 55 (AU 508.55); SAS 42, par. 7, fn. 6 (AU 552.07, fn. 6)]	___	___	___
18. If requested to report on selected financial data that are included in a client-prepared document that contains audited financial statements (or, with respect to a public entity, that incorporates such statements by reference to information filed with a regulatory agency) and that are derived from audited financial statements, does the auditor's report indicate the following: [SAS 42, par. 9 (AU 552.09)]			
a. That the auditor has examined and expressed an opinion on the complete financial statements?	___	___	___
b. The type of opinion expressed?	___	___	___
c. The specific data on which the auditor is reporting?	___	___	___
d. Whether, in the auditor's opinion, the information set forth in the selected financial data is fairly stated in all material respects in relation to the complete financial statements from which it has been derived?	___	___	___

Yes No N/A

19. If the selected financial data for any of the years presented are derived from financial statements that were audited by another independent auditor, does the auditor's report on the selected financial data state that fact and express a disclaimer of opinion on that data? ___ ___ ___
[SAS 42, par. 9 (AU 552.09)]

Supplemental Checklist for Savings Institutions That are SEC Registrants

This Supplemental Checklist for Savings Institutions contains additional disclosures that are required in financial statements of savings institutions that are SEC registrants.

References in this supplement are from SEC Rules and Regulations, specifically Regulation S-X, since there is no specific counterpart under GAAP.

This checklist only includes SEC disclosures for savings institutions and not general SEC disclosures and does not repeat SEC required disclosures if such disclosures are generally required and included in the "Financial Statements and Notes Checklists." Many of the disclosures are routinely made by savings institutions not subject to the requirements of the Securities and Exchange Act of 1934.

	Yes	No	N/A
A. Business Combinations			
1. For significant acquisitions (acquired assets exceed 10 percent of consolidated assets), are aggregate interest-bearing assets and liabilities recorded at fair market value?	___	___	___
2. Are related discounts or premiums described and the following information disclosed in the period in which the acquisition occurs:			
a. Amounts of discounts or premiums?	___	___	___
b. Method of amortization or accretion?	___	___	___
c. Estimated remaining lives?	___	___	___
d. Effect on income before taxes of amortization and accretion of discounts, premiums, and intangible assets?	___	___	___
3. If financial assistance is received from a federal regulatory agency in conjunction with either an acquisition of a troubled financial institution, transfer of nonperforming assets to a newly-formed entity, or other reorganization, have the disclosures required by Staff Accounting Bulletin 82 been made?	___	___	___
4. Consider SAB 61 related to adjustments to the allowance for loan losses, if appropriate.	___	___	___

Yes No N/A

5. Is the maximum period for amortization of goodwill for SEC registrants less than 25 years? ___ ___ ___
[SAB 42 and 42A]

B. Cash and Amounts Due From Depository Institutions

1. Are noninterest-bearing deposits with depository institutions included? ___ ___ ___
[S-X 9-03.01]

2. Have any withdrawal and usage restrictions or compensating balance requirements been disclosed? ___ ___ ___
[S-X 9-03.01]

3. If an association is not in compliance with compensating balance requirements:

a. Is this fact disclosed? ___ ___ ___

b. Are possible or pending material sanctions for noncompliance disclosed? ___ ___ ___
[SEC-FRR 203.02b]

4. Are outstanding checks in excess of demand deposit account balances excluded and shown as a liability? ___ ___ ___

5. Are interest-bearing deposits in other banks shown separately on the statement of financial condition? ___ ___ ___

C. Securities Purchased Under Agreements to Resell (or Similar Agreements)
[S-X 4.08m]

1. If the aggregate carrying value exceeds 10% of assets, is the following disclosed:

a. Policies regarding taking possession of the underlying securities? ___ ___ ___

b. Whether or not there are provisions to ensure that the market value of the underlying assets remains sufficient to protect against counterparty default, and the nature of such provisions? ___ ___ ___

	Yes	No	N/A

D. Trading Account Assets

1. Is the amount of trading account assets shown separately on the statement of financial condition? ___ ___ ___
   [S-X 9-03.4]

E. Loans Receivable

1. Are separate amounts disclosed for the following categories:

   a. Commercial, financial and agricultural? ___ ___ ___

   b. Real estate - mortgage? ___ ___ ___

   c. Real estate - construction? ___ ___ ___

   d. Installment loans to individuals? ___ ___ ___

   e. Lease financing? ___ ___ ___

   f. Any other loan category regardless of relative size if necessary to reflect any unusual risk of concentration? ___ ___ ___

   [S-X 9-03.7(a)]

2. If more appropriate, have other categories been used? ___ ___ ___
   [S-X 9-03.7(b)]

3. Is unearned income on installment loans, and unamortized discounts on purchased loans, shown separately and deducted from total loans? ___ ___ ___

4. If loans to related parties exceed 5 percent of stockholders' equity, is an analysis of activity presented for the latest fiscal year? ___ ___ ___
   [S-X 9-03.7(e)]

5. For each period for which a statement of operations is presented, do notes to financial statements include a schedule of changes in allowance for loan losses showing beginning and ending balances, provision charged to income, recoveries of amounts previously charged off, and losses charged to the allowance? ___ ___ ___
   [S-X 9-03.7(d)]

Yes No N/A

F. Other Assets

1. For accrued interest receivable, are amounts relating to loans and to investments stated separately? [S-X 9-03.09] ___ ___ ___

2. For equity method investments, is indebtedness of investees disclosed? ___ ___ ___

3. For investments, other than equity method investments, are the amount and basis for determining carrying amount disclosed? [S-X 9-03.3] ___ ___ ___

4. Are all other assets exceeding 30% of stockholders' equity disclosed separately as a line item on the statement of financial condition or in the notes to the financial statements? [S-X 9-03.10] ___ ___ ___

G. Securities Sold Under Agreements to Repurchase

1. If the higher of the aggregate carrying value or market value of repurchase agreements exceeds 10% of total assets, is the following disclosed:

   a. The carrying value and market value of securities including accrued interest and this should be broken out in categories as follows: a) overnight b) up to 30 days c) 30-90 days d) over 90 days e) on demand? ___ ___ ___

   b. The repurchase liability associated with such transactions and the interest rates thereon and this should be broken out in categories as follows: a) overnight b) up to 30 days c) 30-90 days d) over 90 days e) on demand? ___ ___ ___

2. If the "amount at risk" of the securities sold under repurchase agreements with any individual counterparty exceeds 10% of stockholders' equity, is the following disclosed:

   a. The name of the counterparty? ___ ___ ___

   b. The amount at risk with each counterparty? ___ ___ ___

	Yes	No	N/A
c. The weighted average maturity of the repurchase agreements with each counterparty? [SEC Reg. S-X, Rule 4-08(m)]	___	___	___

H. Borrowed Funds

1. a. Are the amount and terms of unused lines of credit for short-term financing disclosed?	___	___	___
b. Is the amount of lines of credit supporting commercial paper shown separately? [S-X 9-03.13]	___	___	___
2. For bonds, mortgages, and similar debt is the following disclosed:			
a. General character of each type of debt including interest rate?	___	___	___
b. Maturity date?	___	___	___
c. Existence of contingency as to payment of principal and interest?	___	___	___
d. Priority?	___	___	___
e. Conversion basis?	___	___	___
f. Amount and terms of unused commitments for long-term financing arrangements? [S-X 5-02.22]	___	___	___

I. Deferred Credits

1. Are the following stated separately:			
a. Deferred income taxes?	___	___	___
b. Deferred tax credits?	___	___	___
c. Material items of deferred income? [S-X 5-02.26]	___	___	___

J. Other Liabilities

1. Are other liabilities which individually exceed 30 percent of stockholders' equity disclosed except for related parties for which

Yes No N/A

the rule is disclosure of amounts in excess of 5% of stockholders' equity? ___ ___ ___
[S-X 9-03.15]

K. Stockholders' Equity

1. For preferred stock subject to mandatory redemption requirements:

   a. Are carrying amount and redemption amount shown in the statement of financial condition? ___ ___ ___

   b. If carrying and redemption amounts differ, is the accounting treatment for the difference disclosed? ___ ___ ___
   [S-X 5-02.28]

2. If common stock is convertible, is this fact disclosed on the face of the statement of financial condition? ___ ___ ___
   [S-X 5-02.30]

3. Does the statement of financial condition show separate captions for:

   a. Additional paid-in capital? ___ ___ ___

   b. Other additional capital? ___ ___ ___

   c. Appropriated retained earnings? ___ ___ ___

   d. Unappropriated retained earnings? ___ ___ ___
   [S-X 5-02.31]

L. Interest Income

1. Does the statement of operations show separately:

   a. Interest and fees on loans? ___ ___ ___
   [S-X 9-04(1)]

   b. Interest and dividends on investment securities? ___ ___ ___
   [S-X 9-04(2)]

   c. Trading account interest? ___ ___ ___
   [S-X 9-04(3)]

	Yes	No	N/A
d. Other interest income? [S-X 9-04(4)]	___	___	___
2. Is net interest income disclosed separately in the statement of operations? [S-X 9-04(10)]	___	___	___
M. Other Income			
1. If the amount exceeds 1 percent of the aggregate of total interest income and other income, does the statement of operations show separately: [S-X Rule 9-04.13]			
a. Commissions and fees from fiduciary activities?	___	___	___
b. Commissions, broker's fees and markups on securities underwriting and other securities activities?	___	___	___
c. Insurance commissions, fees and premiums?	___	___	___
d. Fees for other customer services?	___	___	___
e. Profit or loss on transactions in securities in dealer trading account?	___	___	___
f. Equity in earnings of unconsolidated subsidiaries and 50 percent-or-less owned persons?	___	___	___
g. Gains or losses on disposition of equity in securities of subsidiaries or 50 percent-or-less owned persons?	___	___	___
N. Interest Expense			
1. Does the statement of operations show separately: [S-X Rule 9-04]			
a. Interest on deposits?	___	___	___
b. Interest on short-term borrowings?	___	___	___
c. Interest on long-term debt?	___	___	___

Yes No N/A

O. Other Expenses

1. If the amount exceeds 1 percent of the aggregate of total interest income and other income, does the statement of operations show the following separately: [S-X Rule 9-04.14]

   a. Salaries and employee benefits? ___ ___ ___

   b. Net occupancy expense of premises? ___ ___ ___

   c. Goodwill amortization? ___ ___ ___

   d. Net cost of operations of other real estate (including provision for real estate losses, rental increase and gains and losses on sales of real estate)? ___ ___ ___

   e. Minority interest in income of consolidated subsidiaries? ___ ___ ___

   f. Any other expenses? ___ ___ ___

P. Income Taxes

1. Do disclosures regarding income taxes include:

   a. Components of income (loss) before income tax expense (benefit) federal, foreign, and other? ___ ___ ___

   b. Components of income tax expense, including:

      1. taxes currently payable? ___ ___ ___

      2. net tax effects of timing differences? ___ ___ ___

   c. If other than the U.S. federal corporate income tax rate, the rate used and the basis for using such rate? ___ ___ ___

   d. The nature and tax effect of various types of temporary differences? ___ ___ ___

   e. A reconciliation of the reported income tax expense with the "computed expected" tax amount? ___ ___ ___

	Yes	No	N/A
f. When the institution intends to adopt SFAS 100 and the financial effects to the institution? (If already adopted, include disclosure per section "O" of checklist) [S-X Rule 4.08(h)]	___	___	___

Illustrative Financial Statements

Independent Auditor's Report

To the Board of Directors
ABC Federal Savings Institution and Subsidiary

We have audited the accompanying consolidated statements of financial condition of ABC Federal Savings Institution and Subsidiary as of December 31, 19X3 and 19X2, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 19X3. These financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ABC Federal Savings Institution and Subsidiary as of December 31, 19X3 and 19X2, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 19X3 in conformity with generally accepted accounting principles.

[Signature]
[City]
[Date]

ABC Federal Savings Institution and Subsidiary

Consolidated Statements of Financial Condition

December 31, 19X3 and 19X2

Assets	*19X3*	*19X2*
Cash and cash equivalents	$ XXX,XXX	$ XXX,XXX
Securities purchased under agreements to resell (Notes 3)	XXX,XXX	XXX,XXX
Trading account securities, at market value (Note 5)	XXX,XXX	XXX,XXX
Investment securities (estimated market value of $XXX,XXX in 19X3 and $XXX,XXX in 19X2) (Notes 4, 13, and 20)	XXX,XXX	XXX,XXX
Mortgage-backed and related securities (estimated market value of $XXX,XXX in 19X3 and $XXX,XXX in 19X2) (Notes 6, 13, 20, and 21)	XXX,XXX	XXX,XXX
Loans held for resale, net of unrealized loss of $XX,XXX in 19X3 and $XX,XXX in 19X2 (Note 18)	XXX,XXX	XXX,XXX
Loans receivable, net (Notes 7 and 13)	X,XXX,XXX	X,XXX,XXX
Accrued interest receivable (Note 9)	XX,XXX	XX,XXX
Foreclosed real estate, net of allowance for losses of $X,XXX in 19X3 and $X,XXX in 19X2 (Note 10)	XX,XXX	XX,XXX
Real estate held for investment (Note 10)	XX,XXX	XX,XXX
Premises and equipment (Notes 11 and 13)	XX,XXX	XX,XXX
Excess of cost over fair value of net assets acquired (Note 2)	XX,XXX	XX,XXX
Cost of loan-servicing rights acquired (Notes 2 and 8)	XX,XXX	XX,XXX
Excess servicing fees receivable (Note 8)	XX,XXX	XX,XXX
Other assets (Note 14)	XX,XXX	XX,XXX
	$X,XXX,XXX	$X,XXX,XXX
Liabilities and Stockholders' Equity		
Deposits (Note 12)	$X,XXX,XXX	$X,XXX,XXX
Borrowed funds (Note 13)	XXX,XXX	XXX,XXX
Advances from borrowers for taxes and insurance	XX,XXX	XX,XXX
Federal income taxes (Note 15):		
Current	XX,XXX	XX,XXX
Deferred	XX,XXX	XX,XXX
Accrued expenses and other liabilities	XXX,XXX	XXX,XXX
	X,XXX,XXX	X,XXX,XXX
Commitments and contingencies (Notes 19 and 20)		
Stockholders' equity (Note 16):		
Common stock, $X.XX par value, XX,XXX,XXX shares authorized; XX,XXX,XXX issued and outstanding	XX,XXX	XX,XXX
Additional paid-in capital	XX,XXX	XX,XXX
Retained earnings, substantially restricted (Note 15)	XX,XXX	XX,XXX
Net unrealized depreciation on certain marketable equity securities (Note 4)	(X,XXX)	(X,XXX)
Total stockholders' equity	XXX,XXX	XXX,XXX
	$X,XXX,XXX	$X,XXX,XXX

See accompanying notes to consolidated financial statements.

ABC Federal Savings Institution and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 19X3, 19X2, and 19X1

	19X3	19X2	19X1
Interest income:			
Loans receivable (Note 7):			
First mortgage loans	$ XX,XXX	$ XX,XXX	$ XX,XXX
Consumer and other loans	XX,XXX	XX,XXX	XX,XXX
Investment securities	XX,XXX	XX,XXX	XX,XXX
Mortgage-backed and related securities	XX,XXX	XX,XXX	XX,XXX
Other interest-earning assets	XX,XXX	XX,XXX	XX,XXX
Total interest income	XXX,XXX	XXX,XXX	XXX,XXX
Interest expense:			
Deposits (Note 12)	XXX,XXX	XXX,XXX	XXX,XXX
Borrowed funds (Notes 13 and 20)	XX,XXX	XX,XXX	XX,XXX
Less interest capitalized	(X,XXX)	(X,XXX)	(X,XXX)
Total interest expense	XXX,XXX	XXX,XXX	XXX,XXX
Net interest income	XX,XXX	XX,XXX	XX,XXX
Provision for loan losses (Note 7)	(XX,XXX)	(XX,XXX)	(XX,XXX)
Net interest income after provision for loan losses	XX,XXX	XX,XXX	XX,XXX
Noninterest income:			
Gain on sales of interest-earning assets, net (Note 17)	XX,XXX	XX,XXX	XX,XXX
Unrealized gains (losses) on trading account securities, net	XX,XXX	XX,XXX	XX,XXX
Loan origination and commitment fees (Note 7)	X,XXX	X,XXX	X,XXX
Loan servicing fees (Note 8)	XX,XXX	XX,XXX	XX,XXX
Income (loss) from real estate operations (Note 10)	X,XXX	(X,XXX)	(X,XXX)
Other (Notes 18 and 20)	XX,XXX	XX,XXX	XX,XXX
Total noninterest income	XX,XXX	XX,XXX	XX,XXX
Noninterest expense (Note 7):			
General and administrative:			
Compensation and benefits (Note 14)	XX,XXX	XX,XXX	XX,XXX
Occupancy and equipment (Notes 11 and 19)	XX,XXX	XX,XXX	XX,XXX
SAIF deposit insurance premium	XX,XXX	XX,XXX	XX,XXX
Loss on foreclosed real estate	XX,XXX	XX,XXX	XX,XXX
Other (Note 18)	XX,XXX	XX,XXX	XX,XXX
Amortization of excess of cost over fair value of net assets acquired (Note 2)	XX,XXX	XX,XXX	XX,XXX
Total noninterest income/expense	XX,XXX	XX,XXX	XX,XXX
Income before income taxes and cumulative effect of change in accounting principle	XX,XXX	XX,XXX	XX,XXX
Income tax expense (Notes 7 and 15)	X,XXX	X,XXX	X,XXX
Income before cumulative effect of change in accounting principle	XX,XXX	XX,XXX	XX,XXX
Cumulative effect at January 1, 19X3, of change in accounting for income taxes (Note 15)	(X,XXX)	—	—
Net income (Note 7)	$ XX,XXX	$ XX,XXX	$ XX,XXX
Earnings per share (Notes 7 and 15):			
Income before cumulative effect of change in accounting principle	$ X.XX	$ X.XX	$ X.XX
Cumulative effect of change in accounting principle	(X.XX)	—	—
Net income (Note 7)	$ X.XX	$ X.XX	$ X.XX

See accompanying notes to consolidated financial statements.

ABC Federal Savings Institution and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 19X3, 19X2, and 19X1

	Common Stock	*Additional Paid-In Capital*	*Retained Earnings*	*Net Unrealized Depreciation on Certain Marketable Equity Securities*	*Total*
Balances at December 31, 19X0	$XX,XXX	$XX,XXX	$XX,XXX	$(X,XXX)	$XXX,XXX
Net income	—	—	XX,XXX	—	XX,XXX
Issuance of XX,XXX,XXX shares of common stock	XX,XXX	XX,XXX	—	—	XX,XXX
Change in net unrealized depreciation on certain marketable equity securities (Note 4)	—	—	—	XXX	XXX
Balances at December 31, 19X1	XX,XXX	XX,XXX	XX,XXX	(X,XXX)	XXX,XXX
Net income	—	—	XX,XXX	—	XX,XXX
Change in net unrealized depreciation on certain marketable equity securities (Note 4)	—	—	—	XXX	XXX
Balances at December 31, 19X2	XX,XXX	XX,XXX	XX,XXX	(X,XXX)	XXX,XXX
Net income	—	—	XX,XXX	—	XX,XXX
Issuance of X,XXX,XXX shares of X% stock dividend	XX,XXX	XX,XXX	(XX,XXX)	—	—
Change in net unrealized depreciation on certain marketable equity securities (Note 4)	—	—	—	XXX	XXX
Balances at December 31, 19X3	$XX,XXX	$XX,XXX	$XX,XXX	$(X,XXX)	$XXX,XXX

See accompanying notes to consolidated financial statements.

ABC Federal Savings Institution and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 19X3, 19X2, and 19X1

	19X3	19X2	19X1
Cash flows from operating activities:			
Net income	$ XX,XXX	$ XX,XXX	$ XX,XXX
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of:			
Excess of cost over fair value of net assets acquired	XX,XXX	XX,XXX	XX,XXX
Cost of loan-servicing rights	X,XXX	X,XXX	X,XXX
Deferred loan origination fees	(X,XXX)	(X,XXX)	(X,XXX)
Purchases of trading account securities	(XX,XXX)	(XX,XXX)	(XX,XXX)
Sales of trading account securities	XX,XXX	XX,XXX	XX,XXX
Premiums and discounts on loans and mortgage-backed and related securities	X,XXX	X,XXX	X,XXX
Provision for loan losses and losses on real estate	X,XXX	X,XXX	X,XXX
Net gains on sales of:			
Loans	(XX,XXX)	(XX,XXX)	(XX,XXX)
Mortgage-backed and related securities	(XX,XXX)	(XX,XXX)	(XX,XXX)
Investment securities	(X,XXX)	(X,XXX)	(X,XXX)
Depreciation and amortization of premises and equipment	X,XXX	X,XXX	X,XXX
Increase in:			
Deferred income taxes	X,XXX	X,XXX	X,XXX
Prepaid expenses and other assets	(X,XXX)	(X,XXX)	(X,XXX)
Accrued expenses and other liabilities	X,XXX	X,XXX	X,XXX
Total adjustments	XXX,XXX	XXX,XXX	XXX,XXX
Net cash provided by operating activities	XXX,XXX	XXX,XXX	XXX,XXX
Cash flows for investing activities:			
Loan originations and principal payment on loans and mortgage-backed and related securities	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)
Purchases of loans	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Proceeds from sales of loans	XXX,XXX	XXX,XXX	XXX,XXX
Net increase in consumer loans with original maturities less than three months	(XX,XXX)	(XX,XXX)	(XX,XXX)
Purchases of investment securities	(XX,XXX)	(XX,XXX)	(XX,XXX)
Proceeds from maturities of investment securities	XX,XXX	XX,XXX	XX,XXX
Proceeds from sales of investment securities	XX,XXX	XX,XXX	XX,XXX
Purchases of mortgage-backed and related securities	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Proceeds from sales of mortgage-backed and related securities	XXX,XXX	XXX,XXX	XXX,XXX
Investment in foreclosed real estate and real estate held for investment	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Proceeds from sale of foreclosed real estate	XXX,XXX	XXX,XXX	XXX,XXX
Net cash used in investing activities	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)
Cash flows from financing activities:			
Net increase in demand deposits, NOW accounts, passbook savings accounts, and certificates of deposit	XXX,XXX	XXX,XXX	XXX,XXX
Net increase (decrease) for borrowings with original maturities less than three months:			
Securities sold under agreements to repurchase	(XX,XXX)	(XX,XXX)	(XX,XXX)
FHLB advances	XX,XXX	XX,XXX	XX,XXX
Other	XX,XXX	XX,XXX	XX,XXX
Net increase in mortgage escrow funds	X,XXX	X,XXX	X,XXX
Net increase from issuance of common stock	—	—	X,XXX,XXX
Net cash provided by financing activities	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Net increase in cash and cash equivalents	XXX,XXX	XXX,XXX	XXX,XXX
Cash and cash equivalents at beginning of year	XXX,XXX	XXX,XXX	XXX,XXX
Cash and cash equivalents at end of year	$ XXX,XXX	$ XXX,XXX	$ XXX,XXX

Supplemental Disclosures

	19X3	19X2	19X1
Cash paid for:			
Interest on deposits, advances, and other borrowings	$ XXX,XXX	$ XXX,XXX	$ XXX,XXX
Income taxes	XX,XXX	XX,XXX	XX,XXX
Transfers from loans to real estate acquired through foreclosure	$ XX,XXX	$ XX,XXX	$ XX,XXX

See accompanying notes to consolidated financial statements.

ABC Federal Savings Institution and Subsidiary

Notes to Consolidated Financial Statements
December 31, 19X3, 19X2, and 19X1

(1) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ABC Federal Savings Institution (the Institution) and ABC Investors, its wholly owned subsidiary, which invests in real estate. All significant intercompany transactions and balances are eliminated in consolidation.

(b) Cash Equivalents

Cash equivalents of $XX,XXX and $XX,XXX at December 31, 19X3 and 19X2, respectively, consist of federal funds sold, certificates of deposit, and funds due from banks. For purposes of the statements of cash flows, the Institution considers all highly liquid debt instruments with original maturities when purchased, of three months or less, to be cash equivalents.

(c) Trading Account Securities

Trading account securities, consisting of certain government bonds and mortgage-backed securities, are carried at market value. Realized and unrealized gain and losses on trading account securities are recognized in the statement of operations as they occur.

(d) Investment Securities

Bonds, notes, and debentures are carried at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity. Management intends to hold such investments to maturity.

Equity securities that are nonmarketable or that have mandatory sinking funds are carried at cost. All other equity securities are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance that is shown as a reduction in the carrying value of the related securities and as a corresponding reduction in stockholders' equity.

Gains and losses on the sale of investment securities are determined using the specific-identification method.

(e) Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

(f) Mortgage-Backed Securities

Investment and mortgage-backed and related securities are stated at cost, adjusted for amortization of premiums and accretion of fees and discounts using a method that approximates level yield. The Institution has adequate liquidity and capital, and it is generally management's intention to hold such assets to maturity. Should any be sold, gains and losses will be recognized based on the specific identification method. All sales are made without recourse.

At December 31, 19X3, the Institution had no outstanding commitments to sell loans or securities. The market value of its $X.X billion mortgage-backed securities portfolio approximates book value. Unrealized gains in the portfolio totaled $XX million at year-end; unrealized losses were $XX million.

(g) Loans Receivable

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses, and net deferred loan-origination fees and discounts.

Discounts on first mortgage loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts on consumer loans are recognized over the lives of the loans using methods that approximate the interest method.

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Institution's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

Uncollectible interest on loans that are contractually past due is charged off, or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

*(h) **Loan-Origination Fees, Commitment Fees, and Related Costs***

Prior to January 1, 19X3, loan fees received were recognized as current income to the extent that they represented a reimbursement of loan underwriting costs, which were recognized as expense when incurred. Fees deferred prior to 19X3 on fixed-rate loans are being amortized to income over the estimated loan life to produce a level interest yield. Fees deferred prior to 19X3 on adjustable-rate loans are being amortized to income over the period of time required to adjust the contractual interest rate to a yield approximating a market rate at origination date.

Loan fees received on or after January 1, 19X3, are accounted for in accordance with FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases.* Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Institution's historical prepayment experience. Commitment fees and costs relating to commitments the likelihood of exercise of which is remote are recognized over the commitment period on a straight-line basis. If the commitment is subsequently exercised during the commitment period, the remaining unamortized commitment fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

*(i) **Real Estate Held for Investment and Foreclosed Real Estate***

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of foreclosure. Real estate properties held for investment are carried at the lower of cost, including cost of improvements and amenities incurred subsequent to acquisition, or net realizable value. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed. The portion of interest costs relating to the development of real estate is capitalized.

Valuations are periodically performed by management, and an allowance for losses is established by a charge to operations if the carrying value of a property exceeds its estimated net realizable value.

*(j) **Excess of Cost Over Fair Value of Net Assets Acquired***

The excess of cost over fair value of net assets acquired in thrift acquisitions initiated after September 30, 1982 (the effective date of FASB Statement No. 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions)*, is amortized to expense by the accelerated method over the estimated remaining lives of the long-term, interest-bearing assets acquired. The excess of cost over fair value of net assets acquired in thrift acquisitions initiated prior to September 30, 1982, is amortized using the straight-line method over XX years.

*(k) **Income Taxes***

In February 1992, the Financial Accounting Standards Board issued FASB Statement No. 109, *Accounting for Income Taxes*. FASB Statement No. 109 requires a change from the deferred method to the asset-and-liability method of accounting for income taxes. Under the asset-and-liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under FASB Statement No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Institution elected to adopt FASB Statement No. 109 in 19X3, and has reported the cumulative effect of the change in the method of accounting for income taxes as of January 1, 19X3, in the 19X3 consolidated statement of income.

Under the deferred method applied in 19X2 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income-tax purposes using the tax rate applicable to the year of the calculation. Under the deferred method, deferred taxes are not adjusted for subsequent changes in tax rates.

Investment tax credits are accounted for as a reduction of income tax expense in the year taxes payable are reduced.

(l) Premises and Equipment

Land is carried at cost. Building; leasehold improvements; and furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is being amortized using the straight-line method over the terms of the related leases.

(m) Loan-Servicing Rights

The cost of loan-servicing rights acquired is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interests in loans sold have an average contractual interest rate, adjusted for normal servicing fees, that differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. The resulting "excess servicing fees receivable" is amortized over the estimated life using a method approximating the level-yield method.

The cost of loan-servicing rights purchased, the excess servicing fees receivable, and the amortization thereon is periodically evaluated in relation to estimated future net servicing revenues. The Institution evaluates the carrying value of the servicing portfolio by estimating the future net servicing income of the portfolio based on management's best estimate of remaining loan lives.

(n) Provision for Loan-Servicing Costs

The Institution charges income for expected costs that are incurred as a result of the Institution's responsibility as servicer of Federal Housing Administration (FHA) insured and Department of Veterans Affairs (VA) guaranteed loans for other investors. The charge to income is determined based on a number of variables, including the amount of delinquent loans serviced for other investors, length of delinquency, and amounts previously advanced on behalf of the borrower that the Institution does not expect to recover from either the FHA or VA.

(o) Financial Instruments

Interest-Rate Exchange Agreements

Interest-rate exchange agreements (swaps) designated as hedges against future fluctuations in the interest rates of specifically identified assets or liabilities are not marked to market. Gains or losses on the sales of swaps entered into as hedges are deferred and transferred into interest income or expense over the maturity period of the swap. Net interest income (expense) resulting from the differential between exchanging floating and fixed-rate interest payments is recorded on a current basis.

Financial Futures

Interest-rate futures contracts are entered into by the Institution as hedges against exposure to interest-rate risk and are not for speculation purposes. Changes in the market value of interest-rate futures contracts are deferred and amortized into interest income or expense over the maturity period of the hedged assets or liabilities.

Financial Options

Option premiums received for writing puts and calls are recorded as a liability representing the market value of the option. The liability is subsequently marked to market at each balance-sheet date.

(p) Statement of Cash Flows

In November 1987, the Financial Accounting Standards Board issued FASB Statement No. 95, *Statement of Cash Flows*, which is effective for annual financial statements for fiscal years ending after July 15, 1988. FASB Statement No. 95 requires that a statement of cash flows be presented in place of a statement of changes in financial position. The consolidated statements of changes in financial position for the years ended December 31, 19X2 and 19X1, have been replaced with statements of cash flows.

(q) Earnings Per Share

Earnings per share have been computed on the basis of the weighted average number of shares of common stock outstanding. The weighted average number of shares outstanding were XX,XXX,XXX, XX,XXX,XXX, and XX,XXX,XXX in 19X3, 19X2, and 19X1, respectively.

(2) Purchase Accounting

Information concerning the aggregate amounts resulting from the application of the purchase method of accounting is summarized as follows:

	Balance at December 31, 19X3	*Amortization Credited (Charged) to Operations for the Year Ended December 31*		
		19X3	*19X2*	*19X1*
Excess of cost over fair value of net assets acquired, amortized under:				
Straight-line method	$XXX,XXX	$(XX,XXX)	$(XX,XXX)	$(XX,XXX)
FASB Statement No. 72	XXX,XXX	(XX,XXX)	(XX,XXX)	(XX,XXX)
Total	$XXX,XXX	$(XX,XXX)	$(XX,XXX)	$(XX,XXX)

(3) Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell at December 31 are summarized as follows:

	19X3	*19X2*
Mortgage-backed securities with an estimated market value of $XXX,XXX in 19X3 and $XXX,XXX in 19X2	$XXX,XXX	$XXX,XXX
U.S. government securities with an estimated market value of $XXX,XXX in 19X3 and $XXX,XXX in 19X2	XXX,XXX	XXX,XXX
	$XXX,XXX	$XXX,XXX

The Institution enters into purchases of securities under agreements to resell. The amounts advanced under these agreements represent short-term loans and are reflected as a receivable in the statements of financial condition. The securities underlying the agreements are book-entry securities. During the period, the securities were delivered by appropriate entry into the Institution's account maintained at the Federal Reserve Bank of New York (or MBS Clearing Corporation for GNMA securities) or into a third-party custodian's account designated by the Institution under a written custodial agreement that explicitly recognizes the Institution's interest in the securities. At December 31, 19X3, these agreements matured within ninety days. The agreements relating to mortgage-backed securities were agreements to resell substantially identical securities. At December 31, 19X3, no material amount of agreements to resell securities purchased was outstanding with any individual dealer. Securities purchased under agreements to resell averaged $XXX,XXX and $XXX,XXX during 19X3 and 19X2, and the maximum amounts outstanding at any month-end during 19X3 and 19X2 were $XXX,XXX and $XXX,XXX, respectively.

(4) Investment Securities

The carrying values and estimated market values of investment securities at December 31 are summarized as follows:

	19X3		*19X2*	
	Carrying Value	*Estimated Market Value*	*Carrying Value*	*Estimated Market Value*
Bonds, notes, and debentures at amortized cost:				
Domestic corporate	$XXX,XXX	$XXX,XXX	$XXX,XXX	$XXX,XXX
Foreign corporate and governmental (payable in U.S. funds)	XX,XXX	XX,XXX	XX,XXX	XX,XXX
U.S. government and federal agencies	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Equity securities:				
Preferred stocks:				
Cost	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Allowance for net unrealized depreciation	(X,XXX)	(X,XXX)	(X,XXX)	(X,XXX)
Stock in Federal Home Loan Bank, at cost	XX,XXX	XX,XXX	XX,XXX	XX,XXX
	XX,XXX	XX,XXX	XX,XXX	XX,XXX
	$XXX,XXX	$XXX,XXX	$XXX,XXX	$XXX,XXX

The amortized cost and estimated market values of investments in debt securities are as follows as of December 31, 19X3:

	Amortized Cost	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Market Value*
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$XX,XXX	$XXX	$(XXX)	$XX,XXX
Obligations of states and political subdivisions	XX,XXX	XXX	(XXX)	XX,XXX
Debt securities issued by foreign governments	XX,XXX	XXX	(XXX)	XX,XXX
Corporate securities	XX,XXX	XXX	(XXX)	XX,XXX
Mortgage-backed securities	XX,XXX	XXX	(XXX)	XX,XXX
Other debt securities	XX,XXX	XXX	(XXX)	XX,XXX
Totals	$XX,XXX	$XXX	$(XXX)	$XX,XXX

The amortized cost and estimated market value of debt securities at December 31, 19X3, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	*Estimated Market Value*
Due in one year or less	$ XXX	$ XXX
Due after one year through five years	XXX	XXX
Due after five years through ten years	XXX	XXX
Due after ten years	XXX	XXX
	X,XXX	X,XXX
Mortgage-backed securities	XXX	XXX
	$XX,XXX	$XX,XXX

Proceeds from sales of investments in debt securities during 19X3 were $XXX,XXX. Gross gains of $XX,XXX and gross losses of $XX,XXX were realized on those sales.

(5) Trading Account Securities

	Market Value at December 31:	
	19X3	*19X2*
U.S. government bonds	$XX,XXX	$XX,XXX
FHLMC Certificates	XX,XXX	XX,XXX
	$XX,XXX	$XX,XXX

(6) Mortgage-Backed and Related Securities

The carrying values and estimated market values of mortgage-backed and related securities are summarized as follows:

	December 31, 19X3				
	Principal Balance	*Unamortized Premiums*	*Unearned Discounts*	*Carrying Value*	*Estimated Market Value*
GNMA certificates	$XXX,XXX	$XX,XXX	$(XX,XXX)	$XXX,XXX	$XXX,XXX
FHLMC certificates	XXX,XXX	—	(XX,XXX)	XXX,XXX	XXX,XXX
Collateralized mortgage obligations	XXX,XXX	—	(XX,XXX)	XXX,XXX	XXX,XXX
REMIC	XXX,XXX	—	(XX,XXX)	XXX,XXX	XXX,XXX
Interest-only securities	XX,XXX	—	—	XX,XXX	XX,XXX
Principal-only certificates	XX,XXX	—	—	XX,XXX	XX,XXX
	$XXX,XXX	$XX,XXX	$(XX,XXX)	$XXX,XXX	$XXX,XXX

	December 31, 19X2				
	Principal Balance	*Unamortized Premiums*	*Unearned Discounts*	*Carrying Value*	*Estimated Market Value*
GNMA Certificates	$XXX,XXX	$(XX,XXX)	$XXX,XXX	$XXX,XXX	$XXX,XXX
FHLMC Certificates	XXX,XXX	—	(XX,XXX)	XXX,XXX	XXX,XXX
Collateralized mortgage obligations	XXX,XXX	—	(XX,XXX)	XXX,XXX	XXX,XXX
REMIC	XXX,XXX	—	(XX,XXX)	XXX,XXX	XXX,XXX
Interest-only securities	XX,XXX	—	—	XX,XXX	XX,XXX
Principal-only certificates	XX,XXX	—	—	XX,XXX	XX,XXX
	$XXX,XXX	$ XX,XXX	$(XX,XXX)	$XXX,XXX	$XXX,XXX

(7) Loans Receivable

Loans receivable at December 31 are summarized as follows:

	19X3	*19X2*
First mortgage loans (principally conventional):		
Principal balances:		
Secured by one-to-four-family residences	$X,XXX,XXX	$X,XXX,XXX
Secured by other properties	XXX,XXX	XXX,XXX
Construction loans	XXX,XXX	XXX,XXX
Other	XXX,XXX	XXX,XXX
	X,XXX,XXX	X,XXX,XXX
Less:		
Undisbursed portion of construction loans	(XXX,XXX)	(XXX,XXX)
Unearned discounts	(XXX,XXX)	(XXX,XXX)
Net deferred loan-origination fees	(XXX,XXX)	(XXX,XXX)
Total first mortgage loans	X,XXX,XXX	X,XXX,XXX
Consumer and other loans:		
Principal balances:		
Automobile	XXX,XXX	XXX,XXX
Manufactured home	XXX,XXX	XXX,XXX
Home equity and second mortgage	XXX,XXX	XXX,XXX
Commercial	XXX,XXX	XXX,XXX
Other	XXX,XXX	XXX,XXX
	X,XXX,XXX	X,XXX,XXX
Less:		
Unearned discounts	(XX,XXX)	(XX,XXX)
Dealer reserves	(XX,XXX)	(XX,XXX)
Total consumer and other loans	XXX,XXX	XXX,XXX
Less allowance for loan losses	(XX,XXX)	(XX,XXX)
	$X,XXX,XXX	$X,XXX,XXX

Commencing January 1, 19X3, the Institution adopted FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases,* on a prospective basis. In 19X3, the application of FASB Statement No. 91 had the effect of increasing interest income on loans by $XXX,XXX, while reducing loan origination and commitment fee income by $XXX,XXX, noninterest expense by $XXX,XXX, income tax expense by $XX,XXX, net income by $XX,XXX, and earnings per share by $X.XX.

Activity in the allowance for loan losses is summarized as follows for the years ended December 31:

	19X3	*19X2*	*19X1*
Balance at beginning of year	$XX,XXX	$XX,XXX	$XX,XXX
Provision charged to income	X,XXX	X,XXX	X,XXX
Charge-offs and recoveries, net	(X,XXX)	(X,XXX)	(X,XXX)
Balance at end of year	$XX,XXX	$XX,XXX	$XX,XXX

Nonaccrual and renegotiated loans for which interest has been reduced totaled approximately $XX,XXX, $XX,XXX, and $XX,XXX at December 31, 19X3, 19X2, and 19X1, respectively. Interest income that would have been recorded under the original terms of such loans and the interest income actually recognized for the years ended December 31 are summarized below:

	19X3	*19X2*	*19X1*
Interest income that would have been recorded	$XX,XXX	$XX,XXX	$XX,XXX
Interest income recognized	(X,XXX)	(X,XXX)	(X,XXX)
Interest income foregone	$XX,XXX	$XX,XXX	$XX,XXX

The Institution is not committed to lend additional funds to debtors whose loans have been modified.

(8) Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at December 31 are summarized as follows:

	19X3	*19X2*	*19X1*
Mortgage loans underlying passthrough securities:			
FNMA	$X,XXX,XXX	$X,XXX,XXX	$X,XXX,XXX
FHLMC	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Mortgage loan portfolios serviced for:			
FNMA	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Other investors	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
	$X,XXX,XXX	$X,XXX,XXX	$X,XXX,XXX

Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $X,XXX,XXX and $X,XXX,XXX at December 31, 19X3 and 19X2, respectively.

Following is an analysis of the changes in loan-servicing rights acquired (purchased) and excess servicing fees receivable (retained) asset balances for the years 19X3, 19X2, and 19X1:

	Purchased	*Retained*
Balance, January 1, 19X1	$XX,XXX	$XX,XXX
Additions	X,XXX	X,XXX
Amortization	(X,XXX)	(X,XXX)
Valuation adjustments due to changes in prepayment assumptions	—	(XXX)
Balance, December 31, 19X1	XX,XXX	XX,XXX
Additions	X,XXX	X,XXX
Amortization	(X,XXX)	(X,XXX)
Valuation adjustments due to changes in prepayment assumptions	—	(XXX)
Balance, December 31, 19X2	XX,XXX	XX,XXX
Additions	X,XXX	X,XXX
Amortization	(X,XXX)	(X,XXX)
Valuation adjustments due to changes in prepayment assumptions	—	(XXX)
Balance, December 31, 19X3	$XX,XXX	$XX,XXX

(9) Accrued Interest Receivable

Accrued interest receivable at December 31 is summarized as follows:

	19X3	*19X2*
Investment securities	$XX,XXX	$XX,XXX
Mortgage-backed securities	XX,XXX	XX,XXX
Loans receivable	XX,XXX	XX,XXX
Other	X,XXX	X,XXX
	$XX,XXX	$XX,XXX

(10) Real Estate Held for Investment

The Institution and its wholly owned subsidiary have direct investments in real estate projects and participate in joint ventures with third parties engaged primarily in acquiring, developing, and constructing residential housing units and commercial property. Real estate held for investment at December 31 is summarized as follows:

	19X3	*19X2*
Investment in real estate partnerships	$XXX,XXX	$XXX,XXX
Investment in ADC arrangements	XXX,XXX	XXX,XXX
Less:		
Undisbursed portion of construction loans	(X,XXX)	(X,XXX)
Deferred income	(X,XXX)	(X,XXX)
Allowance for losses	(X,XXX)	(X,XXX)
	$ XX,XXX	$ XX,XXX

Income (loss) from real estate operations for the years ended December 31 is as follows:

	19X3	*19X2*	*19X1*
Equity in income (loss) of partnerships	$(X,XXX)	$(X,XXX)	$(X,XXX)
Other	X,XXX	X,XXX	X,XXX
Provision for losses	(X,XXX)	(X,XXX)	(X,XXX)
	$ X,XXX	$(X,XXX)	$(X,XXX)

Summaries of assets, liabilities, and partners' equity for the partnerships at December 31, 19X3 and 19X2, and operations for the years ended December 31, 19X3, 19X2, and 19X1, are as follows:

	19X3	*19X2*
Assets:		
Cash	$ X,XXX	$XXX,XXX
Land, buildings, and construction in progress	XXX,XXX	XXX,XXX
Other assets	X,XXX	X,XXX
	$XXX,XXX	$XXX,XXX
Liabilities and partners' equity:		
Mortgage loans payable	$XXX,XXX	$XXX,XXX
Other liabilities	XX,XXX	XX,XXX
	XXX,XXX	XXX,XXX
Partners' equity:		
ABC Federal Savings and Loan Association	XX,XXX	XX,XXX
Other	XX,XXX	XX,XXX
	XX,XXX	XX,XXX
	$XXX,XXX	$XXX,XXX

	19X3	*19X2*	*19X1*
Operations of partnerships:			
Real estate sales	$XX,XXX	$XX,XXX	$XX,XXX
Other income	X,XXX	X,XXX	X,XXX
	XX,XXX	XX,XXX	XX,XXX
Cost of sales	XX,XXX	XX,XXX	XX,XXX
Selling and other expenses	X,XXX	X,XXX	X,XXX
Net earnings (loss)	$ X,XXX	$ (X,XXX)	$ (X,XXX)

Activity in the allowance for losses for real estate foreclosed and held for investment for the years ended December 31 is as follows:

	Foreclosed Real Estate	*Real Estate Held for Investment*	*Total*
Balance, December 31, 19X0	$X,XXX	$X,XXX	$X,XXX
Provision charged to income	X,XXX	X,XXX	X,XXX
Charge-offs, net of recoveries	(XXX)	(XXX)	(XXX)
Balance, December 31, 19X1	X,XXX	X,XXX	X,XXX
Provisions charged to income	X,XXX	X,XXX	X,XXX
Charge-offs, net of recoveries	(XXX)	(XXX)	(XXX)
Balance, December 31, 19X2	X,XXX	X,XXX	X,XXX
Provisions charged to income	X,XXX	X,XXX	X,XXX
Charge-offs, net of recoveries	(XXX)	(XXX)	(XXX)
Balance, December 31, 19X3	$X,XXX	$X,XXX	$X,XXX

(11) Premises and Equipment

Premises and equipment at December 31 are summarized as follows:

	19X3	*19X2*
Cost:		
Land	$XX,XXX	$XX,XXX
Buildings	XX,XXX	XX,XXX
Leasehold improvements	XX,XXX	XX,XXX
Furniture fixtures and equipment	XX,XXX	XX,XXX
	XX,XXX	XX,XXX
Less accumulated depreciation and amortization	(XX,XXX)	(XX,XXX)
	$XX,XXX	$XX,XXX

(12) Deposits

Deposits at December 31 are summarized as follows:

	Weighted Average Rate at December 31, 19X3	*19X3*		*19X2*	
		Amount	*Percent*	*Amount*	*Percent*
Demand and NOW accounts, including non-interest-bearing deposits of $XXX,XXX in 19X3 and $XXX,XXX in 19X2	X.XX%	$ XXX,XXX	X.X%	$ XXX,XXX	X.X%
Money market	X.XX	X,XXX,XXX	X.X	X,XXX,XXX	X.X
Passbook savings	X.XX	XXX,XXX	XX.X	XXX,XXX	XX.X
		X,XXX,XXX	XX.X	X,XXX,XXX	XX.X
Certificates of deposit:					
X% to X%	XXX	—	—	X,XXX,XXX	XX.X
X% to X%	XXX	X,XXX,XXX	XX.X	XXX,XXX	XX.X
X% to X%	XXX	XXX,XXX	XX.X	XXX,XXX	XX.X
X% to X%	XXX	XX,XXX	XX.X	XX,XXX	XX.X
		X,XXX,XXX	XX.X	X,XXX,XXX	XX.X
	X.XX%	$ X,XXX,XXX	100.0%	$ X,XXX,XXX	100.0%

The aggregate amount of short-term jumbo certificates of deposit with a minimum denomination of $100,000 was approximately $XX,XXX,XXX and $XX,XXX,XXX at December 31, 19X3 and 19X2.

At December 31, 19X3, scheduled maturities of certificates of deposit are as follows:

	Year Ending December 31			
	19X4	*19X5*	*19X6*	*19X7*
X% to X%	$X,XXX,XXX	$X,XXX,XXX	$X,XXX,XXX	$X,XXX,XXX
X% to X%	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
X% to X%	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
X% to X%	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
	$X,XXX,XXX	$X,XXX,XXX	$X,XXX,XXX	$X,XXX,XXX

	Year Ending December 31	
	19X8	*Thereafter*
X% to X%	$X,XXX,XXX	$X,XXX,XXX
X% to X%	X,XXX,XXX	X,XXX,XXX
X% to X%	X,XXX,XXX	X,XXX,XXX
X% to X%	X,XXX,XXX	X,XXX,XXX
	$X,XXX,XXX	$X,XXX,XXX

Interest expense on deposits for the years ended December 31 is summarized as follows:

	19X3	*19X2*	*19X1*
Money market	$XXX,XXX	$XXX,XXX	$XXX,XXX
Passbook savings	XXX,XXX	XXX,XXX	XXX,XXX
NOW	XXX,XXX	XXX,XXX	XXX,XXX
Certificate of deposit	XXX,XXX	XXX,XXX	XXX,XXX
	$XXX,XXX	$XXX,XXX	$XXX,XXX

(13) Borrowed Funds

Borrowed funds at December 31 are summarized as follows:

	19X3	*19X2*
Borrowing under fixed-coupon dollar reverse repurchase agreements	$XXX,XXX	$XXX,XXX
Advances from the Federal Home Loan Bank	XXX,XXX	XXX,XXX
Other borrowed funds	XX,XXX	XX,XXX
	$XXX,XXX	$XXX,XXX

Information concerning borrowings under fixed-coupon dollar reverse repurchase agreements is summarized as follows:

	19X3	*19X2*
Average balance during the year	$XXX,XXX	$XXX,XXX
Average interest rate during the year	X.XX%	X.XX%
Maximum month-end balance during the year	XXX,XXX	XXX,XXX
Mortgage-backed securities underlying the agreements at year-end:		
Carrying value	XXX,XXX	XXX,XXX
Estimated market value	XXX,XXX	XXX,XXX

Mortgage-backed securities sold under dollar reverse repurchase agreements were delivered to the broker-dealers who arranged the transactions. The broker-dealers may have sold, loaned, or otherwise disposed of such securities to other parties in the normal course of their operation, and have agreed to resell to the Institution substantially identical securities at the maturities of the agreements. The agreements at December 31, 19X3, mature within three months.

Pursuant to collateral agreements with the Federal Home Loan Bank (FHLB), advances are secured by all stock in the FHLB and qualifying first mortgage loans. Advances at December 31, 19X3, have calendar-year maturity dates as follows: 19X6, $XXX,XXX; and 19X9, $XXX,XXX.

Other borrowed funds were collateralized principally by mortgage-backed securities and office premises with an approximate total carrying value of $XXX,XXX at December 31, 19X3. These borrowings include $XXX,XXX payable within six months and $XXX,XXX payable at various dates through December 19X9.

Interest expense on borrowed funds for the years ended December 31 is summarized as follows:

	19X3	*19X2*	*19X1*
Fixed-coupon dollar reverse repurchase and other repurchase agreements	$XX,XXX	$XX,XXX	$XX,XXX
Advances from the FHLB	XX,XXX	XX,XXX	XX,XXX
Other	XX,XXX	XX,XXX	XX,XXX
	$XX,XXX	$XX,XXX	$XX,XXX

(14) Pension Plan

The Institution has a qualified, noncontributory defined-benefit retirement plan covering substantially all of its employees. The benefits are based on each employee's years of service up to a maximum of XX years, and the average of the highest five consecutive annual salaries of the ten years prior to retirement. The benefits are reduced by a specified percentage of the employee's social security benefit. An employee becomes fully vested upon completion of XX years of qualifying service. It is the policy of the Institution to fund the maximum amount that can be deducted for federal income-tax purposes.

The following table sets forth the plan's funded status and amounts recognized in the Institution's consolidated statements of financial condition at December 31:

	19X3	*19X2*
Actuarial present value of benefit obligations:		
Accumulated benefit obligation:		
Vested	$X,XXX,XXX	$X,XXX,XXX
Nonvested	X,XXX,XXX	X,XXX,XXX
	X,XXX,XXX	X,XXX,XXX
Effect of projected future compensation	X,XXX,XXX	X,XXX,XXX
Projected benefit obligation for service rendered to date	X,XXX,XXX	X,XXX,XXX
Plan assets at fair value; primarily listed stocks, cash and short-term investments	X,XXX,XXX	X,XXX,XXX
Plan assets in excess of projected benefit obligation	XXX,XXX	XXX,XXX
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	(XXX,XXX)	(XXX,XXX)
Prior service cost not yet recognized in periodic pension cost	XXX,XXX	XXX,XXX
Unrecognized net transition asset (from adoption of FASB Statement No. 87) being amortized over XX years	(XXX,XXX)	(XXX,XXX)
Prepaid pension cost (included in other assets)	$ XXX,XXX	$ XXX,XXX

The components of net pension expense for the years ended December 31 are as folows:

	19X3	*19X2*	*19X1*
Service cost-benefits earned during the period	$XXX,XXX	$XXX,XXX	$XXX,XXX
Interest cost on projected benefit obligation	XXX,XXX	XXX,XXX	XXX,XXX
Actual return on plan assets	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Net amortization and deferral	XX,XXX	XX,XXX	XX,XXX
Net pension expense	$XXX,XXX	$XXX,XXX	$XXX,XXX

Assumptions used to develop the net periodic pension cost were:		
Discount rate	X%	X%
Expected long-term rate of return on assets	X%	X%
Rate of increase in compensation levels	X%	X%

(15) Income Taxes

The Institution and Subsidiary file consolidated federal income-tax returns on a calendar-year basis. If certain conditions are met in determining taxable income, the Institution is allowed a special bad-debt deduction based on a percentage of taxable income (presently 8 percent) or on specified experience formulas. The Institution used the percentage-of-taxable-income method in 19X2 and 19X1, and anticipates using the same method in 19X3.

Income tax expense for the years ended December 31 is summarized as follows:

	19X3	*19X2*	*19X1*
Federal:			
Current	$X,XXX	$X,XXX	$X,XXX
Deferred	X,XXX	X,XXX	X,XXX
	$X,XXX	$X,XXX	$X,XXX

	19X3	*19X2*	*19X1*
State and local:			
Current	X,XXX	X,XXX	X,XXX
Deferred	X,XXX	X,XXX	X,XXX
	$X,XXX	$X,XXX	$X,XXX

As discussed in Note 1, the Institution adopted FASB Statement No. 109 as of January 1, 19X3. The cumulative effect of this change in accounting for income taxes as of January 1, 19X3, increased net income by $X,XXX and is reported separately in the consolidated statement of income for the year ended December 31, 19X3. The effects of applying FASB Statement No. 109 on income before cumulative effect of change in accounting principle and on net income and earnings per share for the year ended December 31, 19X3, were decreases of $X,XXX, $X,XXX, and $X,XXX, respectively. Prior years' financial statements have not been restated to apply the provisions of FASB Statement No. 109.

Total income-tax expense differed from the amounts computed by applying the U.S. federal income tax rates of 34 percent in 19X3 and 40 percent in 19X2 and 19X1 to income before income taxes and cumulative effect of change in accounting for income taxes as a result of the following:

	19X3	*19X2*	*19X1*
Expected income tax expense at federal tax rate	$XXX,XXX	$XXX,XXX	$XXX,XXX
Tax bad-debt deduction based on a percentage of taxable income	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Effect of purchase accounting adjustments:			
Nontaxable amortization:			
Discounts on loans receivable and mortgage-backed securities	(X,XXX)	(X,XXX)	(X,XXX)
Premiums on deposits and borrowings	(X,XXX)	(X,XXX)	(X,XXX)
Excess of cost over fair value of net assets acquired	XX,XXX	XX,XXX	XX,XXX
Cost of loan-servicing rights acquired	X,XXX	X,XXX	X,XXX
Difference between financial statement gain and tax basis loss on sales of assets	(XX,XXX)	(XX,XXX)	(XX,XXX)
State and local taxes based on income, net of federal income tax benefit	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX
Total income tax expense	$ X,XXX	$ X,XXX	$ X,XXX

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that gave rise to significant portions of the deferred tax liability at December 31, 19X3, relate to the following:

	19X3
Loans receivable and mortgage-backed and related securities, principally due to purchase accounting discount	$(X,XXX)
Cost of loan-servicing rights	X,XXX
Other, net	X,XXX
	$ X,XXX

For 19X2 and 19X1, deferred tax expense results from timing differences in the recognition of income and expense for tax and financial reporting purposes. The sources and tax effects of these temporary and timing differences are as follows:

	19X2	*19X1*
Loan fees deferred for financial reporting purposes	$X,XXX	$X,XXX
FHLB stock dividends	X,XXX	X,XXX
Interest capitalized on real estate projects	(XXX)	(XXX)
Effect of purchase accounting adjustments, principally discounts on loans receivable and mortgage-backed and related securities	—	—
Other, net	X,XXX	X,XXX
	$X,XXX	$X,XXX

Retained earnings at December 31, 19X3 and 19X2, include approximately $X,XXX,XXX and $X,XXX,XXX, respectively, for which no deferred federal income tax liability has been recognized. These amounts represent an allocation of income to bad-debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad-debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income-tax rate. The unrecorded deferred income-tax liability on the above amounts was approximately $XXX,XXX and $XXX,XXX at December 31, 19X3 and 19X2, respectively.

(16) Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989

FIRREA was signed into law on August 9, 1989; regulations for savings institutions' minimum-capital requirements went into effect on December 7, 1989. In addition to the capital requirements, FIRREA includes provisions for changes in the federal regulatory structure for institutions, including a new deposit insurance system, increased deposit insurance premiums, and restricted investment activities with respect to non-investment-grade corporate debt and certain other investments. FIRREA also increases the required ratio of housing-related assets needed to qualify as a savings institution.

Certain features of the new capital regulations and their administration have not been made final. However, the regulations require institutions to have minimum regulatory tangible capital equal to 1.5 percent of total assets, 4 to 5 percent leverage capital ratio, and, for December 31, 1989, to 6.4 percent risk-based capital ratio. The ability to include qualifying supervisory goodwill for purposes of the leverage-capital-ratio requirement will be phased out by January 1, 1995. Additionally, the risk-based capital-ratio requirement will be increased to 7.25 percent on December 31, 1990, and to 8 percent on December 31, 1992.

The Institution, at December 31, 1989, meets the regulatory-tangible-capital and core-capital requirements but fails the risk-based capital requirement of 6.4 percent of total risk-adjusted assets, as defined by FIRREA. At December 31, 1989, the Institution's unaudited regulatory tangible capital was $__________, or __________ percent of total assets; core capital was $__________, or __________ percent of total assets; and risk-based capital was $__________, or __________ percent of total risk-adjusted assets, as defined by FIRREA. Failure to meet this capital requirement exposes the Institution to regulatory sanctions, including limitation on asset growth. The Institution has a capital plan that has been accepted by the Office of Thrift Supervision. The plan outlines the Institution's steps for attaining the required levels of regulatory capital.

Management believes, at this time, that the institution will meet all the provisions of the capital plan and that it will meet all the regulatory-capital requirements by December 31, 1994 (or earlier if stated in the capital plan). The capital plan includes the following steps to meet the regulatory requirements. *(This discussion would include, among other things, reducing the size of the institution by converting noncash assets and reducing liabilities, issuing additional equity securities at prices less than book value, or implementing other forms of financial restructuring.)*

The following is a reconciliation of GAAP capital to regulatory capital:

		Unaudited—Regulatory		
	GAAP Capital	*Tangible Capital*	*Core Capital*	*Total Capital*
GAAP capital, before adjustments	$XXX,XXX			
Audit adjustments:				
Provision for loan losses	(X,XXX)			
Income-tax expense	X,XXX			
Other	(XXX)			
GAAP capital, as adjusted	$XXX,XXX	$XXX,XXX	$XXX,XXX	$XXX,XXX
Nonallowable capital:				
Perpetual preferred stock, cumulative		(X,XXX)	(X,XXX)	
Nonallowable Assets:				
Goodwill—total		(X,XXX)		(X,XXX)
Goodwill—excess		(X,XXX)		(X,XXX)
Purchased-servicing assets		(XXX)	(XXX)	(XXX)
Equity investments				(X,XXX)
Additional capital items:				
Subordinate debentures—limited				XXX
General valuation allowances—limited				XXX
Regulatory capital—computed		XXX,XXX	XXX,XXX	XXX,XXX
Minimum-capital requirement		(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Regulatory capital—excess (deficiency)		$ XX,XXX	$ XX,XXX	$ XX,XXX

(17) Gains on Sales of Interest Earning Assets, Net

Gains are summarized as follows for the years ended December 31:

	19X3	*19X2*	*19X1*
Realized gain on sales of:			
Mortgage-backed securities	$XX,XXX	$XX,XXX	$XX,XXX
Investment securities	XX,XXX	XX,XXX	XX,XXX
First mortgage loans	XX,XXX	XX,XXX	XX,XXX
	$XX,XXX	$XX,XXX	$XX,XXX

(18) Other Noninterest Income and Expense

Other noninterest income and expense amounts are summarized as follows for the years ended December 31:

	19X3	*19X2*	*19X1*
Other noninterest income:			
Banking service charges and fees	$XX,XXX	$XX,XXX	$XX,XXX
Loan late charges	XX,XXX	XX,XXX	XX,XXX
Other	XX,XXX	XX,XXX	XX,XXX
	$XX,XXX	$XX,XXX	$XX,XXX

	19X3	19X2	19X1
Other noninterest expense:			
Advertising and promotion	XX,XXX	XX,XXX	XX,XXX
Data processing	XX,XXX	XX,XXX	XX,XXX
Professional fees	XX,XXX	XX,XXX	XX,XXX
Printing, postage, stationery, and supplies	XX,XXX	XX,XXX	XX,XXX
Telephone	XX,XXX	XX,XXX	XX,XXX
Unrealized loss on valuation of loans held for sale	XX,XXX	XX,XXX	XX,XXX
Other	XX,XXX	XX,XXX	XX,XXX
	$XX,XXX	$XX,XXX	$XX,XXX

(19) Commitments and Contingencies

In the ordinary course of business, the Institution and Subsidiary have various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In addition, the Institution and Subsidiary are defendants in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position of the Institution and Subsidiary. The principal commitments of the Institution and Subsidiary are as follows:

Lease Commitments

At December 31, 19X3, the Institution and Subsidiary were obligated under noncancelable operating leases for office space. Certain leases contain escalation clauses providing for increased rentals based primarily on increase in real estate taxes or in the average consumer price index. Net rent expenses under operating leases, included in occupancy and equipment expense, were approximately $XX,XXX, $XX,XXX, and $XX,XXX, for the years ended December 31, 19X3, 19X2, and 19X1, respectively.

The projected minimum rental payments under the terms of the leases at December 31, 19X3, net of projected sublease rentals, are as follows:

Years Ending December 31	Amount
19X4	$XX,XXX
19X5	XX,XXX
19X6	XX,XXX
19X7	XX,XXX
19X8	XX,XXX
19X9 and thereafter	XX,XXX
	$XX,XXX

Loan Commitments

At December 31, 19X3, the Institution and Subsidiary had outstanding firm commitments to originate or purchase loans as follows:

	Fixed-Rate	Variable-Rate	Total
First-mortgage loans	$XX,XXX	$XX,XXX	$XX,XXX
Consumer and other loans	XX,XXX	XX,XXX	XX,XXX
	$XX,XXX	$XX,XXX	$XX,XXX

Fees received in connection with these commitments have not been recognized in income.

(20) Financial Instruments

(a) *Interest-Rate Exchange Agreements*

During 19X3, 19X2, and 19X1, the Institution entered into agreements to assume fixed-rate interest payments in exchange for variable market-indexed interest payments (interest-rate swaps). The notional principal amounts of interest-rate swaps outstanding were $XXX million, $XXX million, and $XXX million at December 31, 19X3, 19X2, and 19X1, respectively. The original terms to maturity ranged from X years to X years with a weighted-average original term of XX months. The weighted-average fixed-payment rates were X.X percent, X.X percent, and X.X percent at December 31, 19X3, 19X2, and 19X1, respectively. Variable-interest payments received are based on various market indexes including X-month and X-month LIBOR, X-day commercial paper, and the X-month Eurodollar futures contract. At December 31, 19X3, the weighted-average rate of variable market-indexed interest payment obligations to the Institution was X.XX%. The effect of these agreements was to lengthen short-term variable-rate liabilities into longer term fixed-rate liabilities. The net costs of these agreements were $XX million, $XX million, and $XX million for the years ended December 31, 19X3, 19X2, and 19X1, respectively, which were charged to income.

(b) *Financial Futures*

The Institution uses financial futures contracts to hedge interest-rate exposure generally on certain mortgage-backed securities held in the portfolio as well as secondary mortgage market operations. The following data indicate the position and results of hedging:

	19X3	*19X2*	*19X1*
Short futures positions at the end of the year held in:			
Treasury note contracts	$XX,XXX	$XX,XXX	$XX,XXX
Treasury bond contracts	XX,XXX	XX,XXX	XX,XXX
Total short position	$XX,XXX	$XX,XXX	$XX,XXX
Net unrealized loss paid on maintenance of margin deposits relating to open positions	$XX,XXX	$XX,XXX	$XX,XXX
Net unamortized contract gains (losses) on closed positions	$XX,XXX	$XX,XXX	$XX,XXX

The cost of U.S. Treasury bills pledged as collateral for initial margin on open futures contracts was $XXX,XXX at December 31, 19X3.

(c) *Financial Options*

The Institution writes call options (obligations to sell a fixed quantity of securities at the holder's request at a stated price within a specified term) and put options (obligations to purchase a fixed quantity of securities at the holder's request at a stated price within a specified term). The Institution generally owns, or has entered into, commitments to purchase the underlying securities for all call options written.

At December 31, 19X3, the Institution had options extending through February 19X4, which could require the Institution to purchase $XX million and sell $X million of mortgage-backed certificates.

(21) Noncash-Investing Activities

During the years ended 19X3, and 19X2, and 19X1, the Institution securitized $X,XXX,XXX, $X,XXX,XXX, and $X,XXX,XXX, respectively, of mortgage loans by exchanging such loans for FHLMC participation certificates.

(22) Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data are presented below by quarter for the years ended December 31, 19X3 and 19X2.

	December 31, 19X3	*September 30, 19X3*	*June 30, 19X3*	*March 31, 19X3*
Total interest income	$ XXX,XXX	$ XXX,XXX	$ XXX,XXX	$ XXX,XXX
Total interest expense	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Net interest income	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Provision for loan losses	(XX,XXX)	(XX,XXX)	(XX,XXX)	(XX,XXX)
Net interest income after provision for loan losses	XX,XXX	XX,XXX	XX,XXX	X,XXX
Total noninterest income	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Total noninterest expense	(XX,XXX)	(XX,XXX)	(XX,XXX)	(XX,XXX)
Income before income taxes and cumulative effect of change in accounting principle	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Income tax expense	(X,XXX)	(X,XXX)	(X,XXX)	(X,XXX)
Cumulative effect of change in accounting principle	—	—	—	(X,XXX)
Net income	$ XX,XXX	$ XX,XXX	$ XX,XXX	$ XX,XXX
Earnings per share	$ X.XX	$ X.XX	$ X.XX	$ X.XX
Market range:				
High bid	$ X.XX	$ X.XX	$ X.XX	$ X.XX
Low bid	$ X.XX	$ X.XX	$ X.XX	$ X.XX

	December 31, 19X2	*September 30, 19X2*	*June 30, 19X2*	*March 31, 19X2*
Total interest income	$ XXX,XXX	$ XXX,XXX	$ XXX,XXX	$ XXX,XXX
Total interest expense	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Net interest income	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Provision for loan losses	(XX,XXX)	(XX,XXX)	(XX,XXX)	(XX,XXX)
Net interest income after provision for loan losses	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Total noninterest income	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Total noninterest expense	(XX,XXX)	(XX,XXX)	(XX,XXX)	(XX,XXX)
Income before income taxes and cumulative effect of change in accounting principle	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Income tax expense	(X,XXX)	(X,XXX)	(X,XXX)	(X,XXX)
Net income	$ XX,XXX	$ XX,XXX	$ XX,XXX	$ XX,XXX
Earnings per share	$ X.XX	$ X.XX	$ X.XX	$ X.XX
Market range:				
High bid	$ X.XX	$ X.XX	$ X.XX	$ X.XX
Low bid	$ X.XX	$ X.XX	$ X.XX	$ X.XX

(23) Financial Instruments with Off-Balance-Sheet Risk

The Institution is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, options written, standby letters of credit and financial guarantees, interest-rate caps and floors written, interest-rate swaps, and forward and futures contracts, Those instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statement of financial position. The contract or notional amounts of those instruments reflect the extent of the Institution's involvement in particular classes of financial instruments.

The Institution's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and financial guarantees written is represented by the contractual notional amount of those instruments. The Institution uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For interest-rate caps, floors, and swap transactions; forward and futures contracts; and options written, the contract or notional amounts do not represent exposure to credit loss. The Institution controls the credit risk of its interest-rate swap agreements and forward and futures contracts through credit approvals, limits, and monitoring procedures.

Unless noted otherwise, the Institution does not require collateral or other security to support financial instruments with credit risk.

	Contract or Notional Amount (in millions)
Financial instruments the contract amounts of which represent credit risk:	
Commitments to extend credit	$X,XXX
Standby letters of credit and financial guarantees written	XXX
Financial instruments the notional or contract amounts of which exceed the amount of credit risk:	
Forward and futures contracts	XXX
Interest-rate swap agreements	XX,XXX
Options written and interest-rate caps and floors written	XX

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Institution evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Institution upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable; inventory, property, plant, and equipment; and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Institution to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Except for short-term guarantees of $XXX million, most guarantees extend for more than five years and expire in decreasing amounts through 20XX. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Institution holds marketable securities as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments at December 31, 19X3, varies from X percent to XX percent; the average amount collateralized is XX percent.

Forward and futures contracts are contracts for delayed delivery of securities or money-market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in securities values and interest rates.

The Institution enters into a variety of interest-rate contracts—including interest-rate caps and floors written, interest-rate options written, and interest-rate swap agreements—in its trading activities and in managing its interest-rate exposure. Interest-rate caps and floors written by the Institution enable customers to transfer, modify, or reduce their interest-rate risk. Interest-rate options are contracts that allow the holder of the option to purchase or sell a financial instrument from the seller or "writer" of the option at a specified price and within a specified period of time. As a writer of options, the Institution receives a premium at the outset and then bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Interest-rate swap transactions generally involve the exchange of fixed and floating-rate interest-payment obligations without the exchange of the underlying principal amounts. Though swaps are also used as part of asset and liability management, most of the interest-rate swap activity arises when the Institution acts as an intermediary in arranging interest-rate swap transactions for customers. The Institution typically becomes a principal in the exchange of interest payments between the parties and, therefore, is exposed to loss should one of the parties default. The Institution minimizes this risk by performing normal credit reviews on its swap customers, and minimizes its exposure to the interest-rate risk inherent in intermediated swaps by entering into offsetting swap positions that essentially counterbalance each other.

Entering into interest-rate swap agreements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts but also the interest rate associated with unmatched positions. Notional principal amounts often are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller.

(24) Significant Group Concentrations of Credit Risk

Most of the Institution's business activity is with customers located within the state. As of December 31, 19X3, the Institution's receivables from, and guarantees of, obligations of companies in the semiconductor industry were $XX million. As of December 31, 19X3, the Institution also was creditor of $XX million of domestic loans and other receivables from companies with high debt-to-equity ratios as a result of buyout transactions. The portfolio is well diversified, consisting of XX industries. Generally, the loans are secured by assets or stock. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. Credit losses arising from lending transactions with highly leveraged entities compare favorably with the Institution's credit loss experience on its loan portfolio as a whole. The Institution's policy for requiring collateral is [*state policy, along with information about the entity's access to that collateral or other security and a description of collateral*].

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