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Checklists and illustrative financial statements for banks : a financial accounting and reporting practice aid, September 1991 edition

American Institute of Certified Public Accountants. Technical Information Division

Neil Selden

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September 1991 Edition

**Checklists and
Illustrative Financial
Statements for Banks**
A FINANCIAL ACCOUNTING AND
REPORTING PRACTICE AID

AICPA

American Institute of Certified Public Accountants

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September 1991 Edition

**Checklists and
Illustrative Financial
Statements for Banks**
A FINANCIAL ACCOUNTING AND
REPORTING PRACTICE AID

Edited by

Neil Selden, CPA
Technical Manager
Technical Information Division

Checklists and Illustrative Financial Statements for Banks 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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CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR BANKS

The checklists and illustrative financial statements included in this booklet 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:

- o The checklists and illustrative financial statements are "tools" and in no way represent official positions or pronouncements of the AICPA.
- o The checklists and illustrative financial statements have been updated through SAS No. 66, SSARS No. 6, FASB Statements of Financial Accounting Standards No. 105, FASB Interpretation No. 38, and FASB Technical Bulletin No. 90-1. The checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. To determine the applicability of a pronouncement, its effective date also should be considered.
- o The checklists and illustrative financial statements should also be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.
- o The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standard should be reviewed if clarification is desired as to whether the disclosure indicated is required or suggested, and to what extent each disclosure is relevant to the statements being examined.

Users of these checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline (see back cover). We dedicate this edition to the memory of our friend and colleague, the late J. Byrne Kelly, CPA.

John Hudson
Vice-President
Technical Standards & Services

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS
FOR BANKS

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INTRODUCTION

The U.S. banking system operates under comprehensive state and federal rules and regulations. These rules and regulations greatly influence the accounting and financial reporting. Banks subject to reporting requirements of the Securities Exchange Act of 1934 administered by the Securities and Exchange Commission are subject to extensive additional financial and accounting disclosures.

Banks also are subject to examination by federal and state bank examiners and periodic examinations by the bank's board of directors.

Common accounting and reporting by banks include:

- o Accrual basis of accounting is the only acceptable basis of accounting under GAAP, although some banks may report certain revenue and expense items on a cash or modified cash basis.
- o Banks usually prepare a non-classified balance sheet.
- o Regulatory accounting policy requires that "goodwill" should not be capitalized but written off against stockholders' equity. For GAAP, banks are required to capitalize the goodwill.
- o Subordinated debt is classified as debt and not as capital.
- o Trading account securities are presented at market value. Any unrealized appreciation or depreciation is included in the income statement.
- o The income statement usually is reported on a "net interest income" basis. (Interest expense is deducted from interest revenues to arrive at net interest income.)
- o The provision for loan losses usually is reported as a deduction from net interest income.
- o Realized gains and losses on investment securities are presented on a separate line, on a pretax basis, in the "other income" section of the income statement.
- o Transfers of securities from an investment account to the trading account are recorded at market on the transfer date. Unrealized gains are to be deferred until disposition; unrealized losses are recognized at the transfer date.
- o Transfers from the trading account to the investment account are recorded at market on the transfer date. Unrealized gains or losses are included in income on the transfer date.

- o The components and approximate market value of the investment security portfolio should be disclosed on the balance sheet or in the related notes.
- o Note disclosures should include a break-down of loans by major types of lending activities, with disclosure of information about maturities and loans with fixed and floating rates of interest.
- o Fixed assets are normally shown as a single caption on the balance sheet, net of accumulated depreciation and amortization with note disclosures of the components.
- o The components of the deposit liability accounts should be disclosed on the balance sheet or in the related notes.
- o The interest method is used to amortize unearned discount on loans and deferred loan origination fees and costs.

If a Bank owns a captive finance company, the accounting provisions of the AICPA Finance Companies Audit Guide apply.

Checklists--General

Many auditors and accountants find it helpful to use checklists as practice aids to prepare financial statements and reports. Some firms have developed their own checklists for internal use, and may also specialize 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 publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

Checklists typically consist of a number of brief questions or statements accompanied by references to a GASB or FASB Statement or Interpretation, an APB Opinion, or an AICPA Accounting Research Bulletin. 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.

Checklists usually provide for checking off or initialling each question or point to show it has been considered. The format used in these sections 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 note" (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.

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

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

- o The checklists are not all-inclusive and are not intended to present minimum requirements.
- o Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

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

Financial Statements and Notes Checklist

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

Explanation of References:

- ARB = Accounting Research Bulletin
- APB = Accounting Principles Board Opinion
- SFAS = Statement of Financial Accounting Standards
- FASBI = Financial Accounting Standards Board Interpretation
- TB = Technical Bulletin issued by the staff of the FASB
- AC = Reference to section number in FASB Accounting Standards Current Text
- AU = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited
- IAG = Industry Audit Guide, Audits of Banks
- SOP = AICPA Statement of Position
- EITF = Emerging Issues Task Force Consensus

Checklist Questionnaire

Yes No N/A

I. General

A. Titles and References

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

2. Does each statement include a general reference to the notes that they are an integral part of the financial statement presentation?
[ARB 43, Ch. 2A, par. 2 (AC F43.102)]

B. Disclosure of Accounting Policies

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

2. Does disclosure of significant accounting

	Yes	No	N/A
<p>policies encompass important judgments as to appropriateness of principles concerning recognition of revenue, and allocation of assets costs to current and future periods? [APB 22, par. 12 (AC A10.105); TB 82-1, par. 7 (AC I25.506)]</p>	_____	_____	_____
<p>3. Does the 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)]</p>	_____	_____	_____
<p>C. Accounting Changes</p>			
<p>1. For all changes in accounting principles, are the following disclosures made in the year of change:</p>			
<p>a. Nature of change?</p>	_____	_____	_____
<p>b. Justification for the change?</p>	_____	_____	_____
<p>c. Effect on income before extraordinary items and on net income?</p>	_____	_____	_____
<p>d. Effect on related per share amounts? [APB 20, pars. 17 and 19 (AC A06.113 and .115)]</p>	_____	_____	_____
<p>2. For those changes in accounting principles requiring disclosure of cumulative effect and pro forma amounts, are such disclosures made? [APB 20, pars. 19-21 and 25 (AC A06.115 -.118, and .121)]</p>	_____	_____	_____
<p>3. For changes in the method of accounting for postretirement life insurance and health care benefits, are appropriate disclosures made? [TB 87-1, par. 4 (AC P50.503)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____

	Yes	No	N/A
5. Have the applicable AICPA Statements of Position and Guides listed in Appendix A to SFAS 83 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle? [SFAS 32, pars 10-11 (AC A06.112); APB 20, par. 16 (AC A06.112); SFAS 83, pars. 5-6 (AC A06.112)]	_____	_____	_____
6. For a change in accounting estimate affecting several 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 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 96, par. 205m (AC A35.103)]	_____	_____	_____
8. If interim financial data and disclosures are not separately reported for the fourth quarter, and an accounting change is made during the fourth quarter, is disclosure made in the year of change of:			
a. The effect on the interim periods?	_____	_____	_____
b. Cumulative effect? [APB 28, par. 31, SFAS 3, par. 14 (AC I73.147)]	_____	_____	_____
D. Comparative Financial Statements			
1. Have comparative statements been considered? [ARB 43, Ch. 2A, pars. 1-2 (AC F43.101 -.102)]	_____	_____	_____

	Yes	No	N/A
2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]	_____	_____	_____
3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 3 (AC F43.103)]	_____	_____	_____
E. Business Combinations			
1. If a business combination occurred during the period and met the specified conditions for a pooling of interests: [APB 16, pars. 45-48 (AC B50.104 -.107)]			
a. Has the required accounting method been applied? [APB 16, pars. 50-62 (AC B50.109 -.121)]	_____	_____	_____
b. Do the statements and notes include the required disclosures? [APB 16, pars. 63-65 (AC B50.122 -.124)]	_____	_____	_____
2. If a business combination does not meet the specified conditions for a pooling of interests:			
a. Has the combination been accounted for by the purchase method? [APB 16, pars. 66-94; SFAS 96 pars. 23 and 205c (AC B50.125 -.147A and .159 -.163); SFAS 38 (AC B50.148 -.150 and .166); FASBI 9, pars. 4-7 (AC B50.155 -.157)]	_____	_____	_____
b. Do the statements and notes include the required disclosures? [APB 16, pars. 95-96 (AC B50.164 -.165)]	_____	_____	_____
c. In connection with the acquisition of a banking or thrift institution, are the nature and amounts of any regulatory financial assistance disclosed? [SFAS 72, par. 11 (AC B50.158F)]	_____	_____	_____
3. If significant, has the amount of net			

Yes No N/A

operating loss or tax credit carryforwards for which any tax benefits will be applied to reduce goodwill and other noncurrent assets (of an acquired enterprise) been disclosed separately?

[SFAS 96, par. 29 (AC I25.128 and .187)]

4. If financial statements for prior years are restated, have all purchase business combinations that were consummated in those prior years been remeasured in accordance with the requirements of SFAS 96?

[SFAS 96, par. 35]

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 intercompany balances and transactions eliminated?

[ARB 51, par. 6 (AC C51.109)]

- c. In instances when the financial reporting periods of subsidiaries differ from that 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); SFAS 12, pars. 18-20 (AC I89.112 -.114); FASBI 13 (AC I89.120 -.122)]

2. Are the accounts of majority owned subsidiaries consolidated?

[SFAS 94, par. 13 (AC C51.103)]

If a bank owns a captive finance company, the accounting provisions of the AICPA Finance Company Audit Guide apply.

3. If the consolidated financial statements include more than one accepted practice of accounting for marketable securities, are the required disclosures for the various methods disclosed?

[SFAS 12, par. 20 (AC I89.114)]

Yes No N/A

4. If summarized information about the assets, liabilities, and results of operations (or separate statements) of unconsolidated majority-owned subsidiaries was disclosed in the financial statements for fiscal years 1986 and 1987, is that information disclosed in the current year's consolidated financial statements or notes?
[SFAS 94, par. 14 (AC C51.120A)] _____
5. In consolidated bank holding company financial statements, is goodwill written off by bank subsidiaries reinstated by an adjustment in consolidation?
[IAG, page 201] _____
- 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 affiliate companies, officers, stockholders, 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)] _____
- e. If part of a group that files a consolidated tax return, is the amount of

Yes No N/A

current and deferred tax expense disclosed for each of the periods for which income statements are presented and the amount of tax-related balance due to or from affiliates as of the date of each balance sheet presented?

- f. Are the principal provisions of the method in 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 income statements are presented?

[SFAS 96, par. 30 (AC I25.129)]

2. Is information about economic dependency disclosed when necessary for a fair presentation?

[SFAS 21, par. 9 (AC S20.103)]

3. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting enterprise and one or more other enterprises are under common ownership or management control and the existence of the control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprise were autonomous?

[SFAS 57, pars. 2 and 4 (AC R36.102 and .104)]

H. Financial Instruments

1. Does the entity have a financial instrument that is:

a. Cash in banks or on hand? or

b. Evidence of an ownership interest in an entity? or

c. A contract that both:

- (1). Imposes on one entity a contractual obligation (liability)

	Yes	No	N/A
(a). To deliver cash or financial instrument to a second entity, or	_____	_____	_____
(b). To exchange financial instruments on potentially unfavorable terms with the second entity?	_____	_____	_____
(2). Conveys to that second entity a contractual right:			
(a). To receive cash or another financial instrument from the first entity, or	_____	_____	_____
(b). To exchange other financial instruments on potentially favorable terms with the first entity? [SFAS 105, par. 6 (AC F25.106)]	_____	_____	_____
2. For financial instruments with off-balance risk, (except for those excluded in the statement) was the following disclosed either in the body of the financial statements or in the notes by class of financial instrument (Practices for grouping and separately identifying--classifying--similar financial instruments in statements of financial position, in notes to financial statements, and in various regulatory reports have developed and become generally accepted, largely without being codified in authoritative literature. In this Statement, class of financial instrument refers to those classifications.):			
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.			

Yes No N/A

22, "Disclosure of Accounting Policies"?

[SFAS 105, par. 14, 15 and 17 (AC F25.112)]

3. For financial instruments with off-balance sheet credit risk, (except as noted above in H.2.) was the following disclosed either in the body of the financial statements or in the notes by class of financial instrument:

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

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

[SFAS 105, par. 18 (AC F25.113)]

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

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

b. The amount of the accounting loss due to credit risk the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount

	Yes	No	N/A
due proved to be of no value to the entity?	_____	_____	_____
c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? [SFAS 105, par. 20 (AC F25.115)]			
5. For all fiscal years subsequent to the year of transition, have SFAS 105 disclosures been included for each year for which a statement of financial position is presented for comparative purposes? [SFAS 105, par. 22]	_____	_____	_____
I. Foreign Currency			
1. Is the aggregate transaction gain or loss included in net income for the period disclosed? [SFAS 52, par. 30 (AC F60.140)]	_____	_____	_____
2. Does analysis of changes during the period in the separate component of equity for cumulative translation adjustments disclose:	_____	_____	_____
a. Beginning and ending amount of cumulative translation adjustments?	_____	_____	_____
b. The aggregate adjustment for the period resulting from translation adjustments and gains and losses from certain hedges and intercompany balances?	_____	_____	_____
c. The amount of income taxes for the period allocated to translation adjustments?	_____	_____	_____
d. The amounts transferred from cumulative translation adjustments and included in the determination of net income for the period as a result of the sale or complete or substantially complete liquidation of an investment in a foreign entity? [SFAS 52, par. 31 (AC F60.141)]	_____	_____	_____

	Yes	No	N/A
3. Are rate changes occurring after the date of the financial statements and the effects on unsettled balances related to foreign currency translations disclosed, if significant? [SFAS 52, par. 32 (AC F60.142)]	_____	_____	_____
4. Are any foreign earnings reported in addition to amounts received in the United States disclosed, if significant? [ARB 43, Ch. 12, par. 5 (AC F65.102)]	_____	_____	_____
5. Has disclosure of principal amounts of spot and forward exchange contracts been considered? [IAG, page 137, SFAS 80 (AC F80)]	_____	_____	_____
J. Contingencies and Commitments			
1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____
2. For loss contingencies not accrued, do disclosures indicate:			
a. Nature of the contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109 and .111)]	_____	_____	_____
3. Are the nature and amount of guarantees disclosed (for example, obligations under standby letters of credit, guarantees to repurchase loans that have been sold)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1-3 (AC C59.114) IAG, page 137]	_____	_____	_____
4. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
5. Is there adequate disclosure of commitments, such as those for capital expenditures, for			

	Yes	No	N/A
<p>purchase or sale of securities under financial futures contracts, and for funding of loans? [SFAS 5, pars. 18-19 (AC C59.120); FASB 80 (AC F80); IAG, page 15]</p>	_____	_____	_____
<p>6. Are unused commercial letters of credit reported as commitments and not as liabilities? [IAG, page 136]</p>	_____	_____	_____
K. Subsequent Events			
<p>1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence with respect to conditions that existed at the date of the balance sheet? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03 - .04, 560.07 and 561.01 -.09 (AU 560.03 -.04, 560.07 and 561.01 -.09)]</p>	_____	_____	_____
<p>2. Are subsequent events that provide evidence with respect to conditions that did not exist at the date of the balance sheet 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 B0.120) and SAS 1, secs. 560.05 -.07, .09 and 561.01 -.09 (AU 560.05 -.07, .09 and 561.01 -.09)]</p>	_____	_____	_____
L. Pension Plans			
<p>[For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 (AC Pe35).]</p>			
<p>1. If there is a defined benefit plan, do disclosures include:</p>			
<p>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?</p>	_____	_____	_____

Yes No N/A

- b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components?

Note: 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:

- | | | | |
|--|-------|-------|-------|
| (1). The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on assets) | _____ | _____ | _____ |
| (2). Amortization of the net gain or loss from earlier periods | _____ | _____ | _____ |
| (3). Amortization of unrecognized prior service cost | _____ | _____ | _____ |
| (4). Amortization of the unrecognized net obligation or net asset existing at the date of initial application of SFAS 87, [AC P16]. | _____ | _____ | _____ |
| c. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial position, showing separately: | | | |
| (1). The fair value of plan assets? | _____ | _____ | _____ |
| (2). The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation? | _____ | _____ | _____ |
| (3). The amount of unrecognized prior service cost? | _____ | _____ | _____ |
| (4). The amount of unrecognized net gain or loss (including asset gains and losses and not yet reflected in market-related value)? | _____ | _____ | _____ |
| (5). The amount of any remaining unrecognized | | | |

	Yes	No	N/A
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 position pursuant to SFAS 87, paragraphs 35-36 [AC P16.129 -.130] (which is the net result of combining the preceding six items)?	_____	_____	_____
d. 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?	_____	_____	_____
e. 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 contract's issued by the employer and related parties?	_____	_____	_____
f. If applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 [AC P16.120 and .127], and the existence and nature of the commitment discussed in SFAS 87 paragraph 41 [AC P16.135]? [SFAS 87, par. 54 (AC P16.150)]	_____	_____	_____
g. If more than one defined benefit plan exists:			
(1). Have the required disclosures been 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			

	Yes	No	N/A
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 plan to provide a defined benefit?	_____	_____	_____
(2). If answer is yes, are disclosures required for a defined benefit plan 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 type of benefits provided (defined benefit or defined contribution), 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. 69 (AC P16.166)]	_____	_____	_____

	Yes	No	N/A
c. If the situation arises where the withdrawal from a multiemployer plan may result in the employer having an obligation to the plan for a portion of its unfunded benefit obligations, which is either probable or reasonably possible, have the provisions of SFAS 5 [AC C59] been applied? [SFAS 87, par. 70 (AC P16.167)]	_____	_____	_____
4. If there is a settlement and/or curtailment of a defined benefit pension plan and/or termination benefits under such plan, 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)]	_____	_____	_____
M. 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?	_____	_____	_____
d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented? [SFAS 81, par. 6 (AC P50.102)]	_____	_____	_____
N. Futures Contracts			
1. If a futures contract is designated a hedge:			
a. Does the item to be hedged expose the enterprise to price (or interest rate) risk?	_____	_____	_____
b. Does the futures contract reduce the exposure risk and is it designated as a			

Yes No N/A

hedge?
[SFAS 80, par. 4 (AC F80.104 and .404)]

2. If the futures contract hedges an anticipated transaction:

a. Are significant characteristics and expected terms of the anticipated transaction identified?

b. Is it probable that the anticipated transaction will occur?
[SFAS 80, par. 9 (AC F80.109)]

3. If a futures contract is accounted for as a hedge, does the disclosure 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 contract including a description of the events or transactions that result in recognition in income of changes in value of the futures contracts?
[SFAS 80, par. 12 (AC F80.112)]

O. Other Matters

1. If required [SFAS 21 (AC S20)], does the financial statement presentation include segment information?
[SFAS 14 (AC S20); SFAS 24 (AC S20.109 -.110); SFAS 30 (AC S20.145); and TBS 79-4, 79-5 and 79-8 (AC S30.501 -.507)]

II. Balance Sheet

A. General

1. Are trust assets excluded?
[IAG, page 98]

2. Has the tax equivalent basis of reporting income from tax-exempt securities been avoided?
[IAG, page 33]

	Yes	No	N/A
3. If bank liquidity is not sufficient to meet prospective need and there is evidence that the bank may have to dispose of certain assets to obtain liquidity, has the propriety of the accounting basis for any assets that may be sold been considered? [IAG, page 11]	_____	_____	_____
B. Cash and Due From Banks			
1. For financial statements purposes, have cash items and debits been reclassified to the account of ultimate disposition? [IAG, page 23]	_____	_____	_____
2. Does cash and due from banks include cash on hand, clearing and exchange, cash items and due from banks? [IAG, page 25]	_____	_____	_____
3. Have reciprocal due to/from balances been offset for balance sheet presentation? [IAG, page 25]	_____	_____	_____
4. Have "due from" credit balances been reclassified to short-term borrowings? [IAG, page 25]	_____	_____	_____
5. Have "due to" debit balances been reclassified to loans? [IAG, page 25]	_____	_____	_____
C. Interest-Bearing Deposits in Other Banks			
1. If material, are such deposits disclosed separately in the balance sheet? [IAG, page 25]	_____	_____	_____
D. Federal Funds Sold and Securities Purchased Under Resale Agreements			
1. Are such amounts presented gross and not netted against federal funds purchased and securities sold under agreements to repurchase? [IAG, page 68]	_____	_____	_____
E. Trading Account			
1. Are trading account assets and related			

	Yes	No	N/A
futures contracts stated at market value? [IAG, page 41]	_____	_____	_____
2. Are major categories disclosed? [IAG, page 43]	_____	_____	_____
3. Are short positions shown as liabilities? [IAG, page 42]	_____	_____	_____
4. When securities are purchased, is a determination made whether they are intended to be trading or investment securities and is this policy disclosed?	_____	_____	_____
a. Has the practice of recording the securities purchased in a suspense account for later determination of the category been avoided? [IAG, page 40]	_____	_____	_____
5. Is trade-date accounting used for reporting transactions in the trading account? [IAG, page 40]	_____	_____	_____
6. Are trading securities accounted for at market value, and the resulting unrealized appreciation or depreciation recognized in income in the current accounting period? [IAG, page 41]	_____	_____	_____
7. If securities were transferred from the trading account to the investment account, was the transfer recorded at market value on the date of transfer, and the resulting gain or loss recognized in trading income?	_____	_____	_____
a. Were the securities recorded in the investment account as a new acquisition? [IAG, page 41]	_____	_____	_____
8. If securities were transferred from the investment account to the trading account, was the transfer recorded at market value on the date of transfer and the resulting writedown from cost to estimated market value charged to investment security losses?	_____	_____	_____
a. Was the recognition of a gain from write-up of cost to estimated market value deferred until final disposition of the securities?	_____	_____	_____

	Yes	No	N/A
b. When the gain is recognized, is it reported as an investment security gain? [IAG, page 41]	_____	_____	_____
9. Is the interest paid on short positions reported as trading securities interest expense? [IAG, page 42]	_____	_____	_____
10. On transactions that cannot be demonstrated to be a short sale, is the resulting gain or loss recognized immediately? [IAG, page 42]	_____	_____	_____
11. Is interest income on trading securities reported separately from trading income? [IAG, page 43]	_____	_____	_____
F. Investment Securities			
1. Does carrying amount reflect:			
a. Permanent declines in value? [IAG, page 15]	_____	_____	_____
(1). Unrealized losses attributable to:			
(a). Need to dispose of in foreseeable future?	_____	_____	_____
(b). Specific adverse conditions for a particular security? [IAG, page 30]	_____	_____	_____
2. Is aggregate market value disclosed? [IAG, page 34]	_____	_____	_____
3. Are carrying amount and market value of pledged securities disclosed? [IAG, page 35]	_____	_____	_____
4. Are appropriate disclosures made for marketable equity securities? [SFAS 12, par. 12 (AC I89.106)]	_____	_____	_____
5. Are marketable equity securities carried at the lower of aggregate cost or estimated market value as of the balance sheet date? [IAG, page 34]	_____	_____	_____

	Yes	No	N/A
6. Is the accumulated amortization account for premiums on debt securities netted against the asset account on the balance sheet? [IAG, page 31]	_____	_____	_____
7. Have securities transactions been recorded based on trade date accounting rather than settlement date accounting? [IAG, Page 30]	_____	_____	_____
8. If the bank has the ability and intent to hold debt obligations of others on a long-term basis, are they carried at cost? [IAG, page 30]	_____	_____	_____
9. If an allowance for market decline has been provided, has it been classified in the income statement with securities gains and losses? [IAG, page 30]	_____	_____	_____
10. If subsequent events prove that the conditions precipitating the origination of an allowance for decline in the value of securities was only temporary, has the allowance been reduced or eliminated? [IAG, page 30]	_____	_____	_____
11. Has the amortization of premiums on debt securities been included in interest income with a corresponding credit to the investment account or accumulated amortization account? [IAG, page 31]	_____	_____	_____
12. Is the period of amortization or accretion from the purchase date to the maturity date?	_____	_____	_____
a. Is the premium on securities premium with an early call date amortized to the maturity date or to an earlier call date? [IAG, page 31]	_____	_____	_____
13. Have premiums or discounts on GNMA modified pass-through certificates systematically been amortized or accreted to income over the estimated average life the contract?	_____	_____	_____
14. Is the interest method used to amortize or accrete premiums and discounts? [IAG, page 31]	_____	_____	_____

	Yes	No	N/A
15. Have security gains and losses been recognized on the completed transactions basis? [IAG, page 32]	_____	_____	_____
16. Has sale recognition been deferred where the bank sells a security and concurrently reinvests the proceeds from the sale in the same or substantially the same security? [IAG, page 33]	_____	_____	_____
G. Mortgage Loans and Mortgage-Backed Securities Held for Sale			
1. Are mortgage loans and mortgage-backed securities held for sale distinguished from mortgage loans and mortgage-backed securities held for long-term investment? [SFAS par. 28 (AC Mo4.129)]	_____	_____	_____
2. Are mortgage loans and mortgage-backed securities held for sale reported at lower of cost and market value? [SFAS 65, par. 4 (AC Mo4.105)]	_____	_____	_____
3. Is the method used in determining lower of cost or market value disclosed (i.e, individual vs. aggregate method)? [SFAS 65, par. 29 (AC Mo4.130)]	_____	_____	_____
4. If right to service mortgage loans was acquired, is the following information disclosed:			
a. Amount capitalized during period in acquiring right to service?	_____	_____	_____
b. Method of amortizing capitalized amount?	_____	_____	_____
c. Amount of amortization for the period? [SFAS 65, par 30 (AC Mo4.131)]	_____	_____	_____
H. Loans			
1. Are amounts disclosed separately in the balance sheet or related notes for the following categories or similar groupings:			
a. Commercial and industrial?	_____	_____	_____

	Yes	No	N/A
b. Financial institutions?	_____	_____	_____
c. Real estate--construction?	_____	_____	_____
d. Real estate--other?	_____	_____	_____
e. Consumer installment?	_____	_____	_____
f. Lease financing?	_____	_____	_____
g. Foreign? [IAG, page 54]	_____	_____	_____
2. Are maturities for each category disclosed? [IAG, page 54]	_____	_____	_____
3. Is the amount of loans at fixed interest rates disclosed?	_____	_____	_____
4. Is the amount of loans at variable interest rates disclosed? [IAG, page 54]	_____	_____	_____
5. Are loans to related parties disclosed? [IAG, pages 54-554; SFAS 57, par. 2 (AC R36.102)]	_____	_____	_____
6. For troubled debt restructurings, are the following disclosed by major category of loans as of each balance sheet presented:			
a. Aggregate recorded investment?	_____	_____	_____
b. Gross interest income that would have been recorded if loans had been current per their original terms and had been outstanding throughout the period or since origination?	_____	_____	_____
c. Amount of interest income included in net income?	_____	_____	_____
d. Amounts of any commitment to lend additional funds to debtors owing restructured troubled loans? [SFAS 15, pars. 40-41 (AC D22.136 -.137); TBS 79-6 and 79-7 (AC D22.501 -.505)]	_____	_____	_____
7. For loans sold to other banks with recourse, are such loans reported as an asset and			

	Yes	No	N/A
proceeds reported as borrowings? [IAG, page 54]	_____	_____	_____
8. For loans sold with recourse, are the following disclosures made:			
a. For each period for which an income statement is presented, the amount of proceeds?	_____	_____	_____
b. At date of each balance sheet presented, balance of sold receivables that remains uncollected? [SFAS 77, par. 9 (AC R20.109)]	_____	_____	_____
9. Are overdrafts classified as loans? [IAG, pages 55 and 76]	_____	_____	_____
10. Is the unamortized balance of unearned discounts on purchased loans shown separately and deducted from loans? [SFAS 91, par. 21 (AC L20.120); IAG, page 54]	_____	_____	_____
11. Is the amortized balance of loan commitment and loan origination fees shown separately and deducted from loans? [SFAS 91, pars. 21 and 65 (AC L20.120 and 20.124); IAG, page 54]	_____	_____	_____
12. Is the unamortized balance of premiums on purchased loans (except credit card portfolios) shown as part of the related loan balance? [SFAS 91, par. 21 (AC L20.120)]	_____	_____	_____
13. If at the end of an accounting period it is apparent that the bank intends to sell certain loans and the anticipated sale will result in a loss, has an allowance for losses been established and deducted from the related asset in the balance sheet? [IAG, page 112]	_____	_____	_____
14. Is unearned income or unearned discount on loans transferred to income using the interest method? [IAG, page 47]	_____	_____	_____
15. Is the accrual of interest suspended on			

	Yes	No	N/A
loans when the payment of interest has become delinquent or collection of the principal is doubtful, and is this policy disclosed?	_____	_____	_____
a. If amounts are received on a loan for which the accrual of interest has been suspended, is a determination made about whether the payment received should be recorded as a reduction of the principal balance or as interest income?	_____	_____	_____
b. If the ultimate collectibility of principal, wholly or partially, is in doubt, are any payments received on a loan for which the accrual of interest has been suspended first applied to reduce principal to the extent necessary to eliminate such doubt? [IAG, pages 51 and 52]	_____	_____	_____
16. Is the amount of loans on a nonaccrual basis (including loans accruing at a reduced rate) and the income effect of nonaccrual loans disclosed? [IAG, page 54]	_____	_____	_____
17. Are federal funds transactions with maturities exceeding one business day classified as loans? [IAG, page 68]	_____	_____	_____
18. If loans are being serviced and the current service fees are expected to be less than estimated servicing costs over the estimated life of the mortgage loans, is the expected loss on servicing the loans accrued? [IAG, page 112]	_____	_____	_____
I. Lease Finance Receivables			
1. Is aggregate of lease payments receivable plus estimated residual value, less the amount of unearned income and applicable allowance for losses, classified as loans on the balance sheet or set forth in a separate caption? [IAG, page 55]	_____	_____	_____
2. Do disclosures include:			

	Yes	No	N/A
a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented?	_____	_____	_____
b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented?	_____	_____	_____
c. Total contingent rentals included in income for each period for which an income statement is presented? [SFAS 13, par. 23u (AC L10.119a)]	_____	_____	_____
3. Is method of amortizing deferred investment credits retained as lessor disclosed? [IAG, page 95]	_____	_____	_____
4. Are leasing arrangements described? [SFAS 13, par. 23c (AC L10.119c); For amendments of SFAS 13 see SFASs 22, 23, 27, 28, 29, 76, 77, 91, 94, 96 and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBS 79-10, 79-12, 79-13, 79-14, 79-15, 79-16(r), 85-3, 86-2 and 88-1]	_____	_____	_____
5. Are leveraged leases appropriately accounted for and reported? [SFAS 13, pars. 41-47 (AC L10.143 -.149)]	_____	_____	_____
J. Allowance for Credit Losses			
1. Is the allowance shown on the balance sheet as a deduction from loans and lease finance receivables? [IAG, page 54; APB 12, par. 3 (AC V18.102)]	_____	_____	_____
2. Is the method of providing for loan losses disclosed? [IAG, page 55]	_____	_____	_____
3. Does the schedule of changes in the allowance show:			
a. Balances at the beginning and end of each period?	_____	_____	_____
b. Provision charged to income?	_____	_____	_____

	Yes	No	N/A
c. Losses charged to the allowance?	_____	_____	_____
d. Recoveries of amounts charged off? [IAG, page 62]	_____	_____	_____
4. If the prior years' provisions for loan losses charged to operating expenses are deemed to be less than losses currently anticipated, is the amount necessary to increase the allowance to equal losses currently anticipated recognized as a current period charge to operating expenses? [IAG, page 61]	_____	_____	_____
5. Are loans written off when they are deemed uncollectible and is that practice applied consistently in all interim financial reporting periods? [IAG, page 62]	_____	_____	_____
6. In reviewing the adequacy of the allowance for losses, has consideration been given to a bank's ability to transfer the excess allowance for loan losses to another member of the consolidated group?	_____	_____	_____
K. Premises and Equipment			
1. Are fixed assets shown on the balance sheet net of accumulated depreciation? [IAG, page 71]	_____	_____	_____
2. Is the carrying basis disclosed? [IAG, page 71]	_____	_____	_____
3. Are the balances of major classes of depreciable assets disclosed? [APB 12, par. 5b (AC D40.104b) IAG, 71]	_____	_____	_____
4. Is accumulated depreciation, either by major classes of assets or in total, disclosed? [APB 12, par. 5c (AC D40.105c)]	_____	_____	_____
5. Is the amount of capitalized interest cost disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____
6. Is property not used in operations, such as repossessed collateral, excluded? [IAG, page 72]	_____	_____	_____

	Yes	No	N/A
7. If properties were previously written down to nominal values, have material amounts of property still in use been reinstated at original cost less accumulated depreciation to the beginning of the earliest year's financial statements, with a corresponding credit to retained earnings at the beginning of that year? [IAG, page 70]	_____	_____	_____
8. Do fixed assets include all costs related to the acquisition of the property, including transportation costs and all costs connected with installation?	_____	_____	_____
a. If the property is constructed, do costs include all direct construction costs together with architects' fees, costs of excavations, and supervision of construction? [IAG, page 70]	_____	_____	_____
9. Are all costs and expenses identified with or directly allocable to the maintenance and operations of the bank premises included as net occupancy expense, including salaries and wages, payroll taxes, insurance, depreciation, rent expense, and real estate taxes less rentals from tenants and other income related to the premises? [IAG, page 72]	_____	_____	_____
L. Other Assets			
1. If material, are amounts disclosed separately for:			
a. Due from customers on acceptances?	_____	_____	_____
b. Investments?	_____	_____	_____
c. Other real estate owned by bank?	_____	_____	_____
d. Accrued interest receivable?	_____	_____	_____
e. Accrued income receivable?	_____	_____	_____
f. Prepaid expenses and deferred charges?	_____	_____	_____
g. Suspense accounts? [IAG, page 73]	_____	_____	_____

	Yes	No	N/A
2. Are other assets presented as the last item or items on the balance sheet? [IAG, page 73]	_____	_____	_____
3. For investments in common stock accounted for by the equity method, are appropriate disclosures made? (Very few banks can own common stocks.) [APB 18, par. 20 (AC I82.110)]	_____	_____	_____
4. Is real estate acquired through foreclosure at the lower of fair value or the recorded investment? [IAG, page 74]	_____	_____	_____
5. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired:			
a. Is the amortization period no greater than the estimated remaining life of long-term interest-bearing assets acquired? [SFAS 72, par. 4 (AC I60.131)]	_____	_____	_____
b. Is the interest method used as the amortization method? [SFAS 72, par. 5 (AC I60.133)]	_____	_____	_____
c. Are method and period of amortization disclosed? [APB 17, par. 30 (AC I60.111)]	_____	_____	_____
6. Are investments in life insurance reported at amounts which can be realized as of the balance sheet date? [TB 85-4, par. 2 (AC I50.508)]	_____	_____	_____
7. For real estate foreclosures, if the fair value of the real estate acquired is less than the bank's recorded investment in the related loan, is a writedown recognized through a charge to allowance for loan losses? [IAG, page 74]	_____	_____	_____
a. If it is later determined that the cost of the property cannot be recovered through sale or use, is the additional loss			

	Yes	No	N/A
immediately recognized by a charge to income with a corresponding writedown of the asset or by a credit to an allowance for losses on real estate owned?	_____	_____	_____
b. If the property is in a condition for use or sale at the time of foreclosure, are any subsequent holding costs included in expense as incurred?	_____	_____	_____
c. If a property is not in a condition for sale or use at the time of foreclosure, are completion and holding costs, including such items as real estate taxes, maintenance, and insurance capitalized?	_____	_____	_____
d. Are legal fees and other direct costs incurred in a foreclosure included in expenses when they are incurred? [IAG, pages 74 and 75]	_____	_____	_____
M. Deposits			
1. Are amounts disclosed separately for:			
a. Noninterest-bearing deposits in domestic offices?	_____	_____	_____
b. Noninterest-bearing deposits in foreign offices?	_____	_____	_____
c. Interest-bearing deposits in domestic offices?	_____	_____	_____
d. Interest-bearing deposits in foreign offices? [IAG, page 79]	_____	_____	_____
2. Are details provided as to:			
a. Amounts and maturities of certificates of deposit in amounts of \$100,000 or more?	_____	_____	_____
b. Amounts of large concentrations of deposits?	_____	_____	_____
c. NOW accounts? [IAG, page 79]	_____	_____	_____

	Yes	No	N/A
3. Is disclosure made as to:			
a. Deposits received on unusual terms or from related parties? [IAG, page 79]	_____	_____	_____
4. If the bank draws a check on itself or certifies a customer's check, is a liability recorded and cash reduced only when the check is paid? [IAG, pages 78 and 79]	_____	_____	_____
N. Federal Funds Purchased and Securities Sold Under Repurchase Agreements			
1. Are all necessary disclosures made?	_____	_____	_____
O. Income Taxes (Assumes the adoption of FASB 96)			
1. Have deferred tax assets been recognized for the net tax benefit of net deductible amounts that could be realized by loss carryback from future years:			
a. To reduce a current deferred tax liability?	_____	_____	_____
b. To reduce taxes paid in the current or a prior year? [SFAS 96, par. 17e (AU I25.116e)]	_____	_____	_____
2. Have deferred tax assets or liabilities been adjusted for the effect of a change in tax law or rates with the effect included in income from continuing operations for the period that includes the enactment date? [SFAS 96, par. 20 (AC I25.119)]	_____	_____	_____
3. Have deferred tax assets or liabilities attributable to different tax jurisdictions been presented separately and not offset? [SFAS 96, par. 24 (AC I25.123)]	_____	_____	_____
4. Have the types of temporary differences that give rise to significant portions of a deferred tax asset or liability been disclosed? [SFAS 96, par. 24 (AC I25.123)]	_____	_____	_____
5. Is the amount of a deferred tax asset or			

	Yes	No	N/A
liability the net deferred tax consequence of:			
a. Temporary differences that will result in net taxable or deductible amounts during the next year?	_____	_____	_____
b. Temporary differences related to an asset or liability that is classified for financial reporting as current because of an operating cycle that is longer than one year?	_____	_____	_____
c. Temporary differences for which there is no related identifiable asset or liability for financial reporting (SFAS 96, par. 12 AC I25.111) whenever other related assets and liabilities are classified as current because of an operating cycle that is longer than one year? [SFAS 96, par. 24 (AC I25.123)]	_____	_____	_____
6. Have deferred tax liabilities been recognized for temporary differences that will result in net taxable amounts in future years? [SFAS 96, par. 17f-h (AC I25.116f-h)]	_____	_____	_____
7. For undistributed earnings of subsidiaries and/or corporate joint ventures, for which a deferred tax liability is not recognized; do the disclosures include:			
a. A description of the types of temporary differences?	_____	_____	_____
b. The type of events that would cause the temporary differences to become taxable	_____	_____	_____
c. The cumulative amount of each type of temporary difference?	_____	_____	_____
d. The amount of the unrecognized deferred tax liability for unremitted earnings and the amount of withholding taxes that would be payable upon remittance of the earnings? [SFAS 96, par. 25 (AC I25.124)]	_____	_____	_____
P. Borrowed Funds			

	Yes	No	N/A
1. If funds are transferred from the Treasury tax and loan remittance option account to the Treasury tax and loan note option account, are they included in the financial statements as other borrowed funds? [IAG, page 83]	_____	_____	_____
2. Are borrowings from the Federal Reserve Bank grouped with promissory notes such as other borrowed funds? [IAG, page 83]	_____	_____	_____
Q. Other Liabilities			
1. Are estimated losses from loss contingencies accrued if both "probable" as explained in SFAS 5 and the amount can be reasonably estimated? [SFAS 5, par. 8 (AC C59.105); FASBI 14 (AC C59.106- .107 and .124 -.127)]	_____	_____	_____
2. Are liabilities appropriately accrued and reported for employees' compensation for future absences? [SFAS 43, par. 6 (AC C44.104)]	_____	_____	_____
3. 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)]	_____	_____	_____
4. For loans transferred with recourse which are not reported as sales, is the amount of proceeds from the transfer reported as a liability? [SFAS 77, par. 8 (AC R20.109)]	_____	_____	_____
5. If material, are amounts disclosed separately for:			
a. Acceptances outstanding?	_____	_____	_____
b. Accrued payrolls?	_____	_____	_____
c. Accrued income taxes?	_____	_____	_____
d. Deferred income taxes?	_____	_____	_____

	Yes	No	N/A
e. Undistributed payroll deductions?	_____	_____	_____
f. Accounts payable?	_____	_____	_____
g. Cash dividends declared but unpaid? [IAG, page 86]	_____	_____	_____
R. Long-Term Debt			
1. Is the following information disclosed:			
a. Amounts of significant components?	_____	_____	_____
b. Interest rates?	_____	_____	_____
c. Due dates?	_____	_____	_____
d. Pledged property?	_____	_____	_____
e. Restrictive covenants? [IAG, page 84]	_____	_____	_____
2. 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. 10 (AC C32.105)]	_____	_____	_____
3. Are conversion features appropriately accounted for and disclosed? [APB 14, par. 12 (AC D10.103); APB 15, par. 19 (AC E09.110)]	_____	_____	_____
4. For a troubled debt restructuring occurring during the current period, do disclosures include:			
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			

	Yes	No	N/A
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:			
a. 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. Has debt, as required, been considered extinguished for financial reporting purposes because:			
a. The debtor is legally released from being the primary obligor and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantee?	_____	_____	_____
b. The debtor irrevocably places cash or other assets in a trust to be used solely for satisfying scheduled payments of both interest and principal of a specific obligation and the possibility that the debtor will be required to make future payments with respect to that debt is remote? [SFAS 76, par. 3 (AC D14.102A)]	_____	_____	_____
7. If debt is considered to be extinguished in conformity with SFAS 76, paragraph 3c, does the disclosure include:			
a. A general description of the transaction?	_____	_____	_____
b. The amount of the debt that is considered extinguished as long as the debt remains outstanding? [SFAS 76, par. 6 (AC D14.108)]	_____	_____	_____
8. If there is an extinguishment of debt, is the difference between reacquisition price and carrying amount:			

	Yes	No	N/A
a. Recognized currently in income? [APB 26, pars. 20-21 (AC D14.103 -.104); TB 80-1, pars. 304 (AC D14.503 -.504); SFAS 84, par. 5 (AC D14.101)]	_____	_____	_____
b. Identified as a separate or extraordinary item? [SFAS 4, par. 8 as amended by SFAS 64, par. 4 (AC D14.105)]	_____	_____	_____
9. Do disclosures for extinguishments of debt described in 7 above include:			
a. Description of the extinguishment transactions, including the source 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)]	_____	_____	_____
10. Are mortgages payable reported separately? [IAG, page 83]	_____	_____	_____
11. Are subordinated notes and debentures reported separately? [IAG, page 84]	_____	_____	_____
12. Are capital notes reported separately as liabilities?	_____	_____	_____
S. Lessee Leases			
1. For capital leases do disclosures include:			
a. Gross amounts of assets recorded by major classes as of the date of each balance sheet presented? [SFAS 13, par. 16a (AC L10.112a (1) - (4))]	_____	_____	_____
b. Future minimum lease payments as of the latest balance sheet presented in the aggregate, and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for			

	Yes	No	N/A
<p>executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13, pars. 10 and 16a (AC L10.106 and .112a(1)-(4))]</p>	_____	_____	_____
<p>c. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16a (AC L10.112a(1)-(4))]</p>	_____	_____	_____
<p>d. Total contingent rentals actually incurred for each period for which an income statement is presented? [SFAS 13, par. 16a (AC L10.112a(1)-(4)) amended 10/1/79 by SFAS 29, par. 12]</p>	_____	_____	_____
<p>e. Separate identification of:</p>			
<p>(1). Assets recorded under capital leases?</p>	_____	_____	_____
<p>(2). Accumulated amortization of capital leases?</p>	_____	_____	_____
<p>(3). Obligations under capital leases?</p>	_____	_____	_____
<p>(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))]</p>	_____	_____	_____
<p>2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:</p>			
<p>a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?</p>	_____	_____	_____
<p>b. 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)]</p>	_____	_____	_____
<p>3. For all operating leases, do disclosures include rental expense for each period for which an income statement is presented with</p>			

	Yes	No	N/A
separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:			
a. Basis for determination of contingent rentals?	_____	_____	_____
b. Terms of any renewal or purchase and options of escalation clauses?	_____	_____	_____
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d); For amendments of SFAS 13 see SFAS 22, 23, 27, 28, 29, 71, 76, 77, 91, 94, 96, and 98; for interpretations see FASBIs 19, 21, 23, 24, 26, and 27; for technical bulletins see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16(r), 850-3, 86-2, and 88-1]	_____	_____	_____
T. Capital Stock			
1. For each class of stock, do disclosures include the number of shares authorized issued and outstanding, and par or stated value per share? [APB 12, par 10 (AC C08.102)]	_____	_____	_____
2. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding, for example: dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices 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?	_____	_____	_____
4. Are liquidation preferences of preferred	_____	_____	_____

	Yes	No	N/A
stock issued disclosed in the equity section of the balance sheet in the aggregate? [APB 10, par. 10 (AC C16.101)]	_____	_____	_____
5. For preferred stock, do disclosures include:			
a. The aggregate or per share amounts at which shares may be called or are subject to redemption?	_____	_____	_____
b. The aggregate and per share amounts of arrearages in cumulative preferred dividends? [APB 10, par. 11 (AC C16.102)]	_____	_____	_____
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 shares exercised, the number of shares exercised and option price? [ARB 43, Ch. 13B, par. 15 (AC C47.123); FASBI 28 (AC C47.119 -.122 and .138 -.146); TB 82-2, pars. 10 -.12 (AC C47.513 -.515); FASBI 38 (AC C47.135A -.135E)]	_____	_____	_____
U. Additional Paid-in Capital			
1. Is the amount shown separately on the balance sheet? [IAG, page 142]	_____	_____	_____
V. Retained Earnings			
1. Is the amount of retained earnings shown separately on the balance sheet? [IAG, page 142]	_____	_____	_____
2. Are significant restrictions on the use of retained earnings for payment of dividends disclosed? [SFAS 5, par. 189 (AC C59.120); IAG, page 89]	_____	_____	_____

	Yes	No	N/A
3. Are any appropriations of retained earnings for loss contingencies clearly identified and included in stockholders' equity? [SFAS 5, par. 15 (AC C59.117)]	_____	_____	_____
4. If stock dividends are recorded at less than fair value, is the difference between recorded amount and fair value disclosed in the year of issuance? [IAG, page 89]	_____	_____	_____
5. If a portion of initial paid-in capital has been transferred to retained earnings, is the amount of paid-in capital included in retained earnings disclosed? [IAG, page 89]	_____	_____	_____
6. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant? [ARB 43, Ch. 7A, par. 10 (AC Q15.111); ARB 46 (AC Q15.111)]	_____	_____	_____
7. If an amount has been transferred by subsidiaries from retained earnings, are such transfers not recognized in consolidation? [IAG, page 88]	_____	_____	_____
8. Have stock dividends been accounted for using the fair value of the share issued in connection with the dividend? [IAG, page 89]	_____	_____	_____
a. Is there disclosure of the remaining amount of surplus available for future stock dividends? [IAG, page 89]	_____	_____	_____
9. If there has been an assumption of a subsidiary bank's debt by its parent company, is it reported as a capital contribution in the bank's separate financial statements with disclosure of the bank's contingent liability for such debt? [IAG, page 89]	_____	_____	_____
10. If there has been a transfer from paid-in	_____	_____	_____

Yes No N/A

capital to retained earnings to avoid reporting a deficit in retained earnings, is the amount being restored as rapidly as profitable operations permit?
[IAG, page 90]

W. Other Stockholders' Equity Accounts

1. Are cumulative translation adjustments separately disclosed?
[SFAS 52, par. 31 (AC F60.141)]

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

3. Is the valuation allowance for marketable equity securities separately disclosed?
[SFAS 12, par. 11 (AC I89.104) IAG, page 34]

III. Income Statement

A. Interest Income

1. For interest income from loans:

a. Is method of recognizing interest income disclosed?
[IAG, page 55]

b. Is amortization of deferred loan origination, commitment, and other fees and costs recognized as an adjustment of yield, reported as interest income?
[SFAS 91, par. 22 (AC L20.121)]

2. For interest income from investment securities:

a. Is the interest method used to record amortization and accretion?
[IAG, page 32]

3. Except as specified in SFAS 91, paragraph 20 [AC L20.119], is the interest method used as the method of amortization?
[SFAS 91, par. 18 (AC L20.117)]

	Yes	No	N/A
B. Interest Expense			
1. If significant, is interest on short positions disclosed? [IAG, page 42]	_____	_____	_____
C. Provision for Credit Losses			
1. Is the method of providing for credit losses disclosed [IAG, page 55]	_____	_____	_____
D. Other Income			
1. For investment securities gains/losses :			
a. Are such gains/losses presented separately on a pretax basis and classified as "Other Income"? [SOP 83-1, par. 16]	_____	_____	_____
b. Are provisions for estimated losses included? [IAG, page 30]	_____	_____	_____
c. Are material gains/losses on U.S. Treasury bills included? [IAG, pages 32-33]	_____	_____	_____
2. Is amortization of loan fees being amortized on the straight-line basis over the commitment period or included in income when the commitment expires, reported as other income? [SFAS 91, par. 22 (AC L20.121)]	_____	_____	_____
3. Are gains/losses on pension plan settlements or curtailments or termination benefits disclosed? [SFAS 88, par. 17 (AC P16.187)]	_____	_____	_____
4. For marketable equity securities are the following disclosed for each period for which income statement is presented:			
a. Net realized gain or loss included in determination of net income? [SFAS 12, par. 12c (AC I89.106c)]	_____	_____	_____
b. For entities with certain specialized			

	Yes	No	N/A
accounting practices, the change in net unrealized gain or loss? [SFAS 12 par. 16b (AC I89.110b)]	_____	_____	_____
c. Basis on which cost was determined in computing realized gain or loss? [SFAS 12, par. 12c (AC I89.106c)]	_____	_____	_____
d. The change in valuation allowance(s) during the period and when a classified balance sheet is presented, the amount of such change included in the determination of net income? [SFAS 12, par. 12c (AC I89.106c)]	_____	_____	_____
5. For investments in common stock accounted for by the equity method:			
a. Are intercompany profits and losses appropriately eliminated until realized by the investor through transactions with independent third parties? [APB 18, par. 19a (AC I82.109a)]	_____	_____	_____
b. Is the investor's share of earnings shown as a single amount except for investee extraordinary items and prior period adjustments that are material to the investor? [APB 18, pars. 19c & 19d (AC I82.109c and 109d)]	_____	_____	_____
c. Are income taxes of the investor's share of the investee's earnings appropriately accrued? [APB 24, pars. 7-10 (AC I42.114 -.116 and .119); FASBI 29 (AC I42.117 -.118)]	_____	_____	_____
E. Other Expenses			
1. Salaries:			
a. If there is a compensatory stock insurance plan:			
(1). Is compensation expense accrued in the proper periods? [APB 25, pars. 12-15 (AC C47.112 -.115); FASBI 38, pars. 2-6 (AC C47.135A -.135E)]	_____	_____	_____

	Yes	No	N/A
(2). Are deferred income taxes recorded to recognize temporary differences between accrual of compensation expense and deduction for income tax purposes? [APB 25, pars. 16-18 (AC C47.116 -.118); TB 82-2, pars. 8 and 13 (AC C47.511 and .516)]	_____	_____	_____
(3). Are disclosures adequate? [ARB 43, Ch. 13B, par. 15 (AC C47.123)]	_____	_____	_____
b. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, pars. 6-7 (AC C38.101 -.102)]	_____	_____	_____
2. Employee benefits:	_____	_____	_____
a. Are the amounts of net periodic pension costs and their components disclosed? [SFAS 87, par. 54b (AC P16.150b)]	_____	_____	_____
b. Is the life of postretirement health care and life insurance benefits disclosed? [SFAS 81, par. 6c (AC P50.102c)]	_____	_____	_____
3. Is the cost of the pension plan(s) accounted for in conformity with SFAS 87, paragraphs 20-34, 39-53 and 77? (Accounting for defined contribution plans and for multiemployer plans is generally the same as current practice. The pension rules apply primarily to companies offering defined benefit pension plans.) [SFAS 87, pars. 20-34, 39-53 and 77 (AC P16.114 -.128 , .133 -.138 and .141-.149)]	_____	_____	_____
4. Have settlements of defined benefit pension plans been accounted for in accordance with SFAS 88, paragraphs 3-5 and 9-11? [SFAS 88, pars. 3-5 and 9-11 (AC P16.172, .177 -.179 and .181)]	_____	_____	_____
5. Have curtailments of defined benefit pension plans been accounted for in accordance with SFAS 88, paragraphs 6 and 12-14? [SFAS 88, pars. 6 and 12-14 (AC P16.173 and .182- .184)]	_____	_____	_____

	Yes	No	N/A
6. Have termination benefits been accounted for in accordance with SFAS 88, paragraph 15? [SFAS 88, par. 15 (AC P16.185)]	_____	_____	_____
7. Has the gain or loss measured in accordance with SFAS 88, paragraphs 9-10, 12-13 or 15, which is directly related to a disposal of a segment of a business, been included in determining the gain or loss associated with that event, and recognized in accordance with APB 30? [SFAS 88, pars. 9-10, 12-13 and 15 (AC P16.177, .179, .182 -.183 and .185)]	_____	_____	_____
8. If there is a compensatory stock issuance plan:			
a. Is compensation expense accrued in the proper periods? [APB 25, pars. 12-15 (AC C47.112 -.115) FASBI 38, pars. 2-6 (AC C47.135A -.135E)]	_____	_____	_____
b. Are deferred income taxes recorded to recognize timing differences between accrual of compensation expense and deduction for income tax purposes? [APB 25, pars. 16-18 (AC C47.116 -.118); TB 82-2, pars. 8 & 13 (AC C47.511 and .516)]	_____	_____	_____
c. Are disclosures adequate? [ARB 43, Ch. 13B, par. 15 (AC C47.123)]	_____	_____	_____
9. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, pars. 6-8 (AC C38.101 -.102)]	_____	_____	_____
10. Occupancy expense:			
a. Are expenses of holding other real estate excluded?	_____	_____	_____
b. Is mortgage interest expense excluded? [IAG, page 72]	_____	_____	_____
c. Are net occupancy expenses or net occupancy income classified as an operating item in the statement of income?	_____	_____	_____

	Yes	No	N/A
11. Is depreciation expense for the period(s) disclosed accompanied by a general description of the method(s) used to compute depreciation for the major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	_____	_____	_____
12. Operating leases			
a. Is rental expense disclosed 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)]	_____	_____	_____
F. Income taxes			
1. If an entity is a public enterprise that is not subject to income taxes because its income is taxed directly to its owners, has that fact and the net difference between the tax bases and the reported amounts of the enterprise's assets and liabilities been disclosed? [SFAS 96, par. 24 (AC I25.123)]	_____	_____	_____
2. Has the amount of income tax expense or benefit been allocated to:			
a. Continuing operations?	_____	_____	_____
b. Discounted operations?	_____	_____	_____
c. Extraordinary items?	_____	_____	_____
d. Cumulative effect of accounting changes?	_____	_____	_____
e. Prior period adjustments?	_____	_____	_____
f. Gains and losses included in comprehensive income but excluded from net income?	_____	_____	_____
g. Capital transactions? [SFAS 96, par. 26 (AC I25.125)]	_____	_____	_____
3. Have the following significant components of income tax expense attributable to continuing operations for each year presented been disclosed in the financial statements or notes thereto:			

	Yes	No	N/A
a. Current tax expense or benefit?	_____	_____	_____
b. Deferred tax expense or benefit exclusive of (f) 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. Adjustments of a deferred tax liability or asset for enactments changes in tax laws or rates or a change in the tax status of the enterprise? [SFAS 96, par. 27 (AC I25.126)]	_____	_____	_____
4. Do disclosures regarding income tax expense attributable to continuing operations include:			
a. A reconciliation (using percentages or dollar amounts) to the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations?	_____	_____	_____
b. The estimated amount and the nature of each significant item? [SFAS 96, pars. 28 (AC I25.127)]	_____	_____	_____
c. Domestic and foreign components of income taxes? [IAG, page 97]	_____	_____	_____
5. Have the amounts and expiration date (or a reasonable aggregation of expiration dates) of operating loss and tax credit carryforwards for financial reporting (that is, amounts not already recognized as reductions of a deferred tax liability) and for tax purposes (that is, amounts available to reduce taxes payable on tax returns in future years) been disclosed? [APB 2, par. 16, SFAS 96, par. 29 (AC I25.128 and .187)]	_____	_____	_____

Yes No N/A

6. Do the disclosures for investment tax credits include the method followed (flow-through or deferral) and the amounts involved?
[APB 4, par. 11, (AC I25.186)]
7. If part of a group that files a consolidated tax return, have the following items been disclosed in its separately issued financial statements:
- a. The amount of current and deferred tax expense for each income statement presented and the amount of any tax-related balances due to or from affiliates as of the date of each balance sheet presented?
- b. The principal provisions of the method by which the consolidations 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 96, par. 30 (AC I25.129)]
8. For the earliest year restated or for the year SFAS 96 is first adopted if no prior year is restated, has the effect of applying SFAS 96 on the amount of deferred tax changes or credits at the beginning of the fiscal year been reported as the effect of a change in accounting principle in a manner similar to the cumulative effect of a change in accounting principle as described in paragraph 20 of APB Opinion No. 20, Accounting Changes, except for any effects of the type required by SFAS 96 to be excluded from net income?
[SFAS 96, par. 33]
9. When initially presented, have the financial statements for the year SFAS 96 is first adopted disclosed the following:
- a. The effect of adopting SFAS 96 on income from continuing operations, income before extraordinary items, and on net income for

	Yes	No	N/A
the year of adoption if restated financial statements for the prior year are not presented?	_____	_____	_____
b. The effect of any restatement on any income from continuing operations, income before extraordinary items, and on net income for each year presented? [SFAS 96, par. 34]	_____	_____	_____
G. Discontinued Operations			
1. Are operations of a segment that has been discontinued or are the subject of a formal plan for disposition:			
a. Reported separately from income from continuing operations and as a component (including applicable income taxes) of income before extraordinary items? [APB 30, pars. 8 and 13-18 (AC I13.101 -.103, .105 -.106 and .108 -.109)]	_____	_____	_____
b. Accompanied by disclosures in the notes of revenue applicable to the discontinued operations? [APB 30, par. 8 (AC I13.105)]	_____	_____	_____
2. Is 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, pars. 8 and 13-18 (AC I13.101 -.103, .105- .106 and .108-.109)]	_____	_____	_____
3. If the entity sells part of its ownership interest in a foreign entity, is a pro rata portion of the accumulated translation adjustment component of equity attributable to that investment recognized in measuring the gain or loss on the sale? [FASBI 37, par. 2 (AC F60.120)]	_____	_____	_____
4. For the period encompassing the measurement date, do notes to financial statements disclose:			

	Yes	No	N/A
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 loss from operations and any proceeds from disposal of the discontinued segment during the period from the measurement date to the balance sheet date? [APB 30, par. 18 (AC I13.108 -.109)]	_____	_____	_____
5. For periods after measurement date and including the period of disposal, do notes to financial statements disclose the information required? [APB 30, par. 18 (AC I13.108 -.109)]	_____	_____	_____
H. Extraordinary Items			
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? [APB 30, pars. 10-12 (AC I17.102 -.10)]	_____	_____	_____
3. Are descriptive captions and amounts (including applicable income taxes) presented for individual extraordinary events or transactions, preferably on the face of the income statement if practicable? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
4. Do disclosures include descriptions of an extraordinary event(s) or transaction(s) and the principal items entering into determination of extraordinary gain(s) or loss(es)? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____

	Yes	No	N/A
5. Are material events or transactions that are either unusual in nature, or of infrequent occurrence but not both (and therefore not meeting criteria for extraordinary items):			
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); TB 82-1, par. 6 (AC I25.505)]	_____	_____	_____
6. For gains or losses from extinguishment of debt classified as extraordinary items, do disclosures include:			
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. Income tax effect in the period of extinguishment?	_____	_____	_____
c. Per share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC I17.104)]	_____	_____	_____
I. 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 company'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 presented on the face of the income statement accompanied by appropriate disclosure that			

Yes No N/A

includes the basis of the calculation?
 [APB 15, (AC E09); APB 20, pars. 19c, 33, 35
 and 37 (AC A06.115c, and .132, A35.105
 and .113); APB 30, pars. 9 and 12
 (AC E09.104, I13.107 and I17.103);
 FASBI 31 (AC E09.128 -.131 and .169- .176);
 FASBI 38, par. 7 (AC E09.130A); SFAS 85,
 par. 3 (AC E09.123A)]

IV. Statement of Changes in Stockholders' Equity

A. Are changes in separate component accounts of
 stockholder's equity disclosed?

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

C. Are prior period adjustments limited to:

1. Correction of an error(s) in financial
 statements of prior periods?
 [SFAS 16, par. 11 (AC A35.103)]

2. Adjustments resulting from realization of
 income tax benefits of pre-acquisition
 operating loss or tax credit carryforwards
 of purchased subsidiaries?
 [SFAS 96, par. 23 (AC I25.122)]

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)]

E. For a correction of an error, are the
 following disclosed in the period in which the
 error was discovered and corrected:

1. Nature of the error in previously issued
 financial statements?

2. Effect of its correction on income before
 extraordinary items, net income, and related
 per share amounts, (if applicable)?
 [APB 20, par. 37 (AC A35.105)]

V. Statement of Cash Flows

	Yes	No	N/A
A. Is a statement of cash flows presented as a basic financial statement for each period for which a statement of income 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 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 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. Insurance paid to creditors?	_____	_____	_____
4. Payments of 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. Purchase and sale of trading account securities and assets if acquired specifically for resale and carried at market value?	_____	_____	_____

	Yes	No	N/A
9. Acquisition and sales of loans specifically acquired for resale carried at market value or at the lower of cost or market? [SFAS 102, pars. 8-9 (AC C25.122A and .122B)]	_____	_____	_____
D. Are cash receipts and cash payments from investing activities shown separately on 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. Receipts from collections or sales of loans?	_____	_____	_____
2. Receipts from sales of property or investments?	_____	_____	_____
3. Loans to other entities?	_____	_____	_____
4. Payments to acquire property or investments? [SFAS 95, pars. 16-17 (AC C25.114 - .115)]	_____	_____	_____
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. Proceeds from issuing debt or capital stock?	_____	_____	_____
2. Repayment of amounts borrowed?	_____	_____	_____
3. Dividend payments to shareholders?	_____	_____	_____
4. Acquisition of treasury stock? [SFAS 95, pars. 19-20 (AC C25.117 -.118)]	_____	_____	_____
H. Are the net amounts of cash receipts and cash payments reported for:			
1. Deposits placed with financial institutions and withdrawals of deposits?	_____	_____	_____
2. Time deposits accepted and repayments of deposits?	_____	_____	_____

Yes No N/A

3. Loans made to customers and principal collections of loans?
[SFAS 104, par. 7a (AC C25.111A)]

I. If applicable, is the effect of exchange rate changes on cash balances held in foreign currencies shown separately on statement of cash flows?
[SFAS 95, par. 25 (AC C25.123)]

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

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

L. 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, par. 29-30 (AC C25.127 -.128)]

M. Are noncash investing and financing activities (i.e., converting debt to equity) summarized in a separate schedule?
[SFAS 95, par. 32 (AC C25.134)]

VI. Trusted Affiliates

A. Is one of the following accounting treatments appropriately used:

1. Consolidated financial statements?

2. Combined financial statements?

3. Equity method?
[IAG, page 123]

B. If material, is summarized information presented for:

1. Assets?

2. Liabilities?

3. Results of operations?
[IAG, page 123]

Yes No N/A

C. If a separate auditor's report is issued on the financial statements, is the relationship of the trustee affiliate to the parent disclosed?
[IAG, page 124]

Auditors' Reports Checklist

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

Explanation of References:

- SAS = Statement on Auditing Standards
- AU = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited
- SSARS = Statement on Standards for Accounting and Review Services
- AR = Reference to section number in AICPA Professional Standards (vol. 2) of SSARS cited
- IAG = Industry Audit Guide, Audits of Banks

Checklist Questionnaire

	Yes	No	N/A
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 (AU 530); SAS 58, par. 46 (AU 508.46; SAS 26, pars. 15-17 (AU 504.15 -.17)]	_____	_____	_____
c. A title that includes the word "independent"? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
2. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided? [SAS 26, par. 9 (AU 504.09)]	_____	_____	_____
a. For a public entity? [SAS 26, pars. 8-10 (AU 504.08 -.10)]	_____	_____	_____
b. For a nonpublic entity? [SSARS No. 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? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____

	Yes	No	N/A
b. Comparative financial statements? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
4. Does the auditor's report include appropriate explanatory language with respect to the following:			
a. The auditor's opinion is based in part on the report of another auditor? [SAS 1, sec. 543 (AU 543); SAS 58, pars. 12-13 (AU 508.12 -.13)]	_____	_____	_____
b. Departure from a promulgated accounting principle which could lead to a misleading financial statement? [SAS 58, pars. 14-15 (AU 508.14 -.15)]	_____	_____	_____
c. The financial statements were affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation? [SAS 58, pars. 16-33 (AU 508.16 -.33)]	_____	_____	_____
d. The auditor concludes substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains and that conclusion is expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern"? [SAS 64, par. 1 (AU 341.12)]	_____	_____	_____
e. There has been a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34-36 (AU 508.34 -.36)]	_____	_____	_____
f. Opinion on prior-period financial statements different from the opinion previously expressed? [SAS 58, pars. 77-78 (AU 508.77 -.78)]	_____	_____	_____
g. Predecessor auditor's report reissued? [SAS 58, pars. 80-82 (AU 508.80 -.82)]	_____	_____	_____
h. Selected quarterly financial data required by the SEC has been omitted or has not been reviewed? [SAS 36, par. 29 (AU 722.29)]	_____	_____	_____

	Yes	No	N/A
i. Required supplemental information has:			
(1). Been omitted?	_____	_____	_____
(2). Presentation of information departs materially from FASB guidelines?	_____	_____	_____
(3). The auditor is unable to complete prescribed procedures?	_____	_____	_____
(4). The auditor has substantial doubts that the information conforms to FASB guidelines? [SAS 52, (AU 551.15)]	_____	_____	_____
j. Other information in the document containing the audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8, par. 37 (AU 508.37)]	_____	_____	_____
k. A matter regarding the financial statements that should be emphasized? [SAS 59, par. 37 (AU 508.37)]	_____	_____	_____
l. Report on one basic financial statement and there are no scope limitations? [SAS 58, par. 48 (AU 508.48)]	_____	_____	_____
m. Reports on comparative financial statements? [SAS 58, pars. 74-75 (AU 508.74 -.75)]	_____	_____	_____
n. For comparative financial statements, there is an unqualified opinion on one of the financial statements and a qualified or adverse opinion, disclaimer, or an explanatory paragraph on one or more financial statements for one or more periods? [SAS 58, pars. 5 and 76 (AU 508.05 and .76)]	_____	_____	_____
o. Comparative financial statements with an opinion different from the opinion previously expressed? [SAS 58, pars. 77-78 (AU 508.77 - .78)]	_____	_____	_____
p. Audited and unaudited financial statements in comparative form? [SAS 26, pars. 14-17 (AU 504.14 -.17)]	_____	_____	_____
q. Report on comparative statements of income, retained earnings, and cash flows without			

	Yes	No	N/A
presentation of comparative balance sheets for the prior periods?	_____	_____	_____
5. If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor indicated in the introductory paragraph:			
a. The financial statements of the prior period were audited by another auditor?	_____	_____	_____
b. The date of the report?	_____	_____	_____
c. The type of report issued by the predecessor auditor?	_____	_____	_____
d. If the report was other than a standard report, the substantive reasons therefor? [SAS 64, par. 2 (AU 508.83)]	_____	_____	_____
6. If the financial statements have been restated, does the introductory paragraph indicate a predecessor auditor reported on the financial statements of the prior period before restatement? [SAS 64, par. 2 (AU 508.83)]	_____	_____	_____
7. If the successor auditor is engaged to audit and applies sufficient procedures to satisfy himself as to the appropriateness of the restatement adjustment, did he report on it in accordance with SAS No. 64, par. 2? [SAS 64, par. 2 (AU 508.83)]	_____	_____	_____
8. If, following a pooling-of-interest transaction, an auditor is engaged to report on restated financial statements for one or more prior years when other auditors audited one or more of the entities included in such financial statements, did he include explanatory language in accordance with SAS No. 64, par. 3? [SAS 64, par. 3 (AU 543.16)]	_____	_____	_____
9. Has a qualified opinion or disclaimer of opinion been expressed if:			
a. There is a lack of sufficient competent evidential matter or there are restrictions on the scope of the audit? [SAS 31, par. 22 (AU 326,23); SAS 58, pars. 40-48 (AU 508.40 -.48)]	_____	_____	_____

	Yes	No	N/A
b. Alternative procedures are not practicable for a significant number of confirmation requests returned undelivered by postal authorities? [IAG, page 81]	_____	_____	_____
10. Has a qualified opinion or adverse opinion been expressed if the following circumstances are present:			
a. An uncertainty is not adequately disclosed in the financial statements? [SAS 58, par. 20 (AU 508.20)]	_____	_____	_____
b. The accounting principles used cause the financial statements to be materially misstated? [SAS 58, par. 21 (AU 508.21)]	_____	_____	_____
c. Unreasonable accounting estimates that cause the financial statements to be misstated? [SAS 58, par. 22 (AU 508.22)]	_____	_____	_____
d. The financial statements contain a material departure from GAAP, inadequate disclosure or an accounting change with which the auditor does not concur? [SAS 58, pars. 49-66 (AU 508.49 -.66); SAS 54, par. 18 (AU 317.18); SAS 32, par. 3 (AU 431.03); (SAS 59, par. 12 (AU 341.12)]	_____	_____	_____
e. There is no financial evidence to support carrying amount of investment securities and an allowance to write down to market has not been established? [IAG, pages 36 and 37]	_____	_____	_____
f. GAAP financial statements reflect regulatory practice of immediate write-off of goodwill? [IAG, page 120]	_____	_____	_____
g. Clients' representations about related-party transactions cannot be substantiated? [SAS 45, par. 12 (AU 334.12)]	_____	_____	_____
h. Clients' voluntarily including supplemental information which has not been audited? [SAS 45, par. 3, (AU 558.03)]	_____	_____	_____
11. Has an adverse opinion been expressed if the financial statements do not present fairly the			

	Yes	No	N/A
financial position or the results of operations or cash flows in conformity with GAAP? [SAS 58, pars. 67-69 (AU 558.03)]	_____	_____	_____
12. Has a disclaimer of opinion been expressed on the financial statements when the auditor has not performed an audit sufficient in scope to enable him to form an opinion? [SAS 58, par. 70 (508.70)]	_____	_____	_____
a. Have any reservations regarding the fair presentation in conformity with generally accepted accounting principles been disclosed? [SAS 58, par. 71 (AU 508.71)]	_____	_____	_____
13. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed:			
a. Are all the substantive reasons for the opinion or disclaimer disclosed? [SAS 58, pars. 39, 40, 51, 68, and 71 (AU 509.38, .40, .51, .68 and .71)]	_____	_____	_____
b. Is the reporting language clear and appropriate for the:			
(1). Qualified opinion? [SAS 58, pars. 36-66 (AU 508.38 -.66)]	_____	_____	_____
(2). Adverse opinion? [SAS 58, pars. 67-69 (AU 508.67 -.69)]	_____	_____	_____
(3). Disclaimer of opinion? [SAS 58, pars. 70-72 (AU 508.70 -.72)]	_____	_____	_____
14. Does the auditor's report include modification, if applicable, for the following:			
a. Conditions that precluded application of necessary auditing procedures to long-term investments? [SAS 58, par. 42 (AU 508.42)]	_____	_____	_____
b. Regulated companies? [SAS 1, sec. 544.02 -.04 (AU 544.02 -.04); SAS 62, pars. 2-8 (AU 623.02 -.08)]	_____	_____	_____
c. Inadequate disclosure? [SAS 58, pars. 55-58 (AU 508.55 -.58)]	_____	_____	_____

	Yes	No	N/A
d. Client representations about related-party transactions? [SAS 45, par. 2 (AU 334.12)]	_____	_____	_____
e. Client's refusal to provide written representations? [SAS 19, par. 11 (AU 334.12)]	_____	_____	_____
f. Limitations on scope of lawyer's response? [SAS 132, pars. 12-14 (AU 333.11)]	_____	_____	_____
g. Unresolved matters involving specialists? [SAS 11, par. 9 (AU 336.09)]	_____	_____	_____
h. Scope limitation concerning error or irregularities? [SAS 53, pars. 26-27 (AU 316.26 - .27)]	_____	_____	_____
i. Illegal acts by clients? [SAS 54 (AU 317)]	_____	_____	_____
j. Segment information? [SAS 21 (AU 435)]	_____	_____	_____
k. Entity's continued existence? [SAS 59, pars. 12-16 (AU 341.12 -.16)]	_____	_____	_____
l. Material misstatement of the financial statements? [SAS 47, par. 31 (AU 312.31)]	_____	_____	_____
m. Financial statements issued before the effective date of a Statement of Financial Accounting Standards when disclosure is not made of the effect of a restatement which will be required in the future as a result of the FASB Statement? [Interpretation 3 of SAS 1, section 410 (AU 9410.13- .15)]	_____	_____	_____
n. Client's voluntarily including supplementary information which has not been audited? [SAS 52, par. 3 (AU 558.03)]	_____	_____	_____
15. Has a piecemeal opinion been avoided? [SAS 58, par. 73 (AU 508.73); SAS 62, par. 12 (AU 623.12)]	_____	_____	_____
16. Have the provisions of SAS 35 and SAS 62 been complied with for the following:			

	Yes	No	N/A
a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? [SAS 62, pars. 2-8 (AU 621.02 -.08)]	_____	_____	_____
b. When reporting on specified elements, accounts or items of a financial statement? [SAS 62. par. 11 (AU 621.11); SAS 35 (AU 622)]	_____	_____	_____
c. When reporting on compliance with aspects of contractual agreements or regulatory requirements relating to audited financial statements? [SAS 62, pars. 19-21 (AU 623)]	_____	_____	_____
d. Financial information that requires a prescribed form of auditor's report? [SAS 62, pars. 22-26 (AU 623.22 -.26)]	_____	_____	_____
17. If information is to accompany the basic financial statements and auditor's report in an auditor-submitted document:			
a. Is there a clear distinction between the client's representation and auditor's representations? [SAS 29, par. 20 (AU 551.20)]	_____	_____	_____
b. Does the auditor's report on the accompanying information:			
(1). State that the audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
(2). Specifically identify the accompanying information?	_____	_____	_____
(3). State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?	_____	_____	_____
(4). State whether the additional information has been subjected to the auditing procedures applied in auditing the basic financial statements and whether the appropriate expression of disclaimer of opinion is included? [SAS 29, pars. 6-11 (AU 551.06 -.11)]	_____	_____	_____

Yes No N/A

18. If an auditor-submitted document with accompanying information is co-existing with a document that includes just the basic financial statements and the auditor's report:
- a. Do the basic financial statements in all co-existing documents consistently include all the information necessary for a fair presentation in conformity with generally accepted accounting principles?
[SAS 29, par. 21 (AU 551.21)] _____
 - b. Are any additional comments or explanations by the auditor consistent with the description of the scope of the examination in the auditor's standard (or modified) report?
[SAS 29, par. 20 (AU 551.20)] _____
19. If the document contains interim financial information, has the auditor's report been expanded if required?
[SAS 36, pars. 34-30 (AU 722.24 -.30)] _____
20. If supplementary information required by the FASB is presented outside the basic financial statements in an auditor-submitted document, has an opinion been disclaimed on such information unless it has been audited?
[SAS 29, par. 7 (AU 551.07); SFAS 27, pars. 8 and 11 (AU 558.08 and .11 and AU 551.15)] _____
21. If the client is subject to FASB requirements to include certain supplementary information in documents containing audited financial statements, has the auditor's report been appropriately modified if:
- a. Required supplementary information is omitted? _____
 - b. Measurement or presentation of the supplementary information departs materially from guidelines prescribed by the FASB? _____
 - c. The auditor is unable to complete the procedures prescribed by SAS 52?
[SAS 52, par. 2 (AU 558.08)] _____
22. If a report on internal accounting control is to be issued [material weaknesses in internal accounting controls ("reportable conditions")

Yes No N/A

that come to the auditor's attention must be communicated, preferably in writing, to the audit committee or board of directors [SAS 60 (AU 325)] is the appropriate form used for:

- | | | | | |
|-----|---|-------|-------|-------|
| a. | Expression of an opinion on the entity's system of internal accounting control in effect as of the specified date or during a specific period of time?
[SAS 30, pars. 37-46 (AU 642.37 - .46)] | _____ | _____ | _____ |
| b. | Communication to the audit committee of internal control structure related matters noted in an audit or other agreed upon matters?
[SAS 60, pars. 12-19 (AU 325.12 -.19)] | _____ | _____ | _____ |
| c. | Report on all or part of an entity's system of internal accounting controls for restricted use of management or specified regulatory agencies, based on the regulatory agencies' pre-established criteria?
[SAS 30, pars. 54-59 (AU 642.54 -.59)] | _____ | _____ | _____ |
| d. | Other special purpose reports on all or part of the entity's system for restricted use of management, specified regulatory agencies, or other specified third parties?
[SAS 30, pars. 60-61 (AU 642.60 -.61); SAS 44, pars. 35, 41 and 46 (AU 324.35, .41 and .46)] | _____ | _____ | _____ |
| 23. | If reporting in a client-prepared document on condensed financial statements (either for an annual or an interim period) that are derived from audited financial statements of a public entity that is required to file, at least annually, complete audited financial statements with a regulatory agency, does the auditor's report indicate: | | | |
| a. | The auditor has examined and expressed an opinion on the complete financial statements? | _____ | _____ | _____ |
| b. | The date of the report on the complete financial statements? | _____ | _____ | _____ |
| c. | The type of opinion expressed? | _____ | _____ | _____ |
| d. | Whether, in the auditor's opinion, the information set forth in the condensed | | | |

Yes No N/A

financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived?

[SAS 42, par. 5 (AU 552.02)]

24. If a statement that names the auditor and also states that condensed financial statements have been derived from audited financial statements is made in a client-prepared document that does not include audited financial statements and the client is not a public entity that is required to file complete audited financial statements with a regulatory agency, at least annually, does the auditor's report express a qualified or adverse opinion on the condensed financial statements because of inadequate disclosure? [SAS 58, par. 55 (AU 508.55); SAS 42, par. 7, footnote 6 (AU 552.07, footnote 6)]

25. If requested to report on selected financial data that is included in a client-prepared document that contains audited financial statements (or, with respect to a public entity, that incorporates such statements by reference to information filed with a regulatory agency) and that are derived from audited financial statements, does the auditor's report indicate the following:

- a. That the auditor has examined and expressed an opinion on the complete financial statements?
- b. The type of opinion expressed?
- c. The specific data on which the auditor is reporting?
- d. Whether, in the auditor's opinion, the information set forth in the selected financial data is fairly stated in all material respects in relation to the complete financial statements from which it has been derived? [SAS 42, par. 9 (AU 552.09)]

26. If the selected financial data for any of the years presented are derived from financial statements that were examined by another independent auditor, does the auditor's report

Yes No N/A

on the selected financial data state that fact
and express a disclaimer of opinion on that
data?

[SAS 42, par. 9 (AU 552.09)]

Supplemental Checklist for Banks That Are SEC Registrants

This Supplemental Checklist for Banks contains additional disclosures that are required in financial statements of banks that are SEC registrants. References in this supplement are from SEC Rules and Regulations, specifically Regulation S-X, since there is no specific counterpart under GAAP. This checklist only includes SEC disclosures for banks and not general SEC disclosures and does not repeat SEC required disclosures if such disclosures are generally required and included in the "Financial Statements and Notes Checklists." Many of the disclosures are routinely made by banks not subject to the requirements of the Securities and Exchange Act of 1934.

	Yes	No	N/A
A. Cash and Due From Banks			
1. Are cash due from bank and non-interest bearing deposits with other banks stated separately?	_____	_____	_____
2. Have all withdrawals, usage restrictions (including average reserve balance with the Federal Reserve Bank) been stated separately?	_____	_____	_____
B. Investment Securities			
1. Have the market and carrying value of each of the following securities been disclosed:			
a. U.S. Government agencies and corporations?	_____	_____	_____
b. State (US) and political subdivisions?	_____	_____	_____
c. Other?	_____	_____	_____
d. Nature, extent, and risk of repurchase and reverse repurchase transactions?	_____	_____	_____
C. Loans			
1. Have each of the following categories been stated separately:			
a. Domestic?	_____	_____	_____

	Yes	No	N/A
b. Foreign?	_____	_____	_____
c. Other unusual risk concentrations regardless of size?	_____	_____	_____
d. Related party, including reconciliation of current year balances?	_____	_____	_____
(Note: SEC includes directors executive officers and principal shareholders. Loans which do not exceed \$60,000 may be excluded?)	_____	_____	_____
e. Significant nonaccrual past due restructured and potential problem loan disclosed?	_____	_____	_____
f. For liquidity problem loans in foreign countries is a tabular presentation presented showing a reconciliation from the beginning to the end of the period?	_____	_____	_____
g. Has a disclosure about restructuring for problem loans in foreign countries been made?	_____	_____	_____
D. Adjustments to Allowances for Loan Losses			
1. Have such adjustments in connection with business combinations been made?	_____	_____	_____
E. Other Assets			
1. For acquisitions after December 23, 1981 has the amortization period for goodwill been re-evaluated?	_____	_____	_____
2. For real estate other than bank premises:			
a. Disclosure of carrying basis?	_____	_____	_____
b. Deduction of allowance foreclosures and summary of changes?	_____	_____	_____
c. Reconciliation from beginning balance to ending balance?	_____	_____	_____
F. Deposits			
1. Have noninterest and interest bearing deposits and foreign deposits been shown separately?	_____	_____	_____

	Yes	No	N/A
G. Other Liabilities			
1. Has related-party indebtedness been disclosed if the aggregate amount exceeds 5% of shareholders' equity?	_____	_____	_____
H. Interest and Fees on Loans			
1. Have interest and fees on loans been stated separately?	_____	_____	_____
I. Interest and Dividends on Investment Securities			
1. Have the following been stated separately:			
a. Taxable interest income?	_____	_____	_____
b. Nontaxable interest income?	_____	_____	_____
c. Dividends?	_____	_____	_____
J. Income Statement Captions			
1. Have the following captions been stated separately:			
a. Trading account interest?	_____	_____	_____
b. Other interest income?	_____	_____	_____
c. Total interest income?	_____	_____	_____
d. Interest on deposits?	_____	_____	_____
e. Interest on short-term borrowings?	_____	_____	_____
f. Interest on long-term debt?	_____	_____	_____
g. Total interest expense?	_____	_____	_____
h. Net interest income?	_____	_____	_____
i. Provision for loan losses?	_____	_____	_____
j. Net interest income after provision for loan losses?	_____	_____	_____
k. Other Income?	_____	_____	_____
l. Other expense?	_____	_____	_____

	Yes	No	N/A
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 income tax expense?	_____	_____	_____
q. Cumulative effects of changes in accounting principles?	_____	_____	_____
r. Net income or loss?	_____	_____	_____
s. Earnings (loss) per share data?	_____	_____	_____
 K. Other Income			
1. Have any of the following amounts that exceed 1% of the aggregate of total interest income and other income been stated separately:			
a. Commissions and fees from fiduciary activities?	_____	_____	_____
b. Commissions brokers' fees, mark up on securities underwritings and other securities activities?	_____	_____	_____
c. Insurance, commissions, fees and premiums?	_____	_____	_____
d. Fees for customers' service?	_____	_____	_____
e. Trading account profit or loss?	_____	_____	_____
f. Equity in earnings of unconsolidated subsidiaries of 50% or less owned persons?	_____	_____	_____
g. Gains or losses on disposition of unconsolidated subsidiaries or investees in (f) above?	_____	_____	_____
h. Other?	_____	_____	_____
i. Are investment security gains or losses shown separately with related disclosure of cost method and tax effect in a footnote or parathensity as a part of income tax expense?	_____	_____	_____

Yes No N/A

L. Other Expenses

1. Have any of the following amounts that exceed 1% of the aggregate total interest and other income been shown separately:

a. Salaries and employee benefits? _____

b. Net occupancy expense? _____

c. Goodwill amortization? _____

d. Net cost of operations of other real estate including loss provisions, rental income and gain or loss on sales? _____

e. Minor interest share of income or loss of consolidated subsidiaries? _____

f. Other? _____

M. Condensed Financial Information of Registrant

1. Note disclosure of parent company and condensed financial statements for the same periods and as of the same dates as the consolidated financial statements (required only of restricted assets of consolidated subsidiaries exceed 25% of consolidated net assets at the end of the most recent fiscal year). _____

2. Does the condensed parent company information include:

a. Investment in bank subsidiaries? _____

b. Indebtedness of and to bank subsidiaries? _____

c. Cash dividends by the subsidiaries or investees paid to the parent company in each of the last three years? _____

3. Has each of the following been disclosed unless stated separately in the consolidated financial statements:

a. Material contingencies? _____

b. Significant provision of long-term debt agreements? _____

Yes No N/A

- c. A five year schedule of debt maturities? _____
- d. Mandatory dividend or redemption requirements of redeemable stock? _____
- e. Guarantees? _____

N. Foreign Activities

Complete items 1 to 5 if one or more of the following foreign activities exceed 10% of the related consolidated amounts:

(Note: foreign activities include loans and other revenue producing assets and transactions for which the unaffiliated or affiliated debtor is located outside of the United States.)

- 1. Assets? _____
- 2. Total interest income and other income? _____
- 3. Income (loss) before income tax expenses? _____
- 4. Net income (loss)
 - a. For each balance sheet disclosure of net identifiable foreign activity assets? _____
 - b. For each income statement disclosure of foreign revenue, income (loss) before taxes, and net income (loss)? _____
 - c. Disclose a and b above for each significant geographical area (where 1% of assets, revenue or net assets exceed 1% of the consolidated amount) and in the aggregate for the other insignificant geographical areas? _____
 - d. Disclose the significant assumption and estimates and significant changes therein used in allocation income and expense (including cost of capital) to foreign activities? _____

O. Financial Guarantees

- 1. When aggregate guarantee amounts are material to the results of pre-tax operations, have the following disclosures been made:

Yes No N/A

- a. General description including amounts, maturity, type of obligation and risk? _____
- b. As of each balance sheet, the amount of exposure including the reduction due to participation by others? _____
- c. Revenue recognition policy for guarantee fees? _____
- d. Unearned premiums at the date of each balance sheet? _____
- e. Registrants policy for loss allowances on guarantees? _____
- f. Any other information to describe the nature and extent of guarantees? _____

P. Quarterly Information

- 1. For those registrants required to disclose quarterly information, is the following included:
 - a. Interest income? _____
 - b. Provision for loan losses? _____
 - c. Security gains or losses? _____
 - d. Net income (loss)? _____
 - e. Earnings (loss) per share? _____

Q. Foreign Debt Exchanges

- 1. If the registrant is involved in a "Mexican Debt Exchange" have the following disclosures been made:
 - a. Carrying value and terms of obligations exchanged? _____
 - b. Face value market value and terms of securities received? _____
 - c. Effect on the allowance and provision for loan losses? _____

	Yes	No	N/A
d. Annual interest income on securities exchanged and received?	_____	_____	_____
R. Schedules Required			
1. If required by Regulation S-X Rules, are the following schedules filed with the SEC filing:			
a. Indebtedness to related parties?	_____	_____	_____
b. Guarantees of securities of other issues?	_____	_____	_____
c. Any other required by Regulation S-X?	_____	_____	_____
S. Other SEC Related Disclosures			
1. SAB Topic 11-K, added by SAB 69, expresses the staff's views on the use of Article 9 and Industry Guide 3 as guidance for disclosure purposes by registrants that are not bank holding companies.	_____	_____	_____
2. SAB Topic 1-F, added by SAB No. 50, reflects that staff's views on the financial statement requirements in filings involving the formation of a one-bank holding company.	_____	_____	_____
3. SAB Topic 11-G, discusses the use of tax-equivalent-adjusted amounts in financial statements.	_____	_____	_____
4. SAB Topic 11-1, added by SAB 56, expresses the staff's views about the reporting of Allocated Transfer Risk Reserve (ATRR) provisions established when federal banking reserves are necessary.	_____	_____	_____
5. SAB Topic 5-V, added by SAB No. 82, discusses the staff's views regarding the accounting for transfers of nonperforming assets by financial institutions. (See Also SAB Topic 5-3.)	_____	_____	_____
6. SAB Topic 11-N, also added by SAB No. 82, expresses the staff's views regarding the required disclosure by a financial institution that receives financial assistance from a federal regulatory agency.	_____	_____	_____

Illustrative Financial Statements

Illustrative Bank Financial Statements

(The following report of the independent CPA and financial statements illustrates one form of currently acceptable practice. The CPA should be guided by existing auditing standards concerning the report. Other forms of financial statements are acceptable. More or less detail should appear in the financial statements or in the notes depending on the circumstances.)

Report of Independent Auditors

To the Board of Directors and Shareholders
Sample National Bank:

We have audited the accompanying consolidated statements of condition of Sample National Bank and Subsidiary as of December 31, 19X2 and 19X1, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Bank'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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sample National Bank and Subsidiary at December 31, 19X2 and 19X1, and the consolidated results of their operations and their cash flows for each of the years then ended, in conformity with generally accepted accounting principles.

Auditors' Signature

*Anytown, Anystate
January xx, 19X3*

Sample National Bank and Subsidiary Consolidated Statements of Financial Condition

December 31, 19X2 and 19X1

Assets	<u>19x2</u>	<u>19x1</u>
Cash and due from banks	\$ 3,815,158	\$ 2,496,836
Interest-bearing deposits with banks	4,558,992	4,443,446
Federal funds sold	1,066,170	152,930
Trading account securities	30,374	30,118
Investment securities (market value of \$8,360,340 in 19x2 and \$6,626,990 in 19x1)	8,198,266	6,727,274
Loans	30,063,281	29,670,820
Less allowance for credit losses	<u>(597,769)</u>	<u>(582,438)</u>
Net loans	29,465,512	29,088,382
Properties and equipment	750,859	693,141
Customers' liability on acceptances	85,569	55,725
Accrued income and other assets	<u>1,691,592</u>	<u>1,198,395</u>
Total assets	<u><u>\$49,662,492</u></u>	<u><u>\$44,886,247</u></u>
Liabilities and Shareholders' Equity		
Liabilities		
Demand deposits	\$ 9,073,765	\$ 8,068,695
Savings and NOW deposits	8,266,877	8,416,705
Other time deposits	<u>24,173,312</u>	<u>21,908,521</u>
Total deposits	41,513,954	38,393,921
Federal funds purchased and securities sold under agreements to repurchase	2,846,105	1,946,451
Other borrowed funds	648,207	490,183
Acceptances outstanding	85,569	55,725
Accrued expenses and other liabilities	1,129,842	920,086
Long-term debt	<u>330,740</u>	<u>343,461</u>
Total liabilities	46,554,417	42,149,827
Shareholders' equity		
Common stock—\$1 par value		
Authorized—1,000,000 shares;		
Outstanding—734,480 and 727,200 shares	734,480	727,200
Capital surplus	316,204	280,649
Retained earnings	2,061,771	1,733,284
Unrealized depreciation on equity securities	<u>(4,380)</u>	<u>(4,713)</u>
Total shareholders' equity	<u>3,108,075</u>	<u>2,736,420</u>
Total liabilities and shareholders' equity	<u><u>\$49,662,492</u></u>	<u><u>\$44,886,247</u></u>

The accompanying notes are an integral part of these financial statements.

Sample National Bank and Subsidiary Consolidated Statements of Income

December 31, 19X2 and 19X1

	<u>19x2</u>	<u>19x1</u>
Interest income		
Interest and fees on loans	\$3,303,613	\$2,784,548
Interest on investment securities:		
Taxable	518,945	362,730
Exempt from Federal income tax	<u>153,837</u>	<u>162,815</u>
	672,782	525,545
Interest on trading account securities	4,641	15,819
Interest on federal funds sold	231,007	135,027
Interest on deposits with banks	<u>367,380</u>	<u>336,644</u>
Total interest income	4,579,423	3,797,583
 Interest expense		
Interest on deposits	2,500,222	1,912,015
Interest on federal funds purchased and securities sold under agreements to repurchase	351,175	324,356
Interest on other borrowed funds	39,434	30,567
Interest on long-term debt	<u>32,873</u>	<u>30,012</u>
Total interest expense	2,923,704	2,296,950
Net interest income	1,655,719	1,500,633
Provision for credit losses	(174,871)	(139,345)
Net interest income after provision for credit losses	1,480,848	1,361,288
 Other income		
Income from fiduciary activities	241,799	212,843
Service charges on deposit accounts	162,270	152,901
Other service charges and fees	145,371	118,958
Net trading account profits or losses	2,181	3,107
Net investment securities gains	2,938	806
Other income	<u>168,512</u>	<u>173,323</u>
	723,071	661,938
 Other expense		
Salaries and employee benefits	877,535	806,995
Occupancy expense	146,741	138,385
Equipment expense	97,769	96,336
Other expense	<u>438,785</u>	<u>407,779</u>
	1,560,830	1,449,495
Income before income taxes	643,089	573,731
Income tax expense	<u>125,538</u>	<u>109,367</u>
Net Income	<u>\$ 517,551</u>	<u>\$ 464,364</u>
Net income per share of common stock	<u>\$0.70</u>	<u>\$0.63</u>
Average shares outstanding	<u>734,480</u>	<u>734,480</u>

The accompanying notes are an integral part of these financial statements.

**Sample National Bank and Subsidiary
Consolidated Statement of Changes in Shareholders' Equity**

Years Ended December 31, 19X2 and 19X1

	Common Stock	Capital Surplus	Retained Earnings	Unrealized Depreciation on Equity Securities	Total Shareholders' Equity
Balance at December 31, 19x0	\$720,002	\$255,698	\$1,423,202	(\$2,353)	\$2,396,549
Net income for 19x1			464,364		464,364
Cash dividends paid—\$0.170 per share			(122,133)		(122,133)
1% Stock dividend—7,198 shares of common stock	7,198	24,951	(32,149)		
Net Change in unrealized depreciation on equity securities				(2,360)	(2,360)
Balance at December 31, 19x1	727,200	280,649	1,733,284	(4,713)	2,736,420
Net income for 19x2			517,551		517,551
Cash dividends paid—\$0.201 per share			(146,229)		(146,229)
1% Stock dividend—7,280 shares of common stock	7,280	35,555	(42,835)		
Net Change in unrealized depreciation on equity securities				333	333
Balance at December 31, 19x2	<u>\$734,480</u>	<u>\$316,204</u>	<u>\$2,061,771</u>	<u>(\$4,380)</u>	<u>\$3,108,075</u>

The accompanying notes are an integral part of these financial statements.

Sample National Bank and Subsidiary Consolidated Statements of Cash Flows

For the Years Ended December 31, 19X2 and 19X1
Increase (Decrease) in Cash and Equivalents

	19X2	19X1
Cash flows from operating activities:		
Net Income	\$ 517,551	\$ 464,364
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	87,633	82,857
Provision for credit losses	174,871	139,345
Deferred income taxes	(4,366)	(15,211)
Net investment securities gains	(2,938)	(806)
Net (increase) decrease in trading account securities	(256)	(23,321)
Increase in accrued income and other assets	(493,198)	(51,374)
Increase in accrued expenses and other liabilities	209,755	137,927
Other Net	(97,732)	(74,848)
Total adjustments	(126,231)	194,569
Net cash provided by operating activities	391,320	658,933
Cash flows from investing activities:		
Net (increase) decrease in interest-bearing deposits with banks	(115,542)	14,386
Net (increase) decrease in federal funds sold	(913,240)	1,039,487
Proceeds from sales of investment securities	261,752	308,528
Proceeds from maturities of investment securities	2,575,689	1,190,063
Purchases of investment securities	(4,681,518)	(3,905,005)
Net increase in loans	(73,549)	(639,842)
Purchases of properties and equipment	(145,351)	(144,010)
Net (increase) decrease in customers' liability on acceptances outstanding	(29,844)	25,820
Net cash used in investing activities	(3,121,603)	(2,110,573)
Cash flows from financing activities:		
Net increase in non-interest-bearing demand savings and NOW deposit accounts	855,242	92,482
Net increase in time deposits	2,264,792	3,326,016
Net increase (decrease) in borrowed funds	1,057,678	(2,686,223)
Net increase (decrease) in acceptances outstanding	29,844	(25,820)
Repayment of long-term debt	(12,722)	(16,465)
Dividends paid	(146,229)	(122,133)
Net cash provided by financing activities	4,048,605	567,857
Net increase (decrease) in cash and due from banks	1,318,322	(883,783)
Cash and due from banks at January 1	2,496,836	3,380,619
Cash and due from banks at December 31	\$ 3,815,158	\$ 2,496,836
Interest paid	\$ 2,801,929	\$ 2,159,024
Income taxes paid	\$ 111,909	\$ 32,506

The accompanying notes are an integral part of these financial statements.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Sample National Bank and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 19X2 and 19X1

Note A

Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements of Sample Bank (the Bank) include the accounts of the Bank and its wholly owned subsidiary which owns all of the Bank's premises. Significant intercompany transactions and amounts have been eliminated.

Investment Securities

Investment debt securities are those securities which the Bank has the ability and intent to hold to maturity. These securities are stated at cost adjusted for amortization of premium and accretion of discount, computed by the interest method. Generally, such securities are sold only to meet liquidity needs. Gains and losses on the sale of investment securities are computed on the basis of specific identification of the adjusted cost of each security. The investment marketable equity security is carried at the lower of cost or market value.

Trading Account Securities

Trading account securities are valued at estimated market value. Trading account gains and losses and fee income are included in other income.

Allowance for Credit Losses

The allowance is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of individual credits, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Credits deemed uncollectible are charged to the allowance. Provisions for credit losses and recoveries on loans previously charged off are added to the allowance.

Properties and Equipment

Properties and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed principally by the straight-line method.

Interest Income on Loans

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

Loan Origination Fees and Costs

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan.

Pension Costs

Pension costs are charged to salaries and employee benefits expense and are funded as accrued.

Postretirement Benefits

Postretirement health care and life insurance benefits are charged to salaries and employee benefits expense when paid. In December 1990, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Under SFAS No. 106, beginning in 1993, postretirement benefits other than pensions must be accounted for in a manner similar to current standards for accounting for pensions. SFAS No. 106 will require

Note A**Summary of Significant Accounting Policies****Postretirement Benefits (continued)**

that the accumulated postretirement benefit obligation be either charged in the income statement as a cumulative effect of a change in accounting in the period of adoption or delayed and amortized over future periods as part of future postretirement benefit costs. The Bank has not yet determined the impact on net income in the year of adoption. The amount paid for such benefits in 19x2 was \$23,542.

Income Taxes

Provisions for income taxes are based on amounts reported in the statements of income (after exclusion of non-taxable income such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes. Deferred taxes are computed on the liability method as prescribed in SFAS No. 96, "Accounting for Income Taxes."

Net Income per share of Common Stock.

Net income per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period, after giving retroactive effect to stock dividends.

Trust Fees

Trust fees are recorded on the accrual basis.

Off Balance Sheet Financial Instruments

In the ordinary course of business the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Cash and Cash Equivalents

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and Due from Banks."

Note B**Investment Securities**

The carrying amounts of investment securities as shown in the consolidated balance sheets of the Bank and their approximate market values at December 31 were as follows:

	<u>Carrying Amount</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Market Value</u>
December 31, 19x2:				
U.S. Government and agency securities	\$5,584,802	\$165,862	\$ 43,834	\$5,706,830
State & municipal securities	2,251,945	4,258	43,735	2,291,422
Other securities	361,519	569	0	362,088
	<u>\$8,198,266</u>	<u>\$170,689</u>	<u>\$ 87,569</u>	<u>\$8,360,340</u>
December 31, 19x1:				
U.S. Government and agency securities	\$4,083,389	\$ 14,586	\$ 97,063	\$4,000,912
State & municipal securities	2,279,983	14,775	33,194	2,261,564
Other securities	363,902	612	0	364,514
	<u>\$6,727,274</u>	<u>\$ 29,973</u>	<u>\$130,257</u>	<u>\$6,626,990</u>

Assets, principally securities, carried at approximately \$5,466,000 at December 31, 19x2 and \$2,895,000 at December 31, 19x1, were pledged to secure public deposits and for other purposes required or permitted by law. Included in other securities is one marketable equity security with an original cost of \$98,560 and market values of \$94,180 at December 31, 19x2 and \$93,847 at December 31, 19x1.

Gross realized gains and gross realized losses on sales of securities were:

Gross realized gains:	<u>19x2</u>	<u>19x1</u>
U.S. Government and agency securities	\$5,648	\$2,230
State & municipal securities	1,813	1,261
Other securities	<u>0</u>	<u>0</u>
Gross realized losses:	<u>19x2</u>	<u>19x1</u>
U.S. Government and agency securities	\$3,919	\$1,399
State & municipal securities	604	1,286
Other securities	<u>0</u>	<u>0</u>

The maturities of investment securities at December 31, 19x2 were as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Due in one year or less	\$2,435,358	\$2,519,666
Due from one to five years	2,291,509	2,438,578
Due from five to ten years	1,987,676	1,975,466
Due after ten years	1,389,543	1,332,450
Marketable equity security	<u>94,180</u>	<u>94,180</u>

Note C**Loans**

The components of loans in the consolidated balance sheets were as follows:

	<u>19x2</u>	<u>19x1</u>
Commercial	\$17,348,688	\$17,552,801
Real estate construction	991,181	1,093,953
Commercial real estate	2,720,650	2,476,617
Residential real estate	3,975,595	3,820,523
	<u>\$30,063,281</u>	<u>\$29,670,820</u>

Note D**Allowance for Credit Losses**

An analysis of the change in the allowance for credit losses follows:

	<u>19x2</u>	<u>19x1</u>
Balance at January 1	\$ 582,438	\$ 542,232
Credits charged off	(190,618)	(126,324)
Recoveries	31,078	27,185
Net credits charged off	(159,540)	(99,139)
Provision for credit losses	174,871	139,345
Balance at December 31	<u>\$ 597,769</u>	<u>\$ 582,438</u>

Note E**Properties and Equipment**

Components of properties and equipment included in the consolidated balance sheets at December 31, 19x2 and 19x1 were as follows:

	<u>19x2</u>	<u>19x1</u>
Cost:		
Land	\$ 78,188	\$ 72,895
Bank premises	520,817	503,179
Furniture and equipment	666,684	560,724
Leasehold improvements	125,046	115,301
Total cost	1,390,735	1,252,099
Less accumulated depreciation	(639,876)	(558,958)
Net book value	<u>\$ 750,859</u>	<u>\$ 693,141</u>

The Bank's main office building, which has a net book value of \$186,981, is pledged to collateralize the 9.25% mortgage payable.

Certain Bank facilities and equipment are leased under various operating leases. Rental expense was \$55,811 in 19x2 and \$56,610 in 19x1. Future minimum rental commitments under noncancelable leases are:

19x3	\$28,931
19x4	27,016
19x5	15,968
19x6	14,029
19x7	11,603
Thereafter	78,154
	<u>\$175,701</u>

Note F**Short-Term Borrowings**

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to four days from the transaction date. Other borrowed funds consist of term federal funds purchased and treasury tax and loan deposits and generally mature within one to 120 days from the transaction date.

Note G**Long-Term Debt**

Long-term debt consisted of the following at year-end:

	<u>19x2</u>	<u>19x1</u>
Floating rate notes due 19x6	\$290,000	\$290,000
9.25% mortgage	15,444	19,746
9% subordinated term loan 20x4	<u>15,000</u>	<u>15,000</u>
Total Bank	320,444	324,746
Notes of subsidiary	<u>10,296</u>	<u>18,715</u>
	<u>\$330,740</u>	<u>\$343,461</u>

In 19x9, the Bank issued \$290,000 of floating rate notes due in 19x6 in a private placement with an insurance company. Interest is calculated semiannually at the rate of $\frac{3}{4}\%$ over the six-month Eurodollar deposit rate ($9\frac{3}{4}\%$ at December 31, 19x2). In September, 19x4, the notes may be redeemed without premium, in whole or in part at the option of the Bank. A portion of the notes qualifies as capital for bank regulatory purposes, which may limit the Bank's ability to repay the notes prior to maturity. At December 31, 19x2, \$174,000 qualified as capital.

The 9% mortgage is payable in equal annual installments of \$6,128 on December 15 each year through 19x5. The Bank may prepay between \$2,400 and \$6,128 annually without penalty and, in addition, may redeem the remaining notes at declining premiums (2.92% at December 31, 19x2).

The 9% subordinated term loan due May 31, 20x4, is from a non-affiliated bank and may not be repaid prior to June 30, 19x6.

The notes of the Bank's subsidiary represent amounts due to prior owners of certain of the Bank's premises. Such notes mature at various dates through 19x5. These notes are unsecured and have interest rates from 9.5% to 11%.

Except for the Floating rate notes due in 19x6, there are no significant amounts of long-term debt due in any one year.

Note H**Employee Benefits**

The Bank has a defined contribution pension plan in effect for substantially all fulltime employees. Salaries and employee benefits expense includes \$26,493 in 19x2, and \$24,053 in 19x1, for such plans. Contributions under the defined contribution plan are made at the discretion of the Board of Directors, but have amounted to 4% of gross salaries for the past five years.

Note I**Income Taxes**

The consolidated provision for income taxes consisted of the following:

	<u>19x2</u>	<u>19x1</u>
Currently payable		
Federal	\$119,392	\$ 90,967
State	<u>1,780</u>	<u>3,189</u>
	121,172	94,156
Deferred federal	<u>4,366</u>	<u>15,211</u>
	<u>\$125,538</u>	<u>\$109,367</u>

The provision for federal income taxes is less than that computed by applying the federal statutory rate of 34% in 19x2, and 19x1, as indicated in the following analysis:

	<u>19x2</u>	<u>19x1</u>
Tax based on statutory rate	\$218,652	\$195,071
Effect of tax-exempt income	(73,701)	(67,053)
Recognition of previously unrecognized tax benefits on loan loss provisions	(17,373)	(20,518)
Dividends received deduction	(3,049)	(2,769)
Interest and other nondeductible expenses	4,733	4,882
Other (net)	<u>(3,724)</u>	<u>(246)</u>
	<u>\$125,538</u>	<u>\$109,367</u>

The components of deferred income taxes were principally related to the allowance for credit losses, to depreciation, to loan origination fees and costs and to employee benefits.

Note J**Related Parties**

The Bank has entered into transactions with its directors, significant shareholders and their affiliates (Related Parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties at December 31, 19x2, was \$443,850. During 19x2, new loans to such related parties amounted to \$127,400 and repayments amounted to \$122,100.

Note K**Contingent Liabilities and Commitments**

The Bank's consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit, commercial letters of credit and standby letters of credit. A summary of the Bank's commitments and contingent liabilities at December 31, 19x2, is as follows:

	<u>Notional Amount</u>
Commitments to extend credit	\$560,000
Credit card arrangements	12,000
Commercial letters of credit	25,000
Standby letters of credit	<u>50,000</u>

Commitments to extend credit, credit card arrangements, commercial letters of credit and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated statements of condition. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank. The Bank's experience has been that approximately sixty percent of loan commitments are drawn upon by customers. While approximately 90% of commercial letters of credit are utilized, a significant portion of such utilization is on an immediate payment basis. The remainder are secured by the goods acquired by the customer with the letter of credit. The Bank has not been required to perform on any financial guarantees during the past two years. The Bank has not incurred any losses on its commitments in either 19x2 or 19x1.

The Bank and its subsidiaries are parties to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the consolidated financial position.

Note L

Concentrations of Credit

All of the Bank's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Bank's market area. All such customers are depositors of the Bank. Investments in state and municipal securities also involve governmental entities within the Bank's market area. The concentrations of credit by type of loan are set forth in Note C. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of \$500,000.

Note M

Regulatory Matters

The Bank, as a National Bank, is subject to the dividend restrictions set forth by the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends, as of December 31, 19x2, that the Bank could declare, without the approval of the Comptroller of the Currency, amounted to approximately \$635,000. The Bank is also required to maintain minimum amounts of capital to total "risk weighted" assets, as defined by the banking regulators. At December 31, 19x2, the Bank is required to have minimum Tier 1 and Total capital ratios of 4.00% and 8.00% respectively. The Bank's actual ratios at that date were 7.85% and 9.20% respectively. The Bank's leverage ratio at December 31, 19x2, was 7.00%.

Illustrative Bank Financial Statements

The following are some additional disclosures not included in the illustrative bank financial statements but could be found in typical bank financial statements.

Consolidation policy and accounting for equity investments.

Basis of translation for foreign currency assets and liabilities and foreign exchange gains and losses.

Description of any business combination, the method of accounting for such combination, its effect on current and prior financial statements, and other pertinent details.

Amounts of restricted cash, including legally restricted compensating balances.

Foreign loans reported as governments and official institutions; banks and other financial intermediaries; commercial and industrial; and other.

Disclosure of loans to less developed countries (LDC loans), loan loss allowances established, and the accrual of interest income on those loans.

Amounts for net investment in and certain details about direct financing leases.

The dollar amount of assets that have been restructured because of borrowers' financial difficulties and the effect on income of such troubled debt including disclosure of commitments to advance additional funds to such debtors.

An analysis of changes in the allowance for loan losses showing, by category of loans, amounts charged against and recoveries credited to the allowance, as well as provisions charged to operations, for both the consolidated total allowance and for the portion of the allowance applicable to loans related to foreign activities.

Disclosure of the allocation of the period-end allowance for loan losses by loan type.

Separate identification of non-interest-bearing versus interest-bearing deposits and deposits taken in domestic banking offices versus deposits taken in foreign offices, average balances, rates paid for deposits (domestic and foreign), and disclosure of time certificates of \$100,000 or more (domestic and foreign).

Disclosure of unused lines of credit, including fees and conditions that could cause them to be withdrawn.

Disclosure of each outstanding debt issue or type of obligation and pertinent details such as interest rate, maturity, convertibility, priority, and any contingent repayment terms, together with disclosure of the aggregate maturities and sinking fund requirements for each of the five years following the balance sheet date and, if significant, details regarding unused commitments for long-term debt.

Disclosure of the amount of long-term debt qualifying as primary or secondary capital.

For SEC purposes, redeemable preferred stock with mandatory redemption features or redemption features outside the control of the issuer, should be disclosed in a caption preceding and not included in the shareholders' equity accounts.

Description of major provisions and pertinent details regarding stock option plans, including the security issues involved, the number of shares under option, and the number of shares related to options granted, exercised, exercisable, and expired, showing dates, option prices, and market prices.

Disclosure of identifiable assets and revenue and expense attributable to foreign operations in the aggregate and by significant geographic area.

Accounting treatment of interest rate swaps, futures, options, and risk participations.

Notional principal amounts outstanding under interest rate swap agreements, forward and future contracts, outstanding exposure on banker's acceptance and commitments to purchase loans.

Disclosure of option contracts and income or expense recognition.

Disclosure of fiduciary fees.

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