

1-1-1994

# Checklists and illustrative financial statements for savings institutions : a financial accounting and reporting practice aid, December 1994 edition

American Institute of Certified Public Accountants. Technical Information Division

Neil Selden

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## Recommended Citation

American Institute of Certified Public Accountants. Technical Information Division and Selden, Neil, "Checklists and illustrative financial statements for savings institutions : a financial accounting and reporting practice aid, December 1994 edition" (1994).

*Industry Guides (AAGs), Risk Alerts, and Checklists*. 922.

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**AICPA**

**DECEMBER 1994  
EDITION**

***Checklists  
and Illustrative  
Financial Statements  
for Savings  
Institutions***

*A Financial Accounting and  
Reporting Practice Aid*

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*Checklists and Illustrative Financial Statements for Savings Institutions*

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# **AICPA**

**DECEMBER 1994  
EDITION**

## ***Checklists and Illustrative Financial Statements for Savings Institutions***

*A Financial Accounting and  
Reporting Practice Aid*

*Edited by  
Neil Selden, CPA  
Technical Manager, Technical Information Division*

*Checklists and Illustrative Financial Statements for  
Savings Institutions has not been approved, disapproved,  
or otherwise acted upon by any senior technical  
committees of the American Institute of Certified Public  
Accountants or the Financial Accounting Standards  
Board and has no official or authoritative status.*

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# FSP Section 5000

## CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR SAVINGS INSTITUTIONS

.01 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 have been updated to include relevant accounting pronouncements through AICPA Statement on Auditing Standards No. 73, FASB Statement of Financial Accounting Standards No. 119, FASB Interpretation No. 40, FASB Technical Bulletin No. 90-1, AICPA Statement of Position No. 94-3, AICPA Audit and Accounting Guide, *Audits of Savings Institutions* (with conforming changes as of May 1, 1994), AICPA Practice Bulletin No. 10, and EITF consensuses adopted up to and including the May 19, 1994, Emerging Issues Task Force meeting. In addition, disclosures related to Statement on Standards for Attestation Engagements No. 3 have been included, and a supplemental checklist outlines disclosure requirements for institutions that are SEC registrants. The checklists and illustrative financial statements 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 and generally accepted auditing standards.
- The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standards should be reviewed if clarification is needed to determine whether the disclosure indicated is required or suggested, and to what extent each disclosure is relevant to the statements being presented. The illustrative financial statements are reproduced from the AICPA Audit and Accounting Guide, *Audits of Savings Institutions*, and do not necessarily contain all required disclosures.
- The Auditing Standards Board has issued Statement on Standards for Attestation Engagements No. 2, *Reporting on an Entity’s Internal Control Structure Over Financial Reporting*, which supersedes Statement on Auditing Standards No. 30, *Reporting on Internal Accounting Control*. SSAE 2, which is effective for examinations of management’s assertion when the assertion is as of December 15, 1993, or thereafter, provides guidance to the practitioner engaged to examine and report on management’s written assertion about the effectiveness of an entity’s internal control structure over financial reporting. Among other provisions, it establishes standards for accepting, performing and reporting on examination engagements for such assertions and prohibits review engagements for such assertions.

.02 Users of the 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.

**Note:** This publication was extracted from sections 5,000 through 5,600 of the *AICPA Financial Statement Preparation Manual* (FSP).

# FSP Section 5100

## *Introduction*

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

.02 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.

.03 Common accounting and reporting practices 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 investments 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.<sup>1</sup>
- Savings institutions that are members of the FHLB System are required to maintain a specified investment in shares of 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. This is required disclosure for SEC registrants.

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<sup>1</sup> In May 1993, the FASB issued SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, which addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. The Statement is effective for fiscal years beginning after December 15, 1993 and is to be initially applied as of the beginning of an enterprise’s fiscal year and cannot be applied retroactively to prior years’ financial statements. An enterprise may elect to initially apply the Statement as of the end of an earlier fiscal year for which annual financial statements have not previously been issued.



# FSP Section 5200

## *Checklists—General*

.01 Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of 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.

.02 Checklists typically consist of a number of brief questions or statements that are accompanied by references to Statements on Auditing Standards, Statements of Financial Accounting Standards, Accounting Principles Board Opinions, Accounting Research Bulletins, AICPA Statements of Position, and EITF consensuses. Some checklists also include references to FASB Interpretations and the AICPA Audit and Accounting 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 reference to the authoritative literature.

.03 Checklists usually provide for checking off or initialing 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.

.04 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.

.05 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.

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# FSP Section 5300

## *Financial Statements and Notes Checklist*

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

.02 Explanation of References:

- ARB = AICPA Accounting Research Bulletin
- APB = AICPA Accounting Principles Board Opinion
- SFAS = FASB Statement of Financial Accounting Standards
- SAS = AICPA Statements on Auditing Standards
- FASBI = FASB 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)
- AAG-SAV = AICPA Audit and Accounting Guide, *Audits of Savings Institutions* (with conforming changes as of May 1, 1994)
- SOP = AICPA Statement of Position
- PB = AICPA Practice Bulletin
- EITF = Emerging Issues Task Force Consensus
- App. A (PB1, Exh. I) = Appendix A of AAG-SAV containing AICPA PB1, Exhibit I, *ADC Arrangements*
- App. D (SOP 92-3) = Appendix D of AAG-SAV containing SOP 92-3, *Accounting for Foreclosed Assets*

.03 Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>General</b>			
<b>A. Titles and References</b>			
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 statement? [Generally Accepted]	_____	_____	_____
<b>B. Disclosure of Accounting Policies</b>			
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)]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Does disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22, par. 14 (AC A10.107)]	_____	_____	_____
<b>C. Accounting Changes</b>			
1. For all changes in accounting principles, are the following disclosures made in the year of change:			
a. Nature of the change?	_____	_____	_____
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 and 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? [SFAS 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. Is the GAAP hierarchy in SAS 69 (AU 411) followed in justifying a change in accounting principle? [SFAS 111, par. 17 (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)]	_____	_____	_____
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 and effect 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)]	_____	_____	_____
<b>D. Comparative Financial Statements</b>			
1. Are comparative statements considered? [ARB 43, Ch. 2A, pars. 1—2 (AC F43.101—.102)]	_____	_____	_____
2. Are the disclosures included in the prior years' financial statements presented, repeated, or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 3 (AC F43.102)]	_____	_____	_____
3. If changes 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>E. Business Combinations</b>			
1. If a business combination occurred during the period and met the specified conditions for a pooling-of-interests, 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 equity changes if fiscal year changes, 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. 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; and contingent payments or commitments? [APB 16, pars. 95—96 (AC B50.164—.165)]	_____	_____	_____
b. 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); AAG-SAV, pars. 17.02—17.15; EITF 88-19]	_____	_____	_____
3. Is any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill or to 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)) disclosed? [SFAS 109, par. 48 (AC I27.147)]	_____	_____	_____
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, are the method and period of amortization disclosed? [FASBI 9, par. 8 (AC I60.131); APB 17, par. 30 (AC I60.111)]	_____	_____	_____
5. If financial statements for prior years are restated, are all purchase business combinations that were consummated in those prior years remeasured in accordance with the requirements of SFAS 109? [SFAS 109, par. 53 (AC App. C, p. C-23)]	_____	_____	_____
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, is 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 was 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, is 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 security is economically separable, as defined, from the note)?	_____	_____	_____
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]	_____	_____	_____

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

**F. Consolidations**

1. If consolidated statements are presented:			
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 supplementary consolidating statements of financial condition and operations presented for majority-owned subsidiaries and joint ventures of an insured institution? [AAG-SAV, pars. 1.59 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. Are combined financial statements considered if entities are under common control? [ARB 51, pars. 22—23 (AC C51.121—.122)]	_____	_____	_____

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting institution 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 institution being significantly different from those that would have resulted if the institution were autonomous? [SFAS 57, par. 3 (AC R36.103)]	_____	_____	_____
<b>H. Financial Instruments</b> (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: <sup>1</sup>			
a. The face or contract amount (or notional principal amount if there is no face or contract amount)?	_____	_____	_____
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 [AC A10]? [SFAS 105, pars. 14, 15 and 17 (AC F25.112); AAG-SAV, par. 6.73]	_____	_____	_____
2. For financial instruments with off-balance-sheet credit risk (except as noted in Step 1. above), are the following disclosed, either in the body of the financial statements or in the notes, by class of financial instrument: <sup>1</sup>			
a. The amount of accounting loss the institution would incur if any party to the financial instrument failed completely to perform according to the terms of the contract and if the collateral or other security, if any, for the amount due proved to be of no value to the institution?	_____	_____	_____
b. The institution's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the institution'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); AAG-SAV, par. 6.73]	_____	_____	_____
3. Do disclosures of all significant concentrations of credit risk arising from all financial instruments, whether from off-balance-sheet risk or from individual counterparty or groups of counterparties (except for certain insurance contracts, purchase contracts and pension obligations), include:			
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 institution 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 if the collateral or other security, if any, for the amount due proved to be of no value to the institution?	_____	_____	_____

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<sup>1</sup> 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 (AC F25), "class of financial instrument" refers to those classifications.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. The institution's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the institution'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); AAG-SAV, par. 6.73]</p>	_____	_____	_____
<p>4. For all fiscal years subsequent to the year of transition, are SFAS 105 (AC F25) disclosures included for each year for which a statement of financial condition is presented for comparative purposes? [SFAS 105, par. 22]</p>	_____	_____	_____
<p>5. Is 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) disclosed, either in the body of the financial statements or in the accompanying notes (for those institutions with less than \$150 million in assets, the effective date of SFAS 107 is for financial statements issued for fiscal years ending after December 15, 1995)?<sup>2</sup> [SFAS 107, par. 10 (AC F25.115C)]</p>	_____	_____	_____
<p>6. Are the method(s) and significant assumptions used to estimate the fair value of financial instruments disclosed? [SFAS 107, par. 10 (AC F25.115C)]</p>	_____	_____	_____
<p>7. If it is not practicable to estimate the fair market value of a financial instrument, are the following disclosed:</p>			
<p>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?</p>	_____	_____	_____
<p>b. The reasons why it is not practicable to estimate fair value? [SFAS 107, par. 14 (AC F25.115G)]</p>	_____	_____	_____
<p>8. If the offsetting of derivative financial instruments against nonderivative financial instruments is not permitted under FASB Interpretation No. 39, <i>Offsetting of Amounts Related to Certain Contracts</i>, does the entity, in disclosing the fair value of a derivative financial instrument, not:</p>			
<p>a. Combine the aggregate or net the fair value of a nonderivative financial instrument?</p>	_____	_____	_____
<p>b. Net the fair value with the fair value of other derivative financial instruments even if related by a risk management strategy? [SFAS 107, par. 13]</p>	_____	_____	_____
<b>I. Contingencies and Commitments</b>			
<p>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)]</p>	_____	_____	_____
<p>2. For loss contingencies, including those related to litigation, claims and assessments not accrued, do disclosures indicate:</p>			
<p>a. Nature of the contingency?</p>	_____	_____	_____
<p>b. Estimate of possible loss or range of loss amounts in excess of amount accrued, or a statement that such estimate cannot be made? [SFAS 5, pars. 10 and 33—39 (AC C59.109, .111 and .139—.145)]</p>	_____	_____	_____

<sup>2</sup> The notes should indicate whether the fair value and carrying amounts are assets or liabilities and the relationship to the statement of financial position. If disclosed in more than one note, one of the notes should include a summary containing the fair value and related carrying value and should be cross-referenced to the other disclosures. The disclosures should distinguish between financial instruments held or issued for trading purposes, including dealing and other trading activities, calculated at fair value with gains and losses recognized in earnings, and financial instruments held for purposes other than trading.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are the nature and amount of guarantees disclosed (e.g., obligation under standby letters of credit and guarantees to repurchase loans that are sold and commitments to originate loans)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 2—3 (AC C59.114); AAG-SAV, par. 6.53]	_____	_____	_____
4. Are gain contingencies adequately disclosed and any misleading implications about the likelihood of realization avoided? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
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? [AAG-SAV, pars. 6.53—.54 and 16.84]	_____	_____	_____
<b>J. Subsequent Events</b>			
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 balance-sheet date? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03—.04, .07 (AU 560.03—.04, .07)]	_____	_____	_____
2. Are subsequent events that provide evidence about conditions that did not exist at the 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 (AU 560.05—.07, .09)]	_____	_____	_____
<b>K. Pension Plans</b> (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)]	_____	_____	_____
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? <sup>3</sup> [SFAS 87, par. 54b (AC P16.150b)]	_____	_____	_____
c. Measurement of plan assets and obligations 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?	_____	_____	_____

<sup>3</sup> The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87 (AC P16). 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 assets).

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

c. Amortization of unrecognized prior service cost.

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(4) The amount of unrecognized net gain or loss, including asset gains and losses not yet reflected in market-related value?	_____	_____	_____
(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, paragraph 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. 54e (AC P16.150e)]	_____	_____	_____
h. If more than one defined benefit plan exists:			
(1) Are the required disclosures required by Step 1. above aggregated for all of the employer's single-employer defined benefit plans or disaggregated 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) Is the substance of the plans to provide a defined benefit?	_____	_____	_____
(2) If the answer is yes, are disclosures required for a defined benefit plan under Step 1. above 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 comparability of information for all periods presented? [SFAS 87, par. 69a (AC P16.166a)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 that is either possible or reasonably possible, are the provisions of SFAS 5 (AC C59) 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, 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 institution 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?	_____	_____	_____
(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]	_____	_____	_____
For an ESOP:			
a. If the excess contribution is not allocated to individual participants, are the unallocated shares of the employer's own common stock reported as a reduction of stockholders' equity, as if they were treasury stock?	_____	_____	_____
b. Are the unallocated assets consisting of the employer's own stock recorded as treasury stock in the employer's financial statements?	_____	_____	_____
c. 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]	_____	_____	_____
6. If an employer sponsors an employee stock ownership plan (ESOP), do the employer's disclosures include:			
a. A description of the plan, the basis for determining contributions, including the employee groups covered, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
(1) For leveraged ESOPs and pension reversion ESOPs, does the description include the basis for releasing shares and how dividends on allocated and unallocated shares are used?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. A description of the accounting policies followed for ESOP transactions, including the method of measuring compensation, the classification of dividends on ESOP shares, and the treatment of ESOP shares for EPS computations?	_____	_____	_____
(1) If the entity has both old ESOP shares for which it does not adopt the guidance in SOP 93-6 and new ESOP shares for which the guidance in SOP 93-6 is required, are the accounting policies for both blocks of shares disclosed?	_____	_____	_____
c. The amount of compensation cost recognized during the period?	_____	_____	_____
d. The number of allocated shares, committed-to-be-released shares, and suspense shares held by the ESOP at the balance-sheet date?	_____	_____	_____
(1) If the entity has both old ESOP shares for which it does not adopt the guidance in SOP 93-6 and new ESOP shares for which the guidance in SOP 93-6 is required, is the above disclosure made separately for both blocks of shares?	_____	_____	_____
e. The fair value of unearned ESOP shares at the balance-sheet date for shares accounted for under SOP 93-6? <sup>4</sup>	_____	_____	_____
f. The existence and nature of any repurchase obligation, including disclosure of the fair value of the shares allocated as of the balance-sheet date, which are subject to a repurchase obligation? <sup>5</sup> [SOP 93-6, par. 53]	_____	_____	_____
7. Are all the items listed in Step 6. above disclosed even if the employer with an ESOP does not adopt SOP 93-6 for shares held by the ESOP on December 31, 1992? [SOP 93-6, par. 55]	_____	_____	_____
8. For leveraged ESOPs and for nonleveraged ESOPs where the assets from the pension plan are used by the ESOP to purchase shares, when the employer reports the issuance of shares or the sale of treasury shares to the ESOP, is the charge to unearned ESOP shares presented as a separate item in the balance sheet as a contra-asset account? [SOP 93-6, pars. 13 and 46]	_____	_____	_____
9. If the employer sponsors an ESOP with an indirect loan, is the outside loan reported as a liability and the receivable from the ESOP not reported on the employer's balance sheet? [SOP 93-6, par. 26]	_____	_____	_____
10. If the employer sponsors an ESOP with an employer loan, is the ESOP's note payable and the employer's note receivable from the ESOP not reported in the employer's balance sheet? [SOP 93-6, par. 27]	_____	_____	_____

<sup>4</sup> This disclosure need not be made for old ESOP shares for which the entity does not apply the guidance in SOP 93-6.

<sup>5</sup> Employers may wish to disclose additional information about the obligation, particularly information about the timing of payments. [SOP 93-6, par. 95]



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>L. Postretirement Health Care and Life Insurance Benefits</b> (Assumes adoption of SFAS 106—See Exhibit A if SFAS 106 has not been adopted)			
1. If there are one or more defined benefit postretirement plans, do disclosures include:			
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 the period, amortization of the unrecognized transition obligation or transition asset, and the net total of other components? <sup>6</sup>	_____	_____	_____
c. A schedule reconciling the funded status of the plan(s), with amounts reported in the employees' statement of financial position, 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 assets 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?	_____	_____	_____
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 rate(s) thereafter, together with the ultimate trend rate(s), and when the rate(s) 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?	_____	_____	_____

<sup>6</sup> The net total of other components is generally the net effect during the period of certain delayed recognition provisions of SFAS 106 (AC P40). 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 (AC P40.156)).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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 paragraph 53 or 60 of SFAS 106 (AC P40.148 or .155)?	_____	_____	_____
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 required under SFAS 106? [SFAS 106, pars. 108—113 (AC App. C, pp. C-17 to C-21)]	_____	_____	_____
2. If more than one defined benefit postretirement plan exists:			
a. Are the disclosures required by Step 1. above 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 1. c. above, the aggregate plan assets and the aggregate accumulated postretirement benefit obligation of the underfunded plans should be separately disclosed)?	_____	_____	_____
b. Are plans that primarily provide postretirement health care benefits and plans that primarily provide 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 of the plans? [SFAS 106, par. 78 (AC P40.173)]	_____	_____	_____
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 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. 82 (AC P40.178)]	_____	_____	_____
c. Are the provisions of SFAS 5 (AC C59j) 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 F40.179)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. If there are one or more defined contribution postretirement plans, are the following items 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)]	_____	_____	_____
<b>M. Options, Interest Rate Futures Contracts, and Similar Instruments</b>			
1. 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? [AAG-SAV, par. 16.81]	_____	_____	_____
2. Are the following disclosures (in addition to SFAS 105 disclosures) made for options:			
a. The market value of options purchased and written, and the value of option premiums paid or received?	_____	_____	_____
b. For options accounted for as hedges, the nature of the assets or liabilities that are being hedged? [AAG-SAV, par. 16.84]	_____	_____	_____
3. Are the following disclosures (in addition to SFAS 105 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? [AAG-SAV, par. 16.84]	_____	_____	_____
4. Is disclosure of the number of futures contracts open and unrecognized gains and losses on open and closed futures contracts at the balance-sheet date considered? [AAG-SAV, par. 16.82d]	_____	_____	_____
<b>N. Other Matters</b>			
1. If required, is segment information presented? [SFAS 14 (AC S20); SFAS 24, par. 5 (AC S20.109—.110); SFAS 30, par. 6 (AC S20.145)]	_____	_____	_____
<b>O. Lessee Leases</b>			
1. For capital leases, do disclosures include:			
a. Gross amount of assets recorded by major classes as of the date of each balance sheet presented? [SFAS 13, par. 16a(i) (AC L10.112a(1))]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 deductions 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(ii) (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(iii) (AC L10.112a(3))]	_____	_____	_____
d. Total contingent rentals actually incurred for each period for which an income statement is presented? [SFAS 13, par. 16a(iv) (AC L10.112a(4))]	_____	_____	_____
e. Separate identification of:			
(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? [SFAS 13, par. 13 (AC L10.112a(5))]	_____	_____	_____
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:			
a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the next five fiscal years and thereafter?	_____	_____	_____
b. The total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16b (AC L10.112b)]	_____	_____	_____
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, the following:			
a. Basis for determination of contingent rental payments?	_____	_____	_____
b. Existence and terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d)]	_____	_____	_____
<b>P. Nonmonetary Transactions</b>			
1. Do disclosures for nonmonetary transactions made during the period include:			
a. Nature of the transactions?	_____	_____	_____
b. Basis of accounting?	_____	_____	_____
c. Gain or loss recognized on the transfer? [APB 29, par. 28 (AC C11.102 and AC N35.120); FASBI 30 (AC N35.114—.119)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Q. Derivatives</b> (SFAS 119 is effective for financial statements issued for fiscal years ending after December 15, 1994, except for entities with less than \$150 million in total assets. For those entities, this Statement is effective for financial statements issued for fiscal years ending after December 15, 1995)			
1. For options held and other derivative financial instruments not within the scope of SFAS 105 that do not have off balance sheet risk, are the following disclosures made by category of financial instrument and are the following components of such instruments disclosed:			
a. The face or contractual amount (or notional principal amount if there is no face or contractual amount)?	_____	_____	_____
b. The nature and terms, including a discussion of:			
(1) Credit and market risk?	_____	_____	_____
(2) Cash requirements?	_____	_____	_____
(3) Related accounting policy as required by APB 22?	_____	_____	_____
c. Do disclosures in Steps 1.a. and b. above distinguish between financial instruments held or issued for:			
(1) Trading purposes, including dealing and other trading purposes measured at fair value with gains and losses recognized in earnings?	_____	_____	_____
(2) Purposes other than trading? [SFAS 119, pars. 8 and 9]	_____	_____	_____
2. Does the entity that holds or issues derivative financial instruments for trading purposes disclose:			
a. The average fair value during the reporting period and the related end-of-period fair value, distinguishing between assets and liabilities?	_____	_____	_____
b. The net gains or losses (net trading revenue) arising from trading activities during the reporting period disaggregated by class, business activity, risk or other category consistent with management of those activities and where those net trading gains or losses are reported in the income statement?	_____	_____	_____
c. The trading of other types of financial instruments or nonfinancial assets (that is encouraged but not required), including a complete background picture and the average fair value for those assets and liabilities? [SFAS 119, par. 10]	_____	_____	_____
3. Does the entity that holds or issues derivative financial instruments for purposes other than trading disclose:			
a. A description of:			
(1) The objectives for holding or issuing?	_____	_____	_____
(2) The context needed to understand those objectives?	_____	_____	_____
(3) The strategies for achieving those objectives?	_____	_____	_____
(4) The classes of derivative financial instruments used?	_____	_____	_____
b. A description of how each class of derivative financial instrument is reported in the financial statements, including:			
(1) How each class of derivative financial instrument is reported in the financial statements?	_____	_____	_____
(2) The policies for recognition and measurement or nonrecognition of the derivative financial instruments?	_____	_____	_____
(3) When recognized, where the instruments and related gains and losses are reported?	_____	_____	_____
c. For derivative financial instruments that are held or issued and accounted for as hedges of anticipated transactions, both firm and forecasted transactions for which there is no firm commitment, including:			



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) A description of the anticipated transactions whose risks are being hedged, including the expected time period of occurrence?	_____	_____	_____
(2) A description of the classes of derivative financial instruments being used to hedge?	_____	_____	_____
(3) The amount of explicitly deferred hedging gains and losses?	_____	_____	_____
(4) A description of the transaction or events that result in recognition in earnings of the deferred gains or losses? [SFAS 119, par. 11]	_____	_____	_____
4. Are the following encouraged, but not required, quantitative disclosures made:			
a. Interest rate?	_____	_____	_____
b. Foreign exchange?	_____	_____	_____
c. Commodity price?	_____	_____	_____
d. Other market risks consistent with management's strategies?	_____	_____	_____
e. Information of the risk of other financial instruments or nonfinancial assets and liabilities related by risk management strategy pertaining to the objectives for holding or issuing derivative financial instruments? <sup>7</sup> [SFAS 119, pars. 12 and 13]	_____	_____	_____

**Statement of Financial Condition**

**A. Cash**

1. Are cash with withdrawal restrictions and material interest-bearing deposits with banks disclosed separately on the statement of financial condition? [AAG-SAV, par. 10.02]	_____	_____	_____
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**B. Repurchase Agreements**

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, is disclosure 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, is consideration given to disclosing this information?	_____	_____	_____
h. Gross repos (assets) and gross reverse repos (liabilities)? [AAG-SAV, par. 3.23a]	_____	_____	_____

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

<sup>7</sup> Suggested methods of disclosure of the above include:

- a. Additional details about current positions and period activity.
- b. Hypothetical effects on equity or on annual income due to changes in market prices.
- c. Gap analysis of interest rate repricing on maturity dates.
- d. Duration of financial instruments.
- e. The entity's value at risk from derivative financial instruments and other positions at period end and the average value at risk during the year.
- f. Any other helpful informative disclosures.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 are under the institution's control? [AAG-SAV, par. 3.23b]	_____	_____	_____
<b>C. Other Investment Securities (Including Mortgage-Backed Securities)</b>			
1. Is an explanation of its accounting policies for investments in equity securities that have readily determinable fair values and for all investments in debt securities held, including the basis for classification into balance-sheet captions, included in the notes to financial statements? [AAG-SAV, par. 3.34]	_____	_____	_____
2. Are debt and equity securities classified as (a) held-to-maturity, (b) available-for-sale, or (c) trading? [SFAS 115, par. 6 (AC I80.103)]	_____	_____	_____
3. Is Federal Home Loan Mortgage Corporation Participating Preferred Stock reported at fair value in accordance with SFAS 115? [SFAS 115, par. 136 (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 the par value, rather than by recognizing temporary declines in value? [AAG-SAV, pars. 3.06 and 3.07]	_____	_____	_____
5. Is the following 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. Is disclosure 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]	_____	_____	_____
6. For debt and marketable equity securities classified as available-for-sale or held-to-maturity, are the following disclosures made, by major security type, for each balance sheet presented:			
a. Aggregate fair value?	_____	_____	_____
b. Gross unrealized holding gains and losses?	_____	_____	_____
c. Amortized cost basis?	_____	_____	_____
d. Disclosure of major security types including:			
(1) Equity securities?	_____	_____	_____
(2) Debt securities issued by the U.S. Treasury and other U.S. Treasury and U.S. government corporations and agencies?	_____	_____	_____
(3) Debt securities issued by states of the U.S. and political subdivisions of the states?	_____	_____	_____
(4) Debt securities issued by foreign governments?	_____	_____	_____
(5) Corporate debt securities?	_____	_____	_____
(6) Mortgage-backed securities?	_____	_____	_____
(7) Other debt securities? [SFAS 115, par. 19 (AC I80.118); AAG-SAV, par. 3.34]	_____	_____	_____
7. For investments in debt securities classified as available-for-sale or held-to-maturity, is:			
a. Disclosure made about their contractual maturities as of the date of the latest balance-sheet date presented (maturity information may be combined in appropriate groupings)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Disclosure made of the fair value and the amortized cost of debt securities in at least four maturity groupings:			
(1) Within one year?	_____	_____	_____
(2) After one year through five years?	_____	_____	_____
(3) After five years through 10 years?	_____	_____	_____
(4) After 10 years?	_____	_____	_____
c. Disclosure made separately of securities not due at a single date rather than allocated over several maturity groups (allocated basis) at a single date? [SFAS 115, par. 20 (AC I80.119)]	_____	_____	_____
8. For each period for which an income statement is presented, are the following disclosures made:			
a. The proceeds from sales of available-for-sale securities and gross realized gains and losses on those sales?	_____	_____	_____
b. The basis on which cost was determined in computing realized gain or loss, (e.g., specific identification, average cost, or other method used)?	_____	_____	_____
c. The gross gains and losses included in earnings from transfers of securities from the available-for-sale category to the trading category?	_____	_____	_____
d. The change in net unrealized holding gain or loss on available-for-sale securities that has been included in the separate component of shareholders' equity during the period?	_____	_____	_____
e. The change in net unrealized holding gain or loss on trading securities that has been included in earnings during the period? [SFAS 115, par. 21, (AC I80.120)]	_____	_____	_____
9. For any sales of, or transfers from, securities classified as held-to-maturity, is disclosure made of the following for each period for which an income statement is presented:			
a. Amortized cost amount of the sold or transferred security?	_____	_____	_____
b. Related realized or unrealized gain or loss?	_____	_____	_____
c. The circumstances leading to the decision to sell or transfer the security? [SFAS 115, par. 22, (AC I80.121)]	_____	_____	_____
10. Are the carrying amount and market value of pledged securities disclosed? [AAG-SAV, par 6.73]	_____	_____	_____
11. Are concentrations of securities of a particular issuer disclosed? [SFAS 105, par. 20 (AC F25.115)]	_____	_____	_____
12. Mortgage loans and mortgage-backed servicing rights			
a. Are mortgage loans held-for-sale and mortgage loans held for long-term investment 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 (e.g., individual vs. aggregate method)? [SFAS 65, par. 29 (AC Mo4.130); AAG-SAV, par. 8.25]	_____	_____	_____
c. Is the amount of aggregate gains or losses on sales of loans presented on the face of the statement of operations? [AAG-SAV, par. 8.25]	_____	_____	_____
d. If the right to service mortgage loans is acquired, do disclosures include:			
(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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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 and additions due to loan sale activity) 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 and sales and amortization) for each year of operations presented?	_____	_____	_____
(9) The nature and extent of off-balance-sheet escrow accounts? [SFAS 65, pars. 29—30 (AC Mo4.130 and .131); AAG-SAV, par. 8.25]	_____	_____	_____
<b>D. Loans Receivable</b>			
1. Is the aggregate amount of loans presented separately in the balance sheet? [AAG-SAV, par. 6.72]	_____	_____	_____
2. Are the following accounts presented separately, either in the balance sheet or the notes 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? [AAG-SAV, par. 6.72]	_____	_____	_____
3. Are the following disclosures made:			
a. A classification of loans by major types of lending (e.g., 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-substance foreclosed assets reported as separate assets and not within loans?	_____	_____	_____
c. Commitments to purchase or sell loans, including standby commitments?	_____	_____	_____
d. The aggregate of related-party loans if significant to the loan portfolio or the institution's equity in accordance with SFAS 57, paragraph 2?			
(1) Is disclosure made if significant amounts of such loans are made at other than ordinary terms?	_____	_____	_____
e. The total carrying value of loans pledged as collateral?	_____	_____	_____
f. Other information, such as maturities for significant categories of loans, and the amounts of loans at fixed and variable rates of interest? [AAG-SAV, par. 6.73]	_____	_____	_____
4. Is consideration given to disclosing:			
a. The amount of loans on a nonaccrual basis, including loans accruing at a reduced rate, and the income effect, if material?	_____	_____	_____
b. Commitments to lend additional funds to debtors whose loans are nonperforming?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The activity in related-party loans if significant to the loan portfolio or the institution's equity? [AAG-SAV, par. 6.73]	_____	_____	_____
5. Does the summary of significant account 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? [AAG-SAV, par. 6.73]	_____	_____	_____
<b>E. Impairment of a Loan</b> (Assumes adoption of SFAS 118, which amends SFAS 114, and is effective for financial statements for fiscal years beginning after December 15, 1994, with earlier implementation encouraged. See Exhibit B if SFASs 114 and 118 have not been adopted)			
1. Is the following information disclosed in the body of the financial statements or the notes to the financial statements for impaired loans:			
a. At the balance sheet date:			
(1) Total recorded investment for which an allowance for credit losses was recorded?	_____	_____	_____
(2) The amount of the allowance?	_____	_____	_____
(3) Total recorded investment for which no allowance for credit losses was recorded?	_____	_____	_____
(4) The institution's policy as to the recording of interest on impaired loans, including the amount of interest income recognized using a cash basis method of accounting?	_____	_____	_____
b. For each period for which results of operations are presented:			
(1) Average recorded investment?	_____	_____	_____
(2) Related amount of interest income recognized?	_____	_____	_____
(3) If practicable, the amount of interest income recognized using the cash basis method of accounting during the time within the period the loans were impaired?	_____	_____	_____
(4) The activity in the total allowance for credit losses related to impaired loans including the following:			
(i) Opening balance?	_____	_____	_____
(ii) Additions charged to operations?	_____	_____	_____
(iii) Direct write-downs charged to the allowance?	_____	_____	_____
(iv) Recovery of amounts previously charged of?	_____	_____	_____
(v) Ending balance? [SFAS 118, par. 6]	_____	_____	_____
<b>F. Real Estate Acquired in Settlement of Loans</b>			
1. Is real estate acquired in settlement of loans (e.g., foreclosed real estate) shown separately on the statement of financial condition? [AAG-SAV, par. 19.15; App. D (SOP 92-3), pars. 3, 10 and 15]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Is activity in the credit allowance account disclosed similar to that for loans receivable? [AAG-SAV, pars. 6.73 and 19.19]	_____	_____	_____
3. Are foreclosed assets held for sale valued and disclosed at the lower of fair value minus estimated costs to sell or cost? [AAG-SAV, App. D (SOP 92-3), par. 12]	_____	_____	_____
4. a. If the fair value of the asset, minus the estimated costs to sell, is less than the cost of the asset, is the deficiency recognized and disclosed as a valuation allowance?	_____	_____	_____
b. Are changes in the valuation allowance based upon fluctuations in the fair value, less disposal cost, charged or credited to income and disclosed? [AAG-SAV, App. D (SOP 92-3), par. 12]	_____	_____	_____
5. 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? [AAG-SAV, App. D (SOP 92-3), par. 15]	_____	_____	_____
6. If foreclosed assets originally classified as held-for-sale are reclassified to be held for production of income, is the net effect of such change reported in income from continuing operations in the period in which the decision not to sell the asset was made? [AAG-SAV, App. D (SOP 92-3), par. 16]	_____	_____	_____
7. In the period of transition for the adoption of SOP 92-3 for foreclosed assets, is the nature of the change disclosed in the financial statements in the period in which the change is made? [AAG-SAV, App. D (SOP 92-3), par. 17]	_____	_____	_____
8. For collateral that has been in-substance foreclosed (e.g., the institution receives physical possession of the debtor's assets regardless of whether formal foreclosure proceedings take place in full satisfaction of a receivable), is the loan receivable reclassified to the category or categories of the collateral in accordance with SFAS 15? [SFAS 114, par. 22(d) (AC D22.142); SFAS 15, par. 28 (AC D22.124)]	_____	_____	_____
9. For collateral that has been in-substance foreclosed but the institution has not taken physical possession of the asset(s), is the classification of loans receivable unchanged? [SFAS 114, pars. 22(d) and 71 (AC D22.142)]	_____	_____	_____
<b>G. Real Estate Acquired for Sale or Development</b>			
1. If interest cost was 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 in accordance with SFAS 34? [AAG-SAV, par. 9.09]	_____	_____	_____
2. Are ADC arrangements that do not have characteristics of loans appropriately classified as investments in joint ventures or investments in real estate? [AAG-SAV, par. 9.14 and App. A (PB 1, Exh. I), par. 17]	_____	_____	_____
<b>H. Investments in Joint Ventures</b>			
1. For investments in joint ventures accounted for on the equity method, are the following disclosed:			
a. Name of investee and percentage of ownership?	_____	_____	_____
b. Accounting policy of the institution for equity investments?	_____	_____	_____
c. The difference, if any, between the amount of the investment and the amount of the underlying equity in net assets and the accounting treatment of that difference? [AAG-SAV, par. 9.02; APB 18, par. 20 (AC I82.110)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are separate summary financial statements presented for each service corporation and joint venture of an institution, or its subsidiaries, meeting certain OTS criteria? [AAG-SAV, par. 19.02]	_____	_____	_____
<b>I. Premises and Equipment</b>			
1. Is the carrying basis and method of depreciation disclosed? [APB 12, par. 5 (AC D40.105(a)(d))]	_____	_____	_____
2. Are the balances of major classes of depreciable assets disclosed? [APB 12, par. 5b (AC D40.105(b))]	_____	_____	_____
3. Is accumulated depreciation, either by major classes of assets or in total, disclosed? [APB 12, par. 5c (AC D40.105(c))]	_____	_____	_____
4. Are material commitments for property expenditures disclosed? [SFAS 5, pars. 18—19 (AC C59.120)]	_____	_____	_____
5. Is the amount of interest cost incurred and charged to expense during the period disclosed for an accounting period in which no interest cost is capitalized? [SFAS 34, par. 21(a) (AC I67.118); AAG-SAV, par. 9.09]	_____	_____	_____
6. Is the amount of interest cost incurred during the period and the amount that has been capitalized disclosed for an accounting period in which some interest cost is capitalized? [SFAS 34, par. 21(b) (AC I67.118); AAG-SAV, par. 9.09]	_____	_____	_____
7. Is depreciation expense for the period disclosed? [APB 12, par. 5 (AC D40.105(a))]	_____	_____	_____
<b>J. Federal Home Loan Bank Stock</b>			
1. Is consideration given to having the stock shown separately on the statement of financial condition at cost after considering the ultimate recoverability of the par value? [AAG-SAV, par. 3.07]	_____	_____	_____
2. If used as collateral for advances from the Federal Home Loan Bank, is this fact disclosed? [AAG-SAV, par. 3.09]	_____	_____	_____
<b>K. Accrued Interest Receivable</b>			
1. Is consideration given to showing accrued interest receivable separately, by major categories of assets on the statement of financial condition, if material? [AAG-SAV, pars. 19.15 and 19.19]	_____	_____	_____
<b>L. Other Assets</b>			
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? [APB 17, par. 30 (AC I60.111)]	_____	_____	_____
b. If the receipt of the assistance by a regulatory authority is not probable or the amount is not reasonably estimable, is any assistance subsequently received reported as a reduction of goodwill? [SFAS 72, par. 9 (AC B50.158D)]	_____	_____	_____
c. Is assistance received in excess of goodwill reported as income? [SFAS 72, par. 9 (AC B50.158D)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>M. Savings Accounts</b>			
1. Is the following information disclosed:			
a. Major types of interest-bearing and noninterest-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 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?	_____	_____	_____
j. Interest expense by type of account? [AAG-SAV, par. 13.26]	_____	_____	_____
<b>N. Advances From Federal Home Loan Bank</b>			
1. Is consideration given to disclosing the following:			
a. Maturity dates due after one year? [AAG-SAV, par. 19.19]	_____	_____	_____
b. Assets pledged as collateral? [SFAS 5, par. 18 (AC C59.120); AAG-SAV, par. 19.19]	_____	_____	_____
<b>O. Reverse Repurchase and Dollar Reverse Repurchase Agreements</b>			
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?	_____	_____	_____
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) Is disclosure 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, is consideration given to disclosing this information?	_____	_____	_____
i. Financial investments with off-balance-sheet risk? [AAG-SAV, par. 11.29a]	_____	_____	_____
2. Disclosures for reverse repos and dollar reverse repos during the period should include the following:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 are under the institution's control? [AAG-SAV, par. 11.29b]	_____	_____	_____
<b>P. Income Taxes</b>			
1. Are deferred tax assets and liabilities determined for each tax-paying component (an individual institution or group of institutions that is consolidated for tax purposes) in each tax jurisdiction presented separately? [SFAS 109, par. 17 (AC I27.116)]	_____	_____	_____
2. Are the components of the net deferred tax asset or liability recognized in the statement of financial condition disclosed as follows:			
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? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
<b>Q. Other Borrowed Money</b>			
1. Are the principal terms of the agreements disclosed including, but not limited to, the following:			
a. Title and nature of the agreement?	_____	_____	_____
b. Interest rate?	_____	_____	_____
c. Payment terms and maturity dates?	_____	_____	_____
d. Maturities and sinking 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, is a general description of the transaction and the amount of the debt that is considered extinguished at the end of the period disclosed as long as the debt remains outstanding? [AAG-SAV, par. 12.30]	_____	_____	_____
2. Are all significant categories of borrowings presented as separate line items in the liability section of the balance sheet? [AAG-SAV, par. 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. 10b (AC C32.105b); AAG-SAV, par. 12.30]	_____	_____	_____
4. For a troubled debt restructuring occurring during the current period, do disclosures include:			
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?	_____	_____	_____
d. Per-share amount of the aggregate gain on restructuring of payables, net of related income tax effect? [SFAS 15, par. 25 (AC D22.121)]	_____	_____	_____
5. For periods after a troubled debt restructuring, do disclosures include:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
6. If debt is considered to be extinguished through an in-substance defeasance, does the disclosure include:			
a. A general description of the transaction?	_____	_____	_____
b. The amount of debt that is considered extinguished at the end of the period, as long as that debt remains outstanding? [SFAS 76, par. 6 (AC D14.108)]	_____	_____	_____
7. If there is an extinguishment of debt, including prepayment of FHLB advances, is the difference between reacquisition price and carrying amount identified as a separate or extraordinary item, as appropriate? [SFAS 4, par. 8, as amended by SFAS 64, par. 4 (AC D14.105)]	_____	_____	_____
8. 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?	_____	_____	_____
c. The per-share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC D14.107)]	_____	_____	_____
<b>R. Advances From Borrowers for Taxes and Insurance</b>			
1. Is consideration given to showing the amount separately on the statement of financial condition? [AAG-SAV, par. 19.15]	_____	_____	_____
2. If required to establish special funds, is separate disclosure of the special funds and related liability considered? [AAG-SAV, par. 10.09]	_____	_____	_____
<b>S. Other Liabilities</b>			
1. Is the liability incurred in a short sale reported as a liability? [AAG-SAV, 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 secured borrowing? [SFAS 77, par. 8 (AC R20.108); AAG-SAV, par. 6.48]	_____	_____	_____
3. Are liabilities appropriately accrued and reported for employees' compensation for future absences?	_____	_____	_____
a. If the liability for compensated absences is not accrued because the amount of the liability cannot be reasonably estimated, is this fact disclosed? [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)]	_____	_____	_____
5. If an obligation for postemployment benefits is not accrued in accordance with SFAS 5 (AC C59) or 43 (AC C44) only because the amount cannot be reasonably estimated and the financial statements are for a fiscal year beginning after December 15, 1993, is this fact of nonaccrual disclosed in the financial statements? [SFAS 112, par. 7 (AC P32.105)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>T. Capital Stock</b>			
1. For each class of stock, do disclosures include the number of shares authorized, issued and outstanding and changes therein, 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, (e.g., 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)]	_____	_____	_____
4. Is consideration given to the classification of preferred stock instruments as excluded or included from equity? [AAG-SAV, par. 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 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)]	_____	_____	_____
7. Does disclosure of the following aspects of capital instruments include:			
a. Bases for calculation of dividends?	_____	_____	_____
b. Redemption provisions?	_____	_____	_____
c. Liquidation accounts for converted institutions?	_____	_____	_____
d. Cumulative dividends in arrears?	_____	_____	_____
e. Changes in control provisions?	_____	_____	_____
f. Other matters necessary for a clear understanding of the institution's financial condition? [APB 10, par. 11 (AC C16.102); AAG-SAV, par. 14.15]	_____	_____	_____
<b>U. Additional Paid-In Capital</b>			
1. Is the amount of additional paid-in capital shown separately on the statement of financial condition? [AAG-SAV, pars. 14.08 and 19.15]	_____	_____	_____
<b>V. Retained Earnings</b>			
1. Is the amount of retained earnings shown separately on the statement of financial condition? [AAG-SAV, pars. 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); AAG-SAV, pars. 14.13 and 14.14]	_____	_____	_____
3. If significant restrictions exist, does the caption for retained earnings indicate that retained earnings are "substantially restricted"? [AAG-SAV, pars. 14.07 and 19.15]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are any appropriations of retained earnings for loss contingencies 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 46, par. 10 (AC Q15.111)]	_____	_____	_____

**W. 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. Are receivables taken in exchange for capital presented as a contra equity account? [AAG-SAV, par. 14.08a; EITF 85-1]	_____	_____	_____
c. If state laws relating to acquisition of stock restrict the availability of retained earnings for payment of dividends or have other effects of a significant nature, are these facts disclosed? [APB 6, par. 13 (AC C23.104)]	_____	_____	_____
d. Are unrealized holding gains and losses for available-for-sale securities, including those classified as current assets, reported as a net amount in a separate component of stockholders' equity until realized? [SFAS 115, par. 13 (AC I80.110)]	_____	_____	_____

2. Regulatory Capital

a. Is a reconciliation of GAAP capital to regulatory capital presented?	_____	_____	_____
b. Is the following information disclosed for regulatory capital requirements:			
(1) The minimum amount required?	_____	_____	_____
(2) The institution is or is not in compliance?	_____	_____	_____
(3) The amount by which the institution exceeds or fails to meet requirements?	_____	_____	_____
(4) Significant sanctions and actions taken by regulatory authorities if not in compliance?	_____	_____	_____
(5) The general provisions of FIRREA and FDICIA and the effects on the institution's business? [AAG-SAV, pars. 14.11 and 18.20—.29]	_____	_____	_____

3. When an institution is failing or is in danger of failing to satisfy its current or projected regulatory capital requirements, are the following disclosures considered:			
a. Reasons why the institution is failing or is in danger of failing to satisfy its current or projected requirements?	_____	_____	_____
b. Possible or probable effects on the institution and its stockholders?	_____	_____	_____
c. Description of management's plan to satisfy the current and projected requirements and the viability of such plans? [AAG-SAV, pars. 14.12, 14.18, and 18.25—18.26]	_____	_____	_____

**Statement of Operations**

**A. Interest on Loans**

1. Is consideration given to showing interest on loans separately on the statement of operations? [AAG-SAV, par. 19.16]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Is interest income reported using the interest method? [AAG-SAV, par. 6.23]	_____	_____	_____
<b>B. Loan Fees</b>			
1. Are commitments or other fees that are either being amortized on the straight-line method or included in income, when the commitment expires, reported as service fee income? [SFAS 91, par. 22 (AC L20.121)]	_____	_____	_____
<b>C. Interest/Dividends on Investments</b>			
1. Is consideration given to showing the amount for investment income separately on the statement of operations? [AAG-SAV, par. 19.16]	_____	_____	_____
<b>D. Gain/Loss on Sales of Investments</b>			
1. Is the market value of securities required to complete a short sale adjusted to market value as of the date of the report? [AAG-SAV, pars. 3.13 and 19.16]	_____	_____	_____
2. Is consideration given a separate disclosure if significant interest has accrued on the short position? [AAG-SAV, pars. 3.13 and 19.16]	_____	_____	_____
3. For each period for which results of operations are presented, are the realized gains and losses for securities classified as either available-for-sale or held-to-maturity reported in earnings? [SFAS 115, par. 14 (AC I80.111)]	_____	_____	_____
<b>E. Gain/Loss on Sales of Loans</b>			
1. Are material gains/losses on loans sold with recourse, if considered unusual or infrequent, separately disclosed? [SFAS 77, pars. 9 and 39b (AC R20.109b)]	_____	_____	_____
<b>F. Interest on Savings Accounts</b>			
1. Is the amount shown separately on the statement of operations or otherwise disclosed by type of account? [AAG-SAV, pars. 13.26 and 19.16]	_____	_____	_____
2. Is the interest penalty for early withdrawals reported as income from early withdrawal penalties? [AAG-SAV, par. 13.26]	_____	_____	_____
<b>G. Interest on Advances and Other Borrowings</b>			
1. Is the amount shown separately on the statement of operations? [AAG-SAV, pars. 12.30 and 19.16]	_____	_____	_____
<b>H. Interest Capitalized</b>			
1. Is the amount shown separately on the statement of operations as a reduction of interest expense? [SFAS 34, par. 21 (AC 167.118); AAG-SAV, par. 19.16]	_____	_____	_____
<b>I. General and Administrative Expenses</b>			
1. Is rental expense for operating leases for each period in which an income statement is presented disclosed with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
<b>J. Loss Provisions on Loans and Real Estate</b>			
1. Is consideration given to showing the loss provision for real estate separately on the statement of operations or in a footnote?	_____	_____	_____
2. Is consideration given to disclosing the policy which provides valuation allowances for estimated losses on loans and real estate? [AAG-SAV, par. 19.19]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>K. Other Expenses</b>			
1. Is depreciation expense for the period(s) and accumulated depreciation 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)]	_____	_____	_____
2. Are the accounting policy, the net amount capitalized at the balance sheet date, and the amortization period(s) with respect to credit card fees and costs for both purchased and originated credit cards disclosed? [EITF 92-5]	_____	_____	_____
3. Do disclosures for advertising costs include:			
a. The accounting policy selected from the two alternatives in paragraph 26 of SOP 93-7, including whether such costs are expensed when incurred or when the advertising first takes place?	_____	_____	_____
b. A description of the direct-response advertising reported as assets, if any, the related accounting policy, and the method and amortization period?	_____	_____	_____
c. The amount charged to advertising expense for each income statement presented, with separate disclosure of amounts, if any, representing a write-down of the capitalized advertising costs to net realizable value and the reasons for such a write-down?	_____	_____	_____
d. The total amount of advertising reported as assets in each balance sheet? [SOP 93-7, par. 49]	_____	_____	_____
<b>L. Income Taxes</b>			
1. Are the types of significant temporary differences and carryforwards disclosed? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
2. Are the following significant components of income tax expense attributable to continuing operations for each year presented disclosed in the financial statements or the 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 for 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. Is 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 paragraph 35—39 of SFAS 109 (AC I27.134—138)) disclosed for each year in which those items are presented? [SFAS 109, par. 46a (AC I27.145)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. a. Is the nature of significant reconciling items for public institutions disclosed 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. Is the nature of significant reconciling items for nonpublic institutions disclosed (omission of numerical calculations is permitted)?	_____	_____	_____
c. If not otherwise evident, are the nature and effect of any other significant matters affecting comparability of information for all periods presented disclosed? [SFAS 109, par. 47 (AC I27.146)]	_____	_____	_____
5. Are the amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes disclosed? [SFAS 109, par. 48 (AC I27.147)]	_____	_____	_____
6. If the institution is a member of a group that files a consolidated tax return, are the following items 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. 49a—b (AC I27.148a—b)]	_____	_____	_____
7. Is the effect of initially applying SFAS 109 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]	_____	_____	_____
8. When initially presented, do the financial statements for the year SFAS 109 is first adopted disclose the following:			
a. The effect, if any, of adopting SFAS 109 on pretax income from continuing operations (e.g., 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 (on related per-share amounts) for each year in which restated financial statements are presented? [SFAS 109, par. 52a—b]	_____	_____	_____
9. Are the amounts of income taxes applicable to the results of discontinued operations disclosed on the statement of operations or in related notes? [APB 30, par. 8 (AC I13.105)]	_____	_____	_____
10. Are the income taxes applicable to extraordinary events disclosed on the face of the statement of operations or in related notes? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
<b>M. Discontinued Operations</b>			
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, par. 8 (AC I13.105—.106)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 an institution has accounted for the discontinuance of a segment in accordance with APB 30 and subsequently decides to retain the segment, is any impairment writedown of the individual assets classified in continuing operations? [EITF 90-16]	_____	_____	_____
c. If the institution 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), is that gain shown net? [EITF 85-36]	_____	_____	_____
3. Is the gain or loss from disposal of the segment disclosed on the face of the statement of operations or in related notes? [APB 30, par. 8 (AC I13.105)]	_____	_____	_____
4. Are the revenues applicable to the discontinued operations disclosed in the notes to the financial statements? [APB 30, par. 8 (AC I13.105)]	_____	_____	_____
5. For the period encompassing the measurement date, do the notes to financial statements disclose:			
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. The fact that a loss on disposal cannot be estimated within reasonable limits? [APB 30, par. 18 (AC I13.108—.109)]	_____	_____	_____
6. For periods after the measurement date and including the period of disposal, do the notes to the financial statements disclose the information required in Steps 5.a., b., c., and d. above? [APB 30, par. 18 (AC I13.108)]	_____	_____	_____
7. For nonpublic companies, if there is a restructuring charge, is it reflected using the most meaningful income statement presentation within the framework of ABP 30? [EITF 87-4]	_____	_____	_____
<b>N. Extraordinary Items</b>			
1. Do extraordinary items meet both criteria of (1) an unusual nature and (2) infrequency of occurrence? [APB 30, pars. 19—24 (AC I17.106—.111 and .118)]	_____	_____	_____
2. Are extraordinary items segregated and shown, including applicable income taxes, following income before extraordinary items and before net income using the caption "extraordinary items"? [APB 30, pars. 10—11 (AC I17.103)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. Is disclosure made of each adjustment in the current period of an element of an extraordinary item that was reported in a prior period as to year of origin, nature, and amount? [SFAS 16, par. 16(e) (AC I17.119)]	_____	_____	_____
6. 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:			
a. Reported as a separate component of income from continuing operations?	_____	_____	_____
b. Accompanied by disclosure of the nature and financial effects of each event? [APB 30, par. 26 (AC I22.101)]	_____	_____	_____
7. Are asbestos treatment costs charged to expense not classified as an extraordinary item? [EITF 89-13]	_____	_____	_____
8. For gains or losses from extinguishment of debt classified as extraordinary items, do disclosures include:			
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?	_____	_____	_____
b. The income tax effect in the period of extinguishment?	_____	_____	_____
c. The per-share amount of the aggregate gain or loss, net of related income tax effect? [SFAS 4, par. 9 (AC I17.104)]	_____	_____	_____

**O. Other**

1. Are the following excluded from determination of net income or results of operations under all circumstances:			
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? [APB 9, par. 28 (AC C08.101)]	_____	_____	_____
2. Is earnings-per-share information for public institutions 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**

A. Are changes in the separate component accounts of stockholders' equity disclosed? [APB 12, par. 10 (AC C08.102); AAG-SAV, par. 14.10]	_____	_____	_____
B. Are changes in the number of shares of equity securities disclosed? [APB 12, par. 10 (AC C08.102); AAG-SAV, par. 14.10]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
C. Are prior adjustments limited to 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)]	_____	_____	_____
D. 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)]	_____	_____	_____

### Statement of Cash Flows

A. Is a statement of cash flows presented as a basic financial statement in presentations that report on both financial position and results of operations for each period for which an income statement is presented? [SFAS 95, par. 3 (AC C25.101)]	_____	_____	_____
B. 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)]	_____	_____	_____
1. Are cash receipts and cash 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)]	_____	_____	_____
2. Are cash receipts and cash 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 cash receipts and cash payments for the following transactions classified as cash flows from operating activities:			
1. Interest received on loans?	_____	_____	_____
2. Insurance proceeds, except those directly related to investing or financing activities?	_____	_____	_____
3. Interest paid to creditors?	_____	_____	_____
4. Payments to suppliers and employees?	_____	_____	_____
5. Payments to governments for taxes, duties, fines, and other fees or penalties?	_____	_____	_____
6. Payments to settle lawsuits?	_____	_____	_____
7. Contributions to charities? [SFAS 95, pars. 22—23 (AC C25.120—.121)]	_____	_____	_____
8. Cash flows from purchases, sales, and maturities of trading securities? [SFAS 115, par. 18]	_____	_____	_____
D. Are cash receipts and cash payments from investing activities shown separately on the statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	_____	_____	_____
E. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:			
1. Net change in interest-bearing deposits with banks?	_____	_____	_____
2. Net change in federal funds sold?	_____	_____	_____
3. Net change in loans?	_____	_____	_____
4. Purchase of property and equipment?	_____	_____	_____
5. Net change in customers' liability on acceptances outstanding?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Cash flows from purchases, sales, and current maturities of available for-sale securities and held-to-maturity securities? [AAG-SAV, par. 19.18]	_____	_____	_____
F. Are cash receipts and cash payments from financing activities shown separately on the statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	_____	_____	_____
G. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities:			
1. Net change in noninterest-bearing demand, savings, and NOW deposit accounts?	_____	_____	_____
2. Net change in time deposits?	_____	_____	_____
3. Net change in borrowed funds?	_____	_____	_____
4. Net change in acceptances outstanding?	_____	_____	_____
5. Repayment of long-term debt?	_____	_____	_____
6. Dividends paid? [AAG-SAV, par 19.18]	_____	_____	_____
H. Is the effect of exchange-rate changes on cash balances held in foreign currencies shown separately? [SFAS 95, par. 25 (AC C25.123)]	_____	_____	_____
I. Is the change in cash and due from banks shown in the statement of cash flows? [AAG-SAV, par. 19.18; SFAS 95, par. 26 (AC C25.124)]	_____	_____	_____
J. Is the policy for defining a cash equivalent disclosed? [AAG-SAV, par. 19.18; SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____
K. 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)]	_____	_____	_____
L. Are noncash investing and financing activities (e.g., converting debt to equity) summarized, either in the footnotes, on a separate schedule, or on the face of the statement? [SFAS 95, par. 32 (AC C25.134)]	_____	_____	_____
M. If the indirect method of reporting operating cash flows is used, are the amounts of interest paid (net of amounts capitalized) and income taxes paid disclosed in a separate schedule, footnote, or on the face of the statement for each year presented (the reconciliation of net income to net cash provided by or used in operating activities, which can be presented in the statement or in a separate schedule or footnote, should separately report all major reconciling items)? [SFAS 95, par. 29 (AC C25.127)]	_____	_____	_____
N. Are the following classes of operating cash receipts and payments for institutions using the direct method, at a minimum, separately disclosed:			
1. Cash collected from customers, including lessees, licensees, and the like?	_____	_____	_____
2. Interest and dividends received?	_____	_____	_____
3. Other operating cash receipts, if any?	_____	_____	_____
4. Cash paid to employees and other suppliers of goods or services, including suppliers of insurance, advertising, and the like?	_____	_____	_____
5. Interest paid?	_____	_____	_____
6. Income taxes paid?	_____	_____	_____
7. Other operating cash payments, if any? [SFAS 95, par. 27 (AC C25.125)]	_____	_____	_____



**Exhibit A—Accounting for Postretirement Health Care and Life Insurance Benefits (SFAS 81)**

The effective date of SFAS 106 is for fiscal years beginning after December 15, 1992, except for plans outside the U.S. 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:

**A. Postretirement Health Care and Life Insurance Benefits**

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 the period, unless paragraph 7 of SFAS 81 applies?   | _____ | _____ | _____ |
| d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented?<br>[SFAS 81, par. 6 (AC P50.102)]  | _____ | _____ | _____ |
| e. If the cost of any postretirement health care or life insurance benefits cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, the total cost of providing those benefits to both active employees and retirees, as well as the number of active employees and the number of retirees covered by the plan?<br>[SFAS 81, par. 7 (AC P50.103, App. E)] | _____ | _____ | _____ |

**Exhibit B—Loans Receivable (Various)**

The effective date of SFAS 114 is for fiscal years beginning after December 15, 1994. Earlier application is encouraged. Until such time, the following disclosures remain in effect:

**A. Impairment of Loans Receivable**

1. For outstanding loans whose terms have been modified (regardless of when the restructuring occurred) in troubled debt restructurings (except for those receivables where subsequent to the restructuring, its effective interest rate has been equal to or greater than what the creditor was willing to accept for a new receivable with comparable risk), are the following required disclosures by major categories of receivables 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):

- |   |       |       |       |
|---|-------|-------|-------|
| a. The aggregate recorded investment?   | _____ | _____ | _____ |
| b. The gross interest income that would have been recognized if the loans had been current in accordance with their original terms and had been outstanding throughout the period (or since origination)? | _____ | _____ | _____ |
| c. The amount of interest income included in net income?  | _____ | _____ | _____ |
| d. The amounts of any commitments to lend additional funds to debtors owing restructured loans?<br>[AAG-SAV, par. 6.73]   | _____ | _____ | _____ |

2. Are the following disclosures made:

- |  |       |       |       |
|--|-------|-------|-------|
| a. 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)? | _____ | _____ | _____ |
|--|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The total carrying value of loans pledged as collateral?	_____	_____	_____
c. Other information, such as maturities for significant categories of loans, and the amounts of loans at fixed and variable rates of interest? [AAG-SAV, par. 6.73]	_____	_____	_____
<b>B. Real Estate Acquired in Settlement of Loans</b>			
1. Is collateral that has been in-substance foreclosed reported the same way as collateral that has been formally repossessed? [SFAS 15, par. 34; PB 7, par. 1]	_____	_____	_____
2. Is the reporting of collateral that has been in-substance foreclosed changed from that of a loan receivable to that of collateral? [SFAS 15, par. 34; PB 7, par. 2]	_____	_____	_____

# FSP Section 5400

## Auditors' Reports Checklist

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

### .02 Explanation of References:

- SAS = AICPA Statements on Auditing Standards
- AU = Reference to section number in AICPA *Professional Standards* (vol. 1)
- SSARS = FASB Statements on Standards for Accounting and Review Services
- AR = Reference to section number in AICPA *Professional Standards* (vol. 2)
- AAG-SAV = AICPA Audit and Accounting Guide, *Audits of Savings Institutions* (with conforming changes as of May 1, 1994)
- SSAE = AICPA Statements on Standards for Attestation Engagements

### .03 Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Does the auditor's report include appropriate:			
a. Addressee? [SAS 58, par. 9 (AU 508.09)]	_____	_____	_____
b. Date (or dual dates) of the report? [SAS 1, sec. 530.05 (AU 530.05)]	_____	_____	_____
c. A title that includes the word "independent"? [SAS 58, par. 8a (AU 508.08a)]	_____	_____	_____
2. If the accountant is not independent, is a compilation report that includes lack of independence issued? [SAS 26, par. 10 (AU 504.10); SSARS 1, pars. 22 and 38 (AR 100.22 and .38)]	_____	_____	_____
3. Does the reporting language conform with the auditor's standard report on:			
a. Financial statements of a single year or period?	_____	_____	_____
b. Comparative financial statements? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
4. Does the report include appropriate language for the following situations:			
a. Only one basic financial statement is presented and there are no scope limitations? [SAS 58, pars. 47—48 (AU 508.47—.48)]	_____	_____	_____
b. Audited and unaudited financial statements are presented in comparative form? [SAS 26, pars. 14—17 (AU 504.14—.17)]	_____	_____	_____
5. Is an explanatory paragraph (or other explanatory language) added to the standard report if:			
a. The financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the auditor's report? [SAS 58, pars. 16—33 (AU 508.16—.33)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><b>Note:</b> Consult the Topical Index to the AICPA <i>Professional Standards</i> under "Uncertainties" for additional references to specific types of uncertainties.</p>			
b. There is substantial doubt about the institution'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 institution's) ability to continue as a going concern"? [SAS 64, par. 1 (AU 341.12—.13)]	_____	_____	_____
c. There is a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34—36 (AU 508.34—.36)]	_____	_____	_____
d. In an updated report on comparative financial statements, the current opinion on the prior period is different from the one previously expressed? [SAS 58, pars. 77—78 and 81—82 (AU 508.77—.78 and .81—.82)]	_____	_____	_____
e. The prior-period financial statements are audited by a predecessor auditor whose report is not presented? [SAS 64, par. 2 (AU 508.83)]	_____	_____	_____
f. 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)]	_____	_____	_____
g. The financial statements contain a departure from a promulgated accounting principle when conformity with GAAP would result in a misleading presentation? [SAS 58, pars. 14—15 (AU 508.14—.15)]	_____	_____	_____
h. Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8, par. 4 (AU 550.04)]	_____	_____	_____
i. The auditor decides to emphasize a matter in the report? [SAS 58, par. 37 (AU 508.37); Interpretation 38 of SAS 1, sec. 410 (AU 9410.17); Interpretation 1 of SAS 57 (AU 9342.03)]	_____	_____	_____
j. The auditor has a problem with the institution's ability to achieve its reported plan in connection with capital requirements of federal regulations?	_____	_____	_____
6. Is a qualified opinion or disclaimer of opinion expressed if scope limitations preclude application of one or more auditing procedures considered necessary in the circumstances? [SAS 58, pars. 40—45 (AU 508.40—.45); SAS 31, par. 22 (AU 326.23); SAS 19, par. 12 (AU 333.12)]	_____	_____	_____
<p><b>Note:</b> Consult the Topical Index to the AICPA <i>Professional Standards</i> under "Scope of Audit—Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.</p>			
7. Is a qualified opinion or adverse opinion expressed if:			
a. A lack of conformity with GAAP (including inadequate disclosure) is present? [SAS 58, pars. 49—66 (AU 508.49—.66); SAS 32, par. 3 (AU 431.03)]	_____	_____	_____
b. The financial statements reflect regulatory practice of immediate write-off of goodwill or other regulatory practices that differ from GAAP and the resulting difference is material? [SAS 1, AC 544.02 (AU 544.02)]	_____	_____	_____
<p><b>Note:</b> Consult the Topical Index to the AICPA <i>Professional Standards</i> under "Departures from Established Principles," "Adverse Opinions," and "Qualified Opinions" for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion.</p>			
8. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed, are all the substantive reasons for the opinion or disclaimer disclosed and is the reporting language appropriately modified? [SAS 58, pars. 39, 68—69, and 71 (AU 508.39, .68—.69, and .71)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If information accompanies the basic financial statements and auditor's report in an auditor-submitted document, does the report on the accompanying information:			
a. State that the audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
b. Specifically identify the accompanying information?	_____	_____	_____
c. State that the accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
d. State whether the accompanying information was subjected to the auditing procedures applied in the audit of the basic financial statements and the appropriate expression of opinion or disclaimer? [SAS 29, pars. 6—11 (AU 551.06—.11)]	_____	_____	_____
10. Is the reporting form and content of SAS 60, paragraphs 9—19, followed when communicating internal control structure-related matters noted in an audit? <sup>1</sup> [SAS 60, pars. 9—19 (AU 325.09—.19)]	_____	_____	_____
11. Is an explanatory paragraph added to the auditor's report to disclose matters, such as regulatory violations, enforcement actions, litigation, or failure to follow other governmental regulations, and does the paragraph indicate that the outcome cannot presently be determined? [SAS 58, pars. 31—32 and 37 (AU 508.31—.32 and .37)]	_____	_____	_____
12. If a formal enforcement order is received from a governmental regulatory agency to cease and desist from unsafe and unsound practices, is that fact disclosed?	_____	_____	_____
13. Are material weaknesses in internal controls resulting in governmental regulatory agency enforcement actions reported?	_____	_____	_____
14. Does the report conform to SSAE 2 if reporting was on agreed-upon procedures applied to part of an institution's existing or proposed internal control structure, when management does not present a written assertion? [SSAE 2, par. 9 (AT 400.09)]	_____	_____	_____
15. If a report is issued on the effectiveness of the institution's internal control structure, does it state that no reportable conditions were noted? [SSAE 2, par. 45 (AT 400.46)]	_____	_____	_____
16. Does the report conform to SSAE 2 if management presents its assertion in a separate report that will accompany the practitioner's report on the effectiveness of the institution's internal control structure? [SSAE 2, pars. 50—51 (AT 400.51)]	_____	_____	_____
17. If management does not present a written assertion that accompanies the practitioner's report, is the report appropriately modified? [SSAE 2, pars. 53—54 (AT 400.52)]	_____	_____	_____
18. Is the report properly modified if any of the conditions in SSAE 2, paragraph 55, exist? [SSAE 2, pars. 55—79 (AT 400.52—82)]	_____	_____	_____
19. Does the auditor's report include appropriate explanatory language for the auditor's assessment of the institution's inability to achieve its capital plan in connection with FIRREA's capital requirement? [AAG-SVG, pars. 18.21—.27]	_____	_____	_____

<sup>1</sup> Reportable conditions in internal control structure that have not been corrected must be communicated, preferably in writing, to senior management and the board of directors or its audit committee. [SAS 60]

# FSP Section 5500

## *Supplemental Checklist for Savings Institutions That Are SEC Registrants*

.01 This supplemental checklist for savings institutions contains additional disclosures 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 covers only 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 these disclosures are routinely made by savings institutions even though they are not covered under the Securities Exchange Act of 1934.

### .02 Explanation of References

- SAB = SEC Staff Accounting Bulletin  
 FRR = SEC Financial Reporting Release  
 FRP = SEC Financial Reporting Policy  
 Reg. S-X = SEC Regulation S-X

### .03 Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>A. Business Combinations</b>			
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? [SAB 42 and 42A]	_____	_____	_____
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, are the disclosures required by Staff Accounting Bulletin 42 made?	_____	_____	_____
4. Consider SAB 61 related to adjustments to the allowance for loan losses, if appropriate?	_____	_____	_____
5. Is the maximum period for amortization of goodwill for SEC registrants less than 25 years? [SAB 42 and 42A]	_____	_____	_____
<b>B. Cash and Amounts Due From Depository Institutions</b>			
1. Are cash due from banks, including noninterest-bearing deposits with depository institutions, stated separately? [Reg. S-X, Rule 9-03.01]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are any withdrawal and usage restrictions or compensating balance requirements disclosed? [Reg. S-X, Rule 9-03.01]	_____	_____	_____
3. If an institution is not in compliance with compensating balance requirements:			
a. Is this fact disclosed?	_____	_____	_____
b. Are possible or pending material sanctions for noncompliance disclosed? [FRR 203.02b]	_____	_____	_____
4. Are interest-bearing deposits in other banks shown separately on the statement of financial condition? [Reg. S-X, Rule 9-03.01]	_____	_____	_____

**C. Loans Receivable**

1. Are separate amounts disclosed for the following loan categories:			
a. Commercial, financial, and agricultural?	_____	_____	_____
b. Real estate—mortgage?	_____	_____	_____
c. Real estate—construction?	_____	_____	_____
d. Installment loans to individuals?	_____	_____	_____
e. Lease financing?	_____	_____	_____
f. Foreign?	_____	_____	_____
g. Any other loan category regardless of relative size, if necessary to reflect any unusual risk of concentration? [Reg. S-X, Rule 9-03.7(a)]	_____	_____	_____
2. If more appropriate, are other categories used? [Reg. S-X, Rule 9-03.7(b)]	_____	_____	_____
3. Are unearned income on installment loans and unamortized discounts on purchased loans shown separately and deducted from total loans? [Reg. S-X, Rule 9-03.7(e)]	_____	_____	_____
4. If related-party loan disclosures are made (when the aggregate amount of such loans at the balance-sheet date does not exceed 5 percent of stockholders' equity), is an analysis of such loans for the latest fiscal year provided (e.g., beginning balance, new loans, repayments, other changes and ending balance)? <sup>1</sup> [Reg. S-X, Rule 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? [Reg. S-X, Rule 9-03.7(d)]	_____	_____	_____

**D. Other Assets**

1. Are the following assets or any other asset, the amount of which exceeds 30 percent of stockholders' equity, disclosed separately on the balance sheet or in a note (the remaining assets may be shown as one amount):			
a. Excess of cost over tangible and identifiable intangible assets acquired (net of amortization)?	_____	_____	_____
b. Other intangible assets (net of amortization)?	_____	_____	_____
c. Investments in and indebtedness of affiliates and other persons?	_____	_____	_____
d. Other real estate, including the:			
(1) Carrying basis disclosed?	_____	_____	_____

<sup>1</sup> For SEC purposes, related party loans made by the registrant or any of its subsidiaries to directors, executive officers, principal holders of equity securities or associates of such persons of the registrant or any of its significant subsidiaries (1-02). See Reg. S-X, Rule 9-03.7(e) for definition of "associate." Loans to any related party that do not exceed \$60,000 (in aggregate) during the last year may be excluded. [Reg. S-X, Rule 9-03.7(e)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) Allowance for losses deducted therefrom?	_____	_____	_____
(3) Summary of changes in allowance for losses, including beginning balance, provision charged to income, losses charged to the allowance, and ending balance? [Reg. S-X, Rule 9-03.10]	_____	_____	_____
2. Are the carrying value and market value of each of the following categories of securities disclosed (exclusive of borrowed securities and securities purchased under resale agreements or similar arrangements) and is consideration given to disclosure on the balance sheet:			
a. U.S. Treasury and other U.S. Government agencies and corporations?	_____	_____	_____
b. States of the U.S. and political subdivisions?	_____	_____	_____
c. Other? [Reg. S-X, Rule 9-03.6(a)]	_____	_____	_____
3. Are the amounts of noninterest-bearing and interest-bearing deposits stated separately? [Reg. S-X, Rule 9-03.12]	_____	_____	_____
4. Are foreign amounts also stated separately? [Reg. S-X, Rule 9-03.12]	_____	_____	_____
<b>E. Securities Sold Under Purchase Agreements or Reverse Repurchase Agreements</b>			
1. If the higher of the aggregate carrying value or market value of repurchase agreements exceeds 10 percent of total assets, is the following disclosed:			
a. The carrying value and market value of securities, including accrued interest plus any cash or other assets on deposit under the repurchase agreements and this should be broken out in categories as follows:			
(1) Overnight?	_____	_____	_____
(2) Up to 30 days?	_____	_____	_____
(3) 30-90 days?	_____	_____	_____
(4) Over 90 days?	_____	_____	_____
(5) 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:			
(1) Overnight?	_____	_____	_____
(2) Up to 30 days?	_____	_____	_____
(3) 30-90 days?	_____	_____	_____
(4) Over 90 days?	_____	_____	_____
(5) On demand?	_____	_____	_____
2. If the "amount at risk" of the securities sold under repurchase agreements with any individual counterparty exceeds 10 percent of stockholder's equity, is the following disclosed:			
a. The name of the counterparty?	_____	_____	_____
b. The amount at risk with each counterparty?	_____	_____	_____
c. The weighted average maturity of the repurchase agreements with each counterparty? [Reg. S-X, Rule 4-08(m)]	_____	_____	_____
<b>F. Borrowed Funds</b>			
1. Are the following separately disclosed:			
a. Federal funds purchased and securities sold under agreements to repurchase?	_____	_____	_____
b. Commercial paper?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Other short-term borrowings?	_____	_____	_____
d. Unused lines of credit for short-term financing? [Reg. S-X, Rule 9-03.13]	_____	_____	_____
<b>G. Deferred Credits</b>			
1. Are the following stated separately:			
a. Deferred income taxes?	_____	_____	_____
b. Deferred tax credits?	_____	_____	_____
c. Material items of deferred income? [Reg. S-X, Rule 5-02.26]	_____	_____	_____
<b>H. Other Liabilities</b>			
1. Is the amount of indebtedness to directors, executive officers, and principal holders of equity securities of the registrant or any of its significant subsidiaries (Reg. S-X, Rule 1-02), if the aggregate amount exceeds 5 percent of shareholders' equity disclosed? [Reg. S-X, Rule 9-03.15]	_____	_____	_____
2. Are the following liabilities in excess of 30 percent of shareholder's equity disclosed separately:			
a. Income taxes payable?	_____	_____	_____
b. Deferred income taxes?	_____	_____	_____
c. Indebtedness to affiliates and other persons, the investments in which are accounted for by the equity method? [Reg. S-X, Rule 9.03.15]	_____	_____	_____
<b>I. Stockholders' Equity</b>			
1. For preferred stock subject to mandatory redemption requirements or whose redemption is outside the control of the issuer:			
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?	_____	_____	_____
c. Is a general description of each issue shown? [Reg. S-X, Rule 5-02.28]	_____	_____	_____
2. If common stock is convertible, is this fact disclosed on the face of the statement of financial condition? [Reg. S-X, Rule 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? [Reg. S-X, Rule 5-02.31]	_____	_____	_____
<b>J. Income Statement Captions</b>			
1. Are the following amounts stated separately:			
a. Trading account interest?	_____	_____	_____
b. Other interest income?	_____	_____	_____
c. Total interest income, including Steps a. and b. above?	_____	_____	_____
d. Interest on deposits?	_____	_____	_____
e. Interest on short-term borrowings?	_____	_____	_____
f. Interest on long-term debt?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. Total interest expense (Steps d. through f. above)?	_____	_____	_____
h. Net interest income (Step c., less Step g. above)?	_____	_____	_____
i. Provision for loan losses?	_____	_____	_____
j. Net interest income provision for loan losses?	_____	_____	_____
k. Other income?	_____	_____	_____
l. Other expense?	_____	_____	_____
m. Income or loss before income tax expense?	_____	_____	_____
n. Income tax expense?	_____	_____	_____
o. Income or loss before extraordinary items and cumulative effects of changes in accounting principles?	_____	_____	_____
p. Extraordinary items, less applicable taxes?	_____	_____	_____
q. Cumulative effects of changes in accounting principles?	_____	_____	_____
r. Net income or loss?	_____	_____	_____
s. Earnings-per-share data? [Reg. S-X, Rule 9-04.1—.21]	_____	_____	_____
<b>K. Interest Income</b>			
1. Does the statement of operations show separately:			
a. Interest and fees on loans? [Reg. S-X, Rule 9-04(1)]	_____	_____	_____
b. Interest (showing separately taxable and nontaxable interest income) and dividends on investment securities? [Reg. S-X, Rule 9-04(2)]	_____	_____	_____
c. Trading account interest? [Reg. S-X, Rule 9-04(3)]	_____	_____	_____
d. Other interest income? [Reg. S-X, Rule 9-04(4)]	_____	_____	_____
<b>L. Other Income</b>			
1. Are the following amounts that exceed 1 percent of the aggregate of total interest income and other income stated separately:			
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. Trading account profit or loss?	_____	_____	_____
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? [Reg. S-X, Rule 9-04.13]	_____	_____	_____
2. Are investment security gains and losses disclosed separately regardless of size? [Reg. S-X, Rule 9-04.13]	_____	_____	_____
3. For investment security gains or losses, are the following disclosed:			
a. The method followed in determining cost of investments sold?	_____	_____	_____
b. Related taxes (disclosed in a footnote or parenthetically as part of income tax expense)? [Reg. S-X, Rule 9-04.13h]	_____	_____	_____

Yes      No      N/A

**M. 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?  
[Reg. S-X, Rule 9-04.11]

\_\_\_\_\_

**N. Other Expenses**

1. Are the following amounts that exceed 1 percent of the aggregate of total interest income and other income stated separately:

- 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?  
[Reg. S-X, Rule 9-04.14]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**O. Income Taxes**

1. Is a reconciliation of the reported income tax expense with the "computed expected" tax amount disclosed?  
[Reg. S-X, Rule 4.08(h)]

\_\_\_\_\_

**P. Condensed Financial Information of Parent Company**

1. Is disclosure in a footnote made of the parent company's condensed balance sheet, income statement, and statement of cash flows for the periods that correspond with the consolidated financial statements presented? <sup>2</sup>

\_\_\_\_\_

2. Is the following condensed parent company information stated separately:

- a. Investments in savings institution subsidiaries?
- b. Indebtedness of and to savings institution subsidiaries?
- c. Cash dividends paid to the registrant by savings institution subsidiaries for each of the last three years?  
[Reg. S-X, Rule 9-06]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Q. Financial Guarantees**

1. When aggregate amounts guaranteed are material to the consolidated equity or where there is a material effect on results of operations before income taxes, are the following disclosures made:

- a. A general description of the type of obligations guaranteed (e.g., corporate, municipal general obligation, industrial revenue, etc.), the relative amount and range of maturity dates of each, and the degree of risk involved?
- b. The amount of exposure with respect to the debts of others guaranteed at the date of each balance sheet presented, including a discussion of how the participation by other parties and other factors that may reduce exposure are treated in determining the amount reported?
- c. The manner in which the registrant recognizes revenue with respect to the guarantees?
- d. The amount of unearned premiums as of the date of each balance sheet?
- e. Whether the registrant provides an allowance for losses by charges against income and, if so, the basis for the reserve and its amount at each balance-sheet date?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

<sup>2</sup> Such disclosure is required when restricted net assets (as defined) of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recent fiscal year.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. Any other information that may be necessary to adequately describe the nature and extent of the obligations guaranteed and the degree of risk related to the guarantees? [SAB 60]	_____	_____	_____
<b>R. Quarterly Information</b>			
1. For registrants required to include selected quarterly financial data, are the following captions, at a minimum, disclosed:			
a. Interest income?	_____	_____	_____
b. Interest expense?	_____	_____	_____
c. Provision for loan losses?	_____	_____	_____
d. Security gains or losses?	_____	_____	_____
e. Net income?	_____	_____	_____
f. Earnings-per-share? [SAB 46 Topic 6.G.]	_____	_____	_____
<b>S. Schedules</b>			
1. Is the following schedule filed if required (Schedule Number I refers to Reg. S-X, Rule 9-07 and Reg. S-X, Rule 12-05):			
a. Indebtedness to Related Parties (filed in support of subcaption (Reg. S-X, Rule 9-03.15(4))—Indebtedness to directors, executive officers, and principal holders of equity securities of the registrant or any of its significant subsidiaries)?	_____	_____	_____
2. Is the following schedule filed if required (Schedule Number II refers to Reg. S-X, Rule 9-07 and Reg. S-X, Rule 12-08):			
a. Guarantees of Securities of Other Issuers (filed with respect to any guarantees of securities of other issuers by the person for which the statement is being filed)?	_____	_____	_____
<b>T. Other SEC-Related Disclosures</b>			
1. Are the following staff accounting bulletins considered for disclosure, if applicable:			
a. SAB Topic 11-K, added by SAB 69, expressing the staff's views on the use of Article 9 and the Industry Guide 3 as guidance for disclosure purposes by registrants that are not bank holding companies but that are engaged in similar lending and deposit activities?	_____	_____	_____
b. SAB Topic 1-F, added by SAB 50, reflecting the staff's views on the financial statement requirements in filings involving the formation of a one-bank holding company?	_____	_____	_____
c. SAB Topic 11-G, discussing the use of tax equivalent-adjusted amounts in financial statements and management's discussion and analysis?	_____	_____	_____
d. SAB Topic 11-I, added by SAB 56, expressing the staff's views about the reporting of Allocated Transfer Risk Reserve ("ATTR") provisions established when federal banking agencies determine that such reserves are necessary?	_____	_____	_____
e. SAB Topic 5-V, added by SAB 82, discussing the staff's views regarding the accounting for transfers of nonperforming assets by financial institutions (See also SAB Topic 5-E)?	_____	_____	_____
f. SAB Topic 11-N, also added by SAB 82, expressing the staff's views regarding the required disclosure by a financial institution that receives financial assistance from a federal regulatory agency?	_____	_____	_____
g. SAB Topic 1-K, added by SAB 89, discussing the staff's views regarding the acquisition of troubled financial institutions?	_____	_____	_____

# FSP Section 5600

## *Illustrative Financial Statements*

.01

### 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 AND LOAN ASSOCIATION AND SUBSIDIARY**

.02

**Consolidated Statements of Financial Condition**

**December 31, 19X3 and 19X2**

	<u>19X3</u>	<u>19X2</u>
<b>Assets</b>		
Cash and cash equivalents	\$XXX,XXX	\$XXX,XXX
Securities purchased under agreements to resell (Note 3)	XXX,XXX	XXX,XXX
Trading securities (Note 5)	XXX,XXX	XXX,XXX
Securities available-for-sale	XXX,XXX	XXX,XXX
Securities to be held-to-maturity (Notes 4, 13, and 20)	XXX,XXX	XXX,XXX
Loans held for sale, 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
	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>
<b>Liabilities and Stockholders' Equity</b>		
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
Total liabilities	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
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 securities available-for-sale, net of tax of \$XXX in 19X2 and \$XXX in 19X1 (Note 4)	(X,XXX)	(XX,XXX)
Total stockholders' equity	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Total liabilities and shareholders' equity	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

See accompanying notes to consolidated financial statements.

## ABC FEDERAL SAVINGS AND LOAN ASSOCIATION AND SUBSIDIARY

.03

### Consolidated Statements of Income

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
Trading securities	XX,XXX	XX,XXX	XX,XXX
Securities available-for-sale	XX,XXX	XX,XXX	XX,XXX
Securities to be held-to-maturity	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
	XXX,XXX	XXX,XXX	XXX,XXX
Total interest income			
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)
	XXX,XXX	XXX,XXX	XXX,XXX
Total interest expense			
Net interest income	XX,XXX	XX,XXX	XX,XXX
Provision for loan losses (Note 7)	(XX,XXX)	(XX,XXX)	(XX,XXX)
	XX,XXX	XX,XXX	XX,XXX
Net interest income after provision for loan losses			
Noninterest income:			
Gain on sales of interest-earning assets, net (Note 17)	XX,XXX	XX,XXX	XX,XXX
Unrealized gains (losses) on trading 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
	XX,XXX	XX,XXX	XX,XXX
Total noninterest income			

(continued)

**ABC FEDERAL SAVINGS AND LOAN ASSOCIATION AND SUBSIDIARY**

**Consolidated Statements of Income—continued**

**December 31, 19X3, 19X2, and 19X1**

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
Noninterest expense:			
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)	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>XX,XXX</u>
Total noninterest income/expense	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>XX,XXX</u>
Income before income taxes and cumulative effect of change in accounting principle	XX,XXX	XX,XXX	XX,XXX
Income tax expense (Note 15)	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>
Income before cumulative effect of change in accounting principle	XX,XXX	XX,XXX	XX,XXX
Cumulative effect at January 1, 19X1, of change in accounting for income taxes (Note 15)	—	—	(X,XXX)
Net income	<u><u>\$ XX,XXX</u></u>	<u><u>\$ XX,XXX</u></u>	<u><u>\$ XX,XXX</u></u>
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)	<u><u>\$ X.XX</u></u>	<u><u>\$ X.XX</u></u>	<u><u>\$ X.XX</u></u>

See accompanying notes to consolidated financial statements.



**ABC FEDERAL SAVINGS AND LOAN ASSOCIATION AND SUBSIDIARY**

.04

**Consolidated Statements of Changes in Stockholders' Equity**

**December 31, 19X3, 19X2, and 19X1**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Net Unrealized Depreciation on Securities Available- for-Sale</u>	<u>Total</u>
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 securities available-for-sale, net of taxes of \$XXX (Note 4)	—	—	—	XXX	XXX
Balances at December 31, 19X1	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>(X,XXX)</u>	<u>XXX,XXX</u>
Net income	—	—	XX,XXX	—	XX,XXX
Change in net unrealized depreciation on securities available-for-sale, net of taxes of \$XXX (Note 4)	—	—	—	XXX	XXX
Balances at December 31, 19X2	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>(X,XXX)</u>	<u>XXX,XXX</u>
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 securities available-for-sale, net of taxes of \$XXX (Note 4)	—	—	—	XXX	XXX
Balances at December 31, 19X3	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$(X,XXX)</u>	<u>\$XXX,XXX</u>

See accompanying notes to consolidated financial statements.

**ABC FEDERAL SAVINGS AND LOAN ASSOCIATION AND SUBSIDIARY**

.05

**Consolidated Statements of Cash Flows**

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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 securities	(XX,XXX)	(XX,XXX)	(XX,XXX)
Sales of trading 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 gain on sales of:			
Loans	(XX,XXX)	(XX,XXX)	(XX,XXX)
Securities available-for-sale	(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	<u>XXX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Net cash provided by operating activities	<u>XXX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
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 securities available-for-sale	(XX,XXX)	(XX,XXX)	(XX,XXX)
Proceeds from maturities of securities available-for-sale	XX,XXX	XX,XXX	XX,XXX
Proceeds from sales of securities available-for-sale	XX,XXX	XX,XXX	XX,XXX
Purchases of securities to be held-to-maturity	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Proceeds from maturities of securities held-to-maturity	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	<u>(X,XXX,XXX)</u>	<u>(X,XXX,XXX)</u>	<u>(X,XXX,XXX)</u>

*(continued)*

**ABC FEDERAL SAVINGS AND LOAN ASSOCIATION AND SUBSIDIARY**

**Consolidated Statements of Cash Flows—continued**

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
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	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>
 <u>Supplemental Disclosures</u>			
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 AND LOAN ASSOCIATION AND SUBSIDIARY

.06

## Notes to Consolidated Financial Statements

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

### Note 1: Summary of Significant Accounting Policies

a. *Principles of Consolidation.* The accompanying consolidated financial statements include the accounts of ABC Federal Savings and Loan Association (the "Association") 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 Association considers all highly liquid debt instruments with original maturities when purchased of three months or less to be cash equivalents.

c. *Investments in Securities.* The Association's investments in securities are classified in three categories and accounted for as follows:

- *Trading Securities.* Government bonds held principally for resale in the near term and mortgage-backed securities held for sale in conjunction with the Association's mortgage banking activities are classified as trading securities and recorded at their fair values. Unrealized gains and losses on trading securities are included in other income.
- *Securities to Be Held-to-Maturity.* Bonds, notes and debentures for which the Association has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.
- *Securities Available-for-Sale.* Securities available-for-sale consist of bonds, notes, debentures, and certain equity securities not classified as trading securities or as securities to be held-to-maturity.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary have resulted in write-downs of the individual securities to their fair value. The related write-downs have been included in earnings as realized losses.

Unrealized holding gains and losses, net of tax, on securities available-for-sale are reported as a net amount in a separate component of stockholders' equity until realized.

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

d. *Not Used.*

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. *Not Used.*

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 Association'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.* Loan fees are accounted for in accordance with FASB 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 Association'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 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.* Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) and deferred income taxes on temporary differences arising from differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB 109, *Accounting for Income Taxes*. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes in the period of enactment.

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 Association 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 Association charges income for expected costs that are incurred as a result of the Association's responsibility as servicer of Federal Housing Administration ("FHA") insured and Department of Veterans Affairs ("DVA") 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 Association does not expect to recover from either the FHA or DVA.

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 Association 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. *Not Used*.

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.

**Note 2: Purchase Accounting**

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

	<u>Balance at December 31, 19X3</u>	<u>Amortization Credited (Charged) to Operations for the Year Ended December 31</u>		
		<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
Excess of cost over fair value of net assets acquired, amortized under:				
Straight-line method	\$XXX,XXX	\$(XX,XXX)	\$(XX,XXX)	\$(XX,XXX)
FASB 72	<u>XXX,XXX</u>	<u>(XX,XXX)</u>	<u>(XX,XXX)</u>	<u>(XX,XXX)</u>
Total	<u>\$XXX,XXX</u>	<u>\$(XX,XXX)</u>	<u>\$(XX,XXX)</u>	<u>\$(XX,XXX)</u>

**Note 3: Securities Purchased Under Agreements to Resell**

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

	<u>19X3</u>	<u>19X2</u>
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
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>

The Association 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 statement of financial condition. The securities underlying the agreements are book-entry securities. During the period, the securities were delivered by appropriate entry into the Association'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 Association under a written custodial agreement that explicitly recognizes the Association'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.

**Note 4: Investments in Securities**

The carrying amounts and fair values of the Association's investments in securities at December 31 are summarized as follows:

	<u>Amortized cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<b>Securities Available-for-Sale:</b>				
December 31, 19X1:				
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
Equity securities:				
Preferred stocks	XX,XXX	XX,XXX	XX,XXX	XX,XXX
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>
December 31, 19X1:				
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
Equity securities:				
Preferred stocks	XX,XXX	XX,XXX	XX,XXX	XX,XXX
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>
<b>Securities to be Held-to-Maturity:</b>				
December 31, 19X2:				
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
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>
December 31, 19X1:				
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
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>



Gross realized gains and gross realized losses on sales of securities available-for-sale were:

	<u>19X2</u>	<u>19X1</u>
Gross realized gains:		
U.S. Government and agency securities	\$ X,XXX	\$ X,XXX
State and municipal securities	X,XXX	X,XXX
	<u>\$ X,XXX</u>	<u>\$ X,XXX</u>
Gross realized losses:		
U.S. Government and agency securities	\$ X,XXX	\$ X,XXX
State and municipal securities	X,XXX	X,XXX
	<u>\$ X,XXX</u>	<u>\$ X,XXX</u>

The scheduled maturities of securities to be held-to-maturity and securities available-for-sale at December 31, 19X2 were as follows:

	<u>Securities to Be Held-to-Maturity</u>		<u>Securities Available-for-Sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$XXX,XXX	\$XXX,XXX	\$XXX,XXX	\$XXX,XXX
Due from one year to five years	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Due from five to ten years	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Due after ten years	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>

**Note 5: [Deleted—Required information included in Note 4.]**

**Note 6: [Deleted—Required information included in Note 4.]**

**Note 7: Loans Receivable <sup>1</sup>**

Loans receivable at December 31 are summarized as follows:

	<u>19X3</u>	<u>19X2</u>
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
	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
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	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
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
	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
Less:		
Unearned discounts	(XX,XXX)	(XX,XXX)
Dealer reserves	(XX,XXX)	(XX,XXX)
Total consumer and other loans	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Less allowance for loan losses	<u>(XX,XXX)</u>	<u>(XX,XXX)</u>
	<u>\$ X,XXX,XXX</u>	<u>\$ X,XXX,XXX</u>

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
Balance at beginning of year	\$XX,XXX	\$XX,XXX	\$XX,XXX
Provision charged to income	X,XXX	X,XXX	X,XXX
Charge-offs	(X,XXX)	(X,XXX)	(X,XXX)
Recoveries	XXX	XXX	XXX
Balance at end of year	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

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

<sup>1</sup> This note has not been revised to include all disclosures required by FASB 114, *Accounting by Creditors for Impairment of a Loan*, which applies to financial statements for fiscal years beginning after December 15, 1994.

## Note 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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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
	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
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
	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

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:

	<u>Purchased</u>	<u>Retained</u>
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)
	<u>XX,XXX</u>	<u>XX,XXX</u>
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)
	<u>XX,XXX</u>	<u>XX,XXX</u>
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)
	<u>XX,XXX</u>	<u>XX,XXX</u>
Balance, December 31, 19X3	<u>\$ XX,XXX</u>	<u>\$ XX,XXX</u>

## Note 9: Accrued Interest Receivable

Accrued interest receivable at December 31 is summarized as follows:

	<u>19X3</u>	<u>19X2</u>
Investment securities	\$ XX,XXX	\$ XX,XXX
Mortgage-backed securities	XX,XXX	XX,XXX
Loans receivable	XX,XXX	XX,XXX
Other	X,XXX	X,XXX
	<u>\$ XX,XXX</u>	<u>\$ XX,XXX</u>

**Note 10: Real Estate Held for Investment**

The Association 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:

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

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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)
	<u>\$X,XXX</u>	<u>\$(X,XXX)</u>	<u>\$(X,XXX)</u>

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:

	<u>19X3</u>	<u>19X2</u>	
<b>Assets:</b>			
Cash	\$ X,XXX	\$ XXX,XXX	
Land, buildings, and construction in progress	XXX,XXX	XXX,XXX	
Other assets	XX,XXX	XX,XXX	
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	
<b>Liabilities and partners' equity:</b>			
Mortgage loans payable	\$ XXX,XXX	\$ XXX,XXX	
Other liabilities	XX,XXX	XX,XXX	
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	
<b>Partners' equity:</b>			
ABC Federal Savings and Loan Association	\$ XX,XXX	\$ XX,XXX	
Other	XX,XXX	XX,XXX	
	<u>XX,XXX</u>	<u>XX,XXX</u>	
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>	
	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
<b>Operations of partnerships:</b>			
Real estate sales	\$XX,XXX	\$XX,XXX	\$XX,XXX
Other income	X,XXX	X,XXX	X,XXX
	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>XX,XXX</u>
Cost of sales	XX,XXX	XX,XXX	XX,XXX
Selling and other expenses	X,XXX	X,XXX	X,XXX
Net earnings (loss)	<u>\$X,XXX</u>	<u>\$(X,XXX)</u>	<u>\$(X,XXX)</u>

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

	<u>Foreclosed Real Estate</u>	<u>Real Estate Held for Investment</u>	<u>Total</u>
Balance at 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 at 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 at 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 at December 31, 19X3	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>

### Note 11: Premises and Equipment

Premises and equipment at December 31 are summarized as follows:

	<u>19X3</u>	<u>19X2</u>
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
	<u>XX,XXX</u>	<u>XX,XXX</u>
Less accumulated depreciation and amortization	(XX,XXX)	(XX,XXX)
	<u>\$ XX,XXX</u>	<u>\$ XX,XXX</u>

### Note 12: Deposits

Deposits at December 31 are summarized as follows:

	<u>Weighted Average Rate at December 31, 19X3</u>	<u>19X3</u>		<u>19X2</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
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
		<u>X,XXX,XXX</u>	<u>XX.X</u>	<u>X,XXX,XXX</u>	<u>XX.X</u>
Certificates of deposit:					
X% to X%	X.XX	—	—	X,XXX,XXX	XX.X
X% to X%	X.XX	X,XXX,XXX	XX.X	XXX,XXX	XX.X
X% to X%	X.XX	XXX,XXX	XX.X	XXX,XXX	XX.X
X% to X%	X.XX	XX,XXX	XX.X	XX,XXX	XX.X
		<u>X,XXX,XXX</u>	<u>XX.X</u>	<u>X,XXX,XXX</u>	<u>XX.X</u>
	X.XX%	<u>\$X,XXX,XXX</u>	<u>100.0%</u>	<u>\$X,XXX,XXX</u>	<u>100.0%</u>

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
	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>
	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		
	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>		

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
Certificates of deposit	XXX,XXX	XXX,XXX	XXX,XXX
	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>

### Note 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
	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>

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 Association 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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

#### Note 14: Pension Plan

The Association 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 Association 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 Association's consolidated statements of financial condition at December 31:

	<u>19X3</u>	<u>19X2</u>
Actuarial present value of benefit obligations:		
Accumulated benefit obligation:		
Vested	\$ X,XXX,XXX	\$ X,XXX,XXX
Nonvested	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 87) being amortized over XX year	(XXX,XXX)	(XXX,XXX)
Prepaid pension cost (included in other assets)	<u>\$ XXX,XXX</u>	<u>\$ XXX,XXX</u>

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>
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%	

#### Note 15: Income Taxes

The Association and Subsidiary file consolidated federal income-tax returns on a calendar-year basis. If certain conditions are met in determining taxable income, the Association is allowed a special bad-debt deduction based on a percentage of taxable income (presently 8 percent) or on specified experience formulas. The Association 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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
Federal:			
Current	\$X,XXX	\$X,XXX	\$X,XXX
Deferred	X,XXX	X,XXX	X,XXX
	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>
State and local:			
Current	\$X,XXX	\$X,XXX	\$X,XXX
Deferred	X,XXX	X,XXX	X,XXX
	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>

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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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)
Net unrealized depreciation on securities available-for-sale	XX,XXX	XX,XXX	XX,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	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>



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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
Loans receivable and mortgage-backed and related securities, principally due to purchase accounting discount	\$(X,XXX)	\$(X,XXX)	\$(X,XXX)
Cost of loan-servicing rights	X,XXX	X,XXX	X,XXX
Net unrealized depreciation on securities available-for-sale	X,XXX	X,XXX	X,XXX
Other, net	X,XXX	X,XXX	X,XXX
	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>

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.

**Note 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, a 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:

	<u>GAAP</u> <u>Capital</u>	<u>Unaudited—Regulatory</u>		
		<u>Tangible</u> <u>Capital</u>	<u>Core Capital</u>	<u>Total Capital</u>
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	<u>\$XXX,XXX</u>	\$ 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		<u>XXX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Minimum-capital requirement		<u>(XXX,XXX)</u>	<u>(XXX,XXX)</u>	<u>(XXX,XXX)</u>
Regulatory capital—excess (deficiency)		<u>\$ XX,XXX</u>	<u>\$ XX,XXX</u>	<u>\$ XX,XXX</u>

**Note 17: Gains on Sales of Interest Earning Assets, Net**

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

**Note 18: Other Noninterest Income and Expense**

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

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>
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
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

## Note 19: Commitments and Contingencies

In the ordinary course of business, the Association and Subsidiary have various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In addition, the Association 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 Association and Subsidiary. The principal commitments of the Association and Subsidiary are as follows:

### Lease Commitments

At December 31, 19X3, the Association and Subsidiary were obligated under noncancellable operating leases for office space. Certain leases contain escalation clauses providing for increased rentals based primarily on increases 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:

<u>Years Ending December 31,</u>	<u>Amount</u>
19X4	\$XX,XXX
19X5	XX,XXX
19X6	XX,XXX
19X7	XX,XXX
19X8	XX,XXX
19X9 and thereafter	XX,XXX
	<u>\$XX,XXX</u>

### Loan Commitments

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

	<u>Fixed-Rate</u>	<u>Variable-Rate</u>	<u>Total</u>
First-mortgage loans	\$XX,XXX	\$XX,XXX	\$XX,XXX
Consumer and other loans	XX,XXX	XX,XXX	XX,XXX
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

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

## Note 20: Financial Instruments

a. *Interest-Rate Exchange Agreements.* During 19X3, 19X2, and 19X1, the Association 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 Association was X.XX percent. 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 Association 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:

	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
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	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>
Net unrealized loss paid on maintenance of margin deposits relating to open positions	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>
Net unamortized contract gains (losses) on closed positions	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

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 Association 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 Association generally owns, or has entered into, commitments to purchase the underlying securities for all call options written.

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

#### **Note 21: Noncash-Investing Activities**

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

**Note 22: Selected Quarterly Financial Data (Unaudited)**

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

	<u>December 31, 19X3</u>	<u>September 30, 19X3</u>	<u>June 30, 19X3</u>	<u>March 31, 19X3</u>
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)
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
	<u>December 31, 19X2</u>	<u>September 30, 19X2</u>	<u>June 30, 19X2</u>	<u>March 31, 19X2</u>
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

**Note 23: Financial Instruments with Off-Balance-Sheet Risk**

The Association 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 Association’s involvement in particular classes of financial instruments.

The Association’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 Association 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 Association 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 Association does not require collateral or other security to support financial instruments with credit risk.

	<u>Contract or Notional Amount (in millions)</u>
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 Association evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Association 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 Association 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 Association 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 Association 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 Association 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 Association 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 Association acts as an intermediary in arranging interest-rate swap transactions for customers. The Association 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 Association 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 risk 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.

#### **Note 24: Significant Group Concentrations of Credit Risk**

Most of the Association’s business activity is with customers located within the state. As of December 31, 19X3, the Association’s receivables from, and guarantees of, obligations of companies in the semiconductor industry were \$XX million. As of December 31, 19X3, the Association also was creditor for \$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 Association’s credit loss experience on its loan portfolio as a whole. The Association’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]*.

#### **Note 25: Fair Value of Financial Instruments**

The following methods and assumptions were used by the Association in estimating fair values of financial instruments as disclosed herein:

*Cash and cash equivalents.* The carrying amounts of cash and short-term instruments approximate their fair value.

*Trading securities.* Fair values for trading account securities which also are the amounts recognized in the consolidated balance sheet, are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments except in the case of certain options and swaps where pricing models are used.

*Securities to be held-to-maturity and securities available-for-sale.* Fair values for investment securities, excluding restricted equity securities, are based on quoted market prices. The carrying values of restricted equity securities approximate fair values.

*Loans receivable.* For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (e.g., one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

*Deposit liabilities.* The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

*Borrowed funds.* The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within 90 days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on the Association's current incremental borrowing rates for similar types of borrowing arrangements.

*Accrued interest.* The carrying amounts of accrued interest approximate their fair values.

*Off-balance-sheet instruments.* Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

The estimated fair values of the Association's financial instruments are as follows:



	<i>December 31, 19X3</i>		<i>December 31, 19X2</i>		<i>December 31, 19X1</i>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
<b>Financial assets:</b>						
Cash and due from banks, interest-bearing deposits with banks, and federal funds sold	\$ X,XXX,XXX	\$ X,XXX,XXX	\$ X,XXX,XXX	\$ X,XXX,XXX	\$ X,XXX,XXX	\$ X,XXX,XXX
Securities purchased under agreements to resell	XXX,XXX	XXX,XXX				
Trading securities	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Securities available-for-sale	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Securities to be held-to-maturity	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Loans receivable	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Loans held for sale	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
Accrued interest receivable	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX	XXX,XXX
<b>Financial liabilities:</b>						
Deposits	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)
Borrowed funds	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)
Long-term debt	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
<b>Off-balance-sheet instruments:</b>						
Commitments to extend credit		(XX,XXX)		(XX,XXX)		(XX,XXX)
Credit card arrangements		(X,XXX)		(X,XXX)		(X,XXX)
Commercial letters of credit		(X,XXX)		(X,XXX)		(X,XXX)
Standby letters of credit		(X,XXX)		(X,XXX)		(X,XXX)
Interest rate swaps in a net payable position		(X,XXX)		(X,XXX)		(X,XXX)

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