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Checklists and illustrative financial statements for banks and savings institutions : a financial accounting and reporting practice aid, November 1999 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

Richard C. Jones

Robert Durak

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR BANKS AND SAVINGS INSTITUTIONS NOVEMBER 1999

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A Financial Accounting and Reporting Practice Aid

Edited by

Richard C. Jones
Assistant Professor,
Hofstra University

Robert Durak, CPA
Technical Manager, Accounting and Auditing Publications

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

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FSP Section 2000

Checklists and Illustrative Financial Statements for Banks and Savings Institutions

.01 These checklists and illustrative materials have been developed by the AICPA Accounting and Auditing Publications Staff to serve as nonauthoritative practice aids for use by preparers and auditors of financial statements. The auditor's report checklist addresses those requirements most likely to be encountered when reporting on financial statements of a financial institution prepared in conformity with generally accepted accounting principles. It does not include reporting requirements relating to other matters such as internal control, agreed-upon procedures, etc. The financial statement and notes checklist includes disclosures that should be considered by financial institutions in preparing financial statements in conformity with generally accepted accounting principles (GAAP). The checklist does not include disclosures prescribed by pronouncements whose applicability to banks and savings institutions is considered to be remote.

.02 Users of the financial statements and notes checklist should remember that it is a disclosure checklist only and not a comprehensive GAAP application or measurement checklist. Accordingly, application and measurement issues related to preparing financial statements in conformity with GAAP are not included in the checklist.

.03 The financial statements and notes checklist has been updated to include relevant disclosure guidance in accounting pronouncements issued through September 30, 1999. Those pronouncements include:

- FASB Statement of Financial Accounting Standards (SFAS) No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133*
- FASB Interpretation No. 43, *Real Estate Sales*
- FASB Technical Bulletin 97-1, *Accounting Under Statement 123 for Certain Employee Stock Purchase Plans with a Look-Back Option*
- AICPA Statement of Position (SOP) 99-3, *Accounting and Reporting of Certain Defined Contribution Plan Investments and Other Disclosure Matters*
- AICPA Practice Bulletin 15, *Accounting by the Issuer of Surplus Notes*
- FASB EITF consensus positions adopted at meetings of the EITF held through September 1999
- AICPA Statement on Auditing Standards (SAS) No. 87, *Restricting the Use of an Auditor's Report*
- AICPA Statement on Standards for Accounting and Review Services No. 7, *Omnibus Statement on Standards for Accounting and Review Services—1992*
- AICPA Audit and Accounting Guide *Banks and Savings Institutions* (with conforming changes as of May 1, 1999)

.04 The U.S. banking system operates under comprehensive state and federal regulations. These regulations greatly influence accounting and financial reporting. Banks and savings institutions are also subject to examination by federal and state bank examiners and periodic examinations by the institution's board of directors. Common accounting and reporting features of banks and savings institutions are described in the AICPA Audit and Accounting Guide *Banks and Savings Institutions* (with conforming changes as of May 1, 1999).

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

.06 Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline at (888) 777-7077.

Note: This publication was extracted from sections 2000 through 2600 of the AICPA *Financial Statement Preparation Manual* (FSP).

FSP Section 2100
Significant Changes

.01 Presented below is a list of recent pronouncements reflected in the checklist and/or significant changes made to the checklist. Changes normally result from new authoritative pronouncements issued since the last edition of the checklist. Changes may also represent improvements in the manner in which the checklist is presented.

- SFAS 135, *Rescission of FASB Statement No. 75 and Technical Corrections*
- SFAS 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133*
- SOP 98-1, *Accounting for the Cost of Computer Software Developed or Obtained for Internal Use*
- SOP 98-5, *Reporting on the Cost of Start-Up Activities*
- SOP 98-7, *Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Insurance Risk*
- SOP 98-9, *Modification of SOP 97-2,* Software Revenue Recognition, *With Respect to Certain Transactions*

FSP Section 2200
Checklists—General

.01 AICPA disclosure checklists have been designed as practice aids to assist accountants in the preparation of financial statements and to assist auditors in their evaluation of the adequacy of disclosures in the financial statements they audit. Authoritative literature does not require the use of checklists, nor does it prescribe their format or content.

.02 This checklist consists of a number of questions or statements that are accompanied by references to the established sources of GAAP in which the disclosure requirements are found. These sources include Statements of Financial Accounting Standards, FASB Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins, AICPA Audit and Accounting Guides, AICPA Statements of Position, and EITF consensuses. Checklists are designed to serve as convenient memory aids but should not be used as a substitute for direct reference to authoritative literature.

.03 To use this checklist, simply check "yes," "no," or "not applicable" for each question. If additional information needs to be documented, include separate cross-referenced memoranda. A "no" answer to a question indicates a potential GAAP departure. If a "no" answer is checked, then the auditor or accountant should investigate the reasons for the noncompliance and should determine the effects of the GAAP departure on the overall financial statements. All work and conclusions related to a "no" answer should be documented in the working papers. At the beginning of certain sections, a ☐ appears in the "N/A" column. If the entire section is deemed to be non-applicable, place a check mark in the ☐ and proceed to the next section.

.04 As you use this checklist, please remember that:

- The exercise of sound professional judgment is of paramount importance in applying the checklist provisions.
- The checklist may require modification based on the engagement circumstances.
- The checklist may not be all-inclusive.
- Users need to modify the checklist for any pronouncements issued subsequent to those mentioned in the checklist.

FSP Section 2300

Financial Statements and Notes Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid for use by preparers and auditors of financial statements. As used in this checklist the terms "bank" and "institution" include the activities of all banks and savings institutions regardless of charter, unless otherwise indicated.

The checklists and illustrative financial statements may not include all disclosures and presentation items required by GAAP; as a result, pronouncements deemed unlikely to be encountered in financial statements of banks and savings institutions are not included.

.02 Explanation of References:

SFAS =	FASB Statement of Financial Accounting Standards
FASBI =	FASB Financial Accounting Standards Board Interpretation
AC =	Reference to section number in FASB *Accounting Standards—Current Text*
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
FTB =	Technical Bulletin issued by the staff of the FASB[1]
AAG-BNS =	AICPA Audit and Accounting Guide *Banks and Savings Institutions* (with conforming changes as of May 1, 1999)
SOP =	AICPA Statement of Position
EITF =	Emerging Issues Task Force Consensus
PB =	AICPA Accounting Standards Division Practice Bulletin
AIN =	AICPA Accounting Interpretations
SAS =	AICPA Statement of Auditing Standards
AU =	Reference to section number in AICPA *Professional Standards* (vol. 1)
S-X =	SEC Regulation S-X

Some questions in this checklist do not cite a specific authoritative reference but indicate that the disclosure is generally accepted. Most organizations disclose that information even though a requirement to do so in the authoritative literature cannot be identified.

.03 Checklist Questionnaire:

This checklist is organized into the sections listed below. Carefully review the topics listed and consider whether they represent potential disclosure items for the bank or savings institution. Place a check mark by

[1] The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.

the topics or sections considered applicable; these sections should be completed. For example, if an entity did not enter into any business combinations during the year, do not place a check by General, Section W, "Business Combinations," and skip this section when completing the checklist.

	Place ✓ by Applicable Sections
• Balance Sheet	
A. General	________
B. Cash and Due From Banks	________
C. Federal Funds and Repurchase Agreements	________
D. Investment Securities	________
E. Investments Accounted for by the Equity Method	________
F. Loans Held for Sale	________
G. Loans Receivable	________
H. Allowance for Loan Losses	________
I. Foreclosed Assets	________
J. Premises and Equipment	________
K. Other Assets	________
L. Deposits	________
M. Income Taxes	________
N. Debt and Extinguishments of Liabilities	________
O. Other Liabilities	________
P. Shareholders' Equity	________
• Income Statement	
A. General	________
B. Interest Income	________
C. Interest Expense	________
D. Other Income	________
E. Other Expenses	________
F. Income Taxes	________
G. Discontinued Operations	________
H. Extraordinary Items	________
I. Earnings Per Share	________
J. Comprehensive Income	________
K. Other	________
• Statement of Changes in Stockholders' Equity	________
• Statement of Cash Flows	________
• General	
A. Titles and References	________
B. Disclosure of Accounting Policies	________
C. Comparative Financial Statements	________
D. Accounting Changes	________
E. Regulatory Matters	________
F. Risks and Uncertainties	________
G. Contingencies and Commitments	________
H. Environmental Remediation Liabilities	________
I. Related-Party Transactions and Economic Dependency	________
J. Lessor Leases	________
K. Lessee Leases	________
L. Employee Stock Ownership Plans	________
M. Employers' Disclosures about Pension and Other Postretirement Benefits	________

	Place ✓ by Applicable Sections
N. Consolidations	____
O/O1. Financial Instruments	____
P. Foreign Currency	____
Q. Futures Contracts	____
R. Derivatives	____
S. Transfers and Servicing of Financial Assets	____
T. Nonmonetary Transactions	____
U. Subsequent Events	____
V. Costs to Exit an Activity	____
W. Business Combinations	____
X. Segment Information	____
Y. Postemployment Benefits	____
Z. Stock Compensation Plans	____
• Auditors' Reports Checklist	____
• Supplemental Information for Banks and Savings Institutions that are SEC Registrants	____

Yes *No* *N/A*

Note: Reminder—A "no" answer is indicative of a potential GAAP departure. The reason for the "no" answer and the resolution of the matter should be documented in the working papers.

Balance Sheet

A. General

1. Are trust assets excluded from the financial statements? [AAG-BNS, par. 17.12] ____ ____ ____

B. Cash and Due From Banks

1. Does cash and due from banks include cash on hand, cash items in the process of collection, non-interest bearing deposits with other banks or savings institutions, and balances with Federal Reserve banks or Federal Home Loan banks? [AAG-BNS, par. 4.01] ____ ____ ____
2. Have interest-bearing deposits with other depository institutions (domestic and foreign) been disclosed separately in the statement of financial condition? [AAG-BNS, par. 4.06] ____ ____ ____
3. Are overdrafts and other demand deposits that represent borrowings rather than outstanding drafts reclassified as liabilities? [AAG-BNS, par. 4.07] ____ ____ ____
4. Are reciprocal "due to/from" balances offset for balance sheet presentation, if a right of setoff exists? [AAG-BNS, par. 4.07] ____ ____ ____

	Yes	No	N/A
5. Are any restrictions on the use or availability of certain cash balances disclosed in the financial statements? [AAG-BNS, par. 4.06; ARB 43, Ch. 3A, par. 6 (AC B05.107); SFAS 5, par. 18 (AC C59.120)]	___	___	___
6. Are significant concentrations of credit risk arising from cash deposits in excess of federally insured limits disclosed? [SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, which is effective for all fiscal quarters of fiscal years beginning after June 15, 2000, supersedes SFAS 105, and therefore this question. If SFAS 133 has been adopted, refer to the disclosure requirements listed in section O1.] [SFAS 105, par. 20 (AC F25.115)]	___	___	___

C. Federal Funds and Repurchase Agreements

1. Are federal funds and repurchase agreements presented gross, except where a right of offset exists and the conditions described in FASB Interpretation 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*, have been met? [AAG-BNS, par. 12.30]	___	___	___

D. Investment Securities

1. Are debt securities classified as (*a*) held-to-maturity, (*b*) available-for-sale, or (*c*) trading? [SFAS 115, par. 6 (AC I80.103)]	___	___	___
2. If an enterprise presents a classified statement of financial position, are all individual held-to-maturity securities, individual available-for-sale securities, and individual trading securities reported as either current or noncurrent, as appropriate, under the provisions of ARB 43, Chapter 3A, *Working Capital—Current Assets and Current Liabilities*? [SFAS 115, par. 17 (AC I80.116), as amended by SFAS 135]	___	___	___

Practice Tip

Presentation of individual amounts for trading securities, held-to-maturity securities, and available-for-sale securities on the face of the balance sheet is not required as long as the information is provided in the notes to the financial statements.

Note: SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, modifies the disclosure requirements of SFAS 115 paragraphs 19, 20, 21 and 22. If SFAS 133 has been adopted, replace question nos. 3, 4, 5, and 6 below with question nos. 17, 18, 19, 20, 21, and 22 in Section O1 of the "Other Financial Statement Disclosures" section of this checklist.

---

3. For investments in debt and marketable equity securities classified as available-for-sale or held-to-maturity, are the following disclosures made, by major-security type, for each balance sheet presented:			
a. Aggregate fair value?	___	___	___
b. Gross unrealized holding gains and losses?	___	___	___
c. Amortized cost basis?	___	___	___
d. Disclosure of major-security types including:			
(1) Equity securities?	___	___	___
(2) Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies?	___	___	___

	Yes	No	N/A
(3) Debt securities issued by the states of the United States and political subdivisions of the states?	___	___	___
(4) Debt securities issued by foreign governments?	___	___	___
(5) Corporate debt securities?	___	___	___
(6) Mortgage-backed securities?	___	___	___
(7) Other debt securities? [SFAS 115, par. 19 (AC I80.118)]	___	___	___
4. For investments in debt securities classified as available-for-sale and separately for securities classified as held-to-maturity:			
a. Is disclosure made about their contractual maturities as of the date of the latest balance sheet presented (maturity information may be combined in appropriate groupings)?	___	___	___
b. Is disclosure made of the fair value and the amortized cost of debt securities in at least four maturity groupings:			
(1) Within one year?	___	___	___
(2) After one year through 5 years?	___	___	___
(3) After five years through 10 years?	___	___	___
(4) After 10 years?	___	___	___
c. Securities not due at a single maturity date, such as mortgage-backed securities, may be disclosed separately rather than allocated over several maturity groupings; if allocated, is the basis for allocation disclosed? [SFAS 115, par. 20 (AC I80.119)]	___	___	___
5. For each period for which an income statement is presented, are the following disclosed:			
a. The proceeds from sales of available-for-sale securities and gross realized gains and losses for those sales?	___	___	___
b. The basis on which cost was determined in computing realized gain or loss (i.e., specific identification, average cost, or other method used)?	___	___	___
c. The gross gains and losses included in earnings from transfers of securities from the available-for-sale category to the trading category?	___	___	___
d. The change in net unrealized holding gain or loss on available-for-sale securities that is included in other comprehensive income?	___	___	___
e. The change in net unrealized holding gain or loss on trading securities that has been included in earnings? [SFAS 115, par. 21 (AC I80.120)]	___	___	___
6. For any sales of, or transfers from, securities classified as held-to-maturity, are the following disclosed for each period for which an earnings statement is presented:			
a. Amortized cost amount of the sold or transferred security?	___	___	___
b. Related realized or unrealized gain or loss?	___	___	___
c. The circumstances leading to the decision to sell or transfer the security? [SFAS 115, par. 22 (AC I80.121)]	___	___	___

	Yes	No	N/A
7. If investments in high-risk CMOs are significant, are the following disclosures made in the annual financial statements:[2]			
a. The effective yield, calculated as of the reporting date, for either each CMO or for the CMO portfolio (this yield would be used to accrue income in the following period)?	____	____	____
b. The carrying amount and fair value of investments in high-risk CMOs? [EITF 89-4]	____	____	____
8. Is Federal Home Loan Bank or Federal Reserve Bank stock classified separately or in other assets as a restricted equity security, carried at cost, and evaluated for impairment? [AAG-BNS, par. 5.95]	____	____	____
9. [SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* which is effective for all fiscal quarters of fiscal years beginning after June 15, 2000, supersedes SFAS 105. If SFAS 133 has been adopted, refer to the disclosure requirements listed in section O1.] Are significant concentrations of credit risk arising from concentrations of securities of a particular issuer disclosed? [SFAS 105, par. 20 (AC F25.115)]	____	____	____
10. Is the carrying amount of investment assets pledged to secure public funds, securities sold under repurchase agreements, and for other borrowings disclosed in the notes to the financial statements? [AAG-BNS, par. 5.106]	____	____	____
11. For those entities that enter into options with no intrinsic value at acquisition in order to purchase securities accounted for under SFAS 115, is the accounting policy for premiums paid (time value) to acquire options classified as held-to-maturity or available-for-sale disclosed? [EITF 96-11]	____	____	____
E. Investments Accounted for by the Equity Method			☐
1. Are investments in common stock shown in the balance sheet of the investor as a single amount, and is the investor's share of earnings or losses of the investee shown in the income statement as a single amount (except for extraordinary items or prior period adjustments)? [APB 18, par. 19 (AC I82.109c)]	____	____	____
2. Are the following disclosures made for investments in common stock accounted for by the equity method:			
a. The name of each investee and their percentage of ownership of common stock?	____	____	____
b. The accounting policies of the investor with respect to investments in common stock?	____	____	____
c. The difference between the amount at which an investment is carried and the amount of underlying equity in net assets?	____	____	____
d. The accounting treatment of the difference described in *c.*?	____	____	____

[2] These disclosure requirements do not apply to instruments subject to SFAS 125, paragraph 14.

	Yes	No	N/A
e. For investments in common stock for which a quoted market price is available, the aggregate value of each identified investment based on the quoted market price? (This is not required for investments in common stock of subsidiaries.)	___	___	___
f. For investments in common stock, corporate joint ventures, or other investments which are in the aggregate material in relation to the financial position or results of operations of an investor, summarized information as to assets, liabilities, and results of operation of the investees as appropriate?	___	___	___
g. Material effects of conversions of outstanding convertible securities, exercises, or contingent issuances? [APB 18, par. 20 (AC I82.110)]	___	___	___
3. If the reporting entity holds 20 percent or more of the voting stock of a significant investee corporation but does not account for the investment using the equity method, are the following disclosed:			
a. The name of such investee?	___	___	___
b. The reasons why the equity method is not considered appropriate? [APB 18, par. 20, fn. 13 (AC I82.110, fn. 14)]	___	___	___
4. If the reporting entity holds less than 20 percent of the voting stock of a significant investee corporation and accounts for the investment using the equity method, are the following disclosed:			
a. The name of such investee?	___	___	___
b. The reasons why the equity method is considered appropriate? [APB 18, par. 20, fn. 13 (AC I82.110, fn. 14)]	___	___	___

Practice Tip

The significance of an investment to the investor's financial position and results of operations should be considered in evaluating the extent of disclosures relating to the financial position and results of operations of an investee.

F. Loans Held for Sale

Note: For sales and servicing of assets, see part S, "Transfers and Servicing of Financial Assets" of the "General" section of this checklist.

	Yes	No	N/A
1. Does the institution distinguish between (*a*) loans held for sale and (*b*) loans held for long-term investment? [SFAS 65, par. 28 (AC Mo4.129)]	___	___	___
2. Has the method used in determining the lower of cost or market value of loans (that is, aggregate or individual loan basis) been disclosed? [SFAS 65, par. 29 (AC Mo4.130)]	___	___	___
3. Are the fair value and the method(s) and significant assumptions used to estimate the fair value disclosed? [SFAS 107, par. 10 (AC F25.115C)]	___	___	___
4. Are loans held for sale reported separately in the balance sheet at the lower of cost or market value? [AAG-BNS, par. 6.72]	___	___	___

	Yes	No	N/A
5. Is the amount of aggregate gains or losses on sales of loans (including adjustments to record loans held for sale at the lower of cost or market value) presented separately on the face of the income statement? [AAG-BNS, par. 8.29]	____	____	____

G. Loans Receivable

1. Are the following disclosed separately either in the balance sheet or in the notes to the financial statements:

	Yes	No	N/A
a. Major categories of loans?	____	____	____
b. The allowance for credit losses?	____	____	____
c. Unearned income?	____	____	____
d. Unamortized premiums and discounts?	____	____	____
e. Net unamortized deferred fees and costs?	____	____	____
f. Undisbursed portion of loans receivable (loans in process)? [AAG-BNS, par. 6.72]	____	____	____

2. If the institution continues to account for certain restructured loans that were restructured in a trouble debt restructuring involving a modification of terms before the effective date of SFAS 114 and that are not impaired based on the terms of the restructuring agreement, has the following information about those troubled debt restructurings been made as of the date of each balance sheet presented:

	Yes	No	N/A
a. The aggregate recorded investment?	____	____	____
b. The gross interest income that would have been recorded in the period then ended if those loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, if held for part of the period?	____	____	____
c. The amount of interest income on those loans that were included in net income for the period?	____	____	____

(*Note:* The institution may disclose the above information by major category, for the aggregate of outstanding reduced-earning and nonearning loans rather than separately for outstanding loans whose terms have been modified in troubled debt restructurings.) [AAG-BNS, par. 6.72, fn. 10; SFAS 114, par. 27; SFAS 15, pars. 40 and 41 (AC D22.136 and .137)]

	Yes	No	N/A
3. Has the amount of commitments, if any, to lend additional funds to debtors owing loans whose terms have been modified in troubled debt restructurings been disclosed? [SFAS 15, par. 40b (AC D22.136)]	____	____	____

4. If impairment of loans has been recognized, has the following information been disclosed either in the body of the financial statements or in the accompanying notes:
(*Note:* Information about an impaired loan that has been restructured in a troubled debt restructuring involving a modification of terms need not be included in the disclosures under *a.* and *c.* below in years after the restructuring if (1) the restructuring agreement specifies an interest rate equal to or greater than the rate that the creditor was willing to accept at the time of the restructuring for a new loan with comparable risk and (2) the loan is not impaired based on the terms specified by the restructuring agreement.)

	Yes	No	N/A
a. As of the date of each statement of financial position presented:			
(1) The total recorded investment in the impaired loans at the end of each period?	____	____	____
(2) The amount of that recorded investment for which there is a related allowance for credit losses determined in accordance with SFAS 114 and the amount of the allowance?	____	____	____
(3) The amount of that recorded investment for which there is no related allowance for credit losses determined in accordance with SFAS 114?	____	____	____
b. The institution's policy for recognizing interest income on impaired loans, including how cash receipts are recorded?	____	____	____
c. For each period for which results of operations are presented:			
(1) The average recorded investment in the impaired loans during each period?	____	____	____
(2) The related amount of interest income recognized during the time within that period that the loans were impaired?	____	____	____
(3) If practicable, the amount of interest income recognized using a cash-basis method of accounting during the time within that period that the loans were impaired? [SFAS 118, par. 6i (AC I08.118)]	____	____	____
5. When a loan is restructured in a troubled debt restructuring (as defined in SFAS 15) into two (or more) loan agreements, are the restructured loans considered separately when assessing the applicability of the disclosures described in Step 5 above? [EITF 96-22]	____	____	____
6. Is the total carrying value of loans pledged disclosed? [AAG-BNS, par. 6.73]	____	____	____
7. Are loans to related parties disclosed? [AAG-BNS, par. 6.79; SFAS 57, par. 2 (AC R36.102)]	____	____	____
8. Have commitments to originate loans been disclosed? [AAG-BNS, par. 6.68]	____	____	____
9. Are loans that are accounted for as real estate investments or joint ventures classified in other assets or other real estate owned? [AAG-BNS, par. 6.63]	____	____	____
10. Is the accounting policy, the net amount capitalized at the balance-sheet date, and the amortization period(s) with respect to credit card fees and costs for both purchased and originated credit cards disclosed? [EITF 92-5]	____	____	____
H. Allowance for Loan Losses			
1. Is the allowance for loan losses disclosed in the financial statements and deducted from the related assets? [AAG-BNS, par. 6.72; APB 12, par. 3 (AC V18.102)]	____	____	____

Yes No N/A

2. Are allowances necessary for off-balance-sheet instruments reported separately as liabilities and not as part of the allowance for loan losses? [AAG-BNS, par. 7.15]

3. Is a description of the accounting policies and the method used to estimate the allowance or liability and related provisions for loan or other credit losses included in the notes to the financial statements? [AAG-BNS, par. 7.33]

4. For each period for which an income statement is presented, has disclosure been made of the activity in the allowance for loan losses including the following:

   a. Opening balance?

   b. Additions charged to operations?

   c. Direct write-down charged against the allowance?

   d. Recovery of amounts previously charged off?

   e. Ending balance? [SFAS 118, par. 6 (AC 108.118 and 118A)]

I. Foreclosed Assets

Note: If foreclosed assets are impaired, certain disclosures under SFAS 121 are required. See section J, "Premises and Equipment."

1. Are foreclosed assets disclosed as a separate balance-sheet amount or included in other assets in the balance sheet, and disclosed in the notes? [AAG-BNS, par. 9.11]

J. Premises and Equipment

1. Are premises and equipment shown on the balance sheet net of accumulated depreciation? [AAG-BNS, par. 10.15]

2. Is the carrying basis of premises and equipment disclosed? [APB 12, par. 5 (AC D40.105)]

3. Are the balances of major classes of depreciable assets disclosed, if material? [APB 12, par. 5b (AC D40.105b); AAG-BNS, par. 10.15]

4. Is accumulated depreciation, either by major classes of assets or in total, disclosed? [APB 12, par. 5c (AC D40.105c); AAG-BNS, par. 10.15]

5. Is depreciation expense for the period disclosed? [APB 12, par. 5 (AC D40.105a)]

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

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

	Yes	No	N/A
8. Is the amount of assets under capitalized leases disclosed in the financial statements? [AAG-BNS, par. 10.15]	____	____	____
9. If an impairment loss is recognized for assets to be held or used, are the following disclosures made in financial statements that include the period of impairment write-down:			
a. A description of the impaired assets and the facts and circumstances leading to the impairment?	____	____	____
b. The amount of the impairment and how fair value was determined?	____	____	____
c. The caption in the income statement in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement?	____	____	____
d. The business segment(s) affected, if applicable? [SFAS 121, par. 14]	____	____	____
10. If assets to be disposed of are accounted for in accordance with paragraphs 15–17 of SFAS 121, are all of the following disclosed in financial statements that include a period which those assets are held:			
a. A description of assets to be disposed of, the facts and circumstances leading to the expected disposal, the expected disposal date, and the carrying amount of those assets?	____	____	____
b. The business segment(s) in which assets to be disposed of are held, if applicable?	____	____	____
c. The loss resulting from the application of paragraph 15 of SFAS 121?	____	____	____
d. The gain or loss, resulting from changes in the carrying amounts of assets to be disposed of that arises from application of paragraph 17 of SFAS 121?	____	____	____
e. The caption in the income statement in which the gains or losses in steps *c.* and *d.* are aggregated if those gains have not been presented as a separate caption or reported parenthetically on the face of the statement?	____	____	____
f. The results of operations for assets to be disposed of to the extent that those results are included in the entity's results of operations for the period and can be identified? [SFAS 121, par. 19]	____	____	____
11. If an impairment loss is recognized, is it reported as a component of income from continuing operations? [SFAS 121, pars. 13 and 18]	____	____	____

K. Other Assets

	Yes	No	N/A
1. If material, are amounts disclosed separately for:			
a. Accrued interest receivable?	____	____	____
b. Premises and equipment?	____	____	____
c. Other real estate, such as foreclosed assets?	____	____	____
d. Servicing assets?	____	____	____

	Yes	No	N/A
e. Identifiable intangible assets, such as core deposit intangibles, and purchased credit card relationships?	____	____	____
f. Goodwill?	____	____	____
g. Customers' liabilities on acceptances?	____	____	____
h. Deferred tax assets? [AAG-BNS, par. 10.01]	____	____	____
2. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired in a combination initiated after September 30, 1982, is the method of amortization disclosed?	____	____	____
L. Deposits			
1. Are overdrawn checking accounts reclassified as loans?	____	____	____
2. Are checks deposited by customers that are in the process of collection and are not available for withdrawal recorded as assets and liabilities? [AAG-BNS, par. 11.31]	____	____	____
3. Are the following disclosures included in the financial statements:			
a. The aggregate amount of time deposit accounts (including CDs) exceeding $100,000 at the balance-sheet date?	____	____	____
b. For deposits payable on demand or with no defined maturities, has the fair value been disclosed as the amount payable on demand at the reporting date?	____	____	____
c. Securities, mortgage loans, or other financial instruments pledged as collateral for deposits?	____	____	____
d. For time deposits having a remaining term of more than one year, the aggregate amount of maturities for each of the five years following the balance-sheet date (in conformity with paragraph 10b of SFAS 47, *Disclosures of Long-Term Obligations*)?	____	____	____
e. The aggregate amount of any demand deposits that have been reclassified as loan balances at the balance-sheet date?	____	____	____
f. The amount of deposits of related parties at the balance-sheet date (in conformity with SFAS 57, *Related Party Disclosures*)?	____	____	____
g. Deposits that are received on terms other than those available in the normal course of business?	____	____	____
h. The fair values of deposits (in conformity with SFAS 107, *Disclosures about Fair Value of Financial Instruments*)? [AAG-BNS, par. 11.32]	____	____	____
M. Income Taxes			
1. Are the components of the total of net deferred tax liability or asset recognized in the statement of condition disclosed?	____	____	____
a. The total of all deferred tax liabilities?	____	____	____
b. The total of all deferred tax assets?	____	____	____
c. The total valuation allowance for deferred tax assets? [SFAS 109, par. 43 (AC I27.142)]	____	____	____

	Yes	No	N/A

N. Debt and Extinguishments of Liabilities

1. Are significant categories of borrowings disclosed as separate line items in the liability section of the balance sheet? [AAG-BNS, par. 13.27] ____ ____ ____

2. Do the notes disclose the principal terms of the respective agreements including, but not limited to, the following:
   a. The title or nature of the agreement, or both? ____ ____ ____
   b. The interest rate (and whether it is fixed or floats)? ____ ____ ____
   c. The payment terms and maturity date(s)? ____ ____ ____
   d. Collateral? ____ ____ ____
   e. Conversion or redemption features? ____ ____ ____
   f. Whether borrowings are senior or subordinate? ____ ____ ____
   g. Restrictive covenants (such as dividend restrictions), if any? ____ ____ ____
   h. Maturities and sinking-fund requirements for each of the next five years? ____ ____ ____
   i. If the debt is considered in-substance defeased, a general description of the transaction and the amount of the debt that is considered extinguished at the end of the period as long as the debt remains outstanding? ____ ____ ____
   [AAG-BNS, par. 13.35; SFAS 125, par. 17(b)(AC L35.109a)]

3. For troubled debt restructurings occurring during the period for which financial statements are presented do disclosures include:
   a. For each restructuring, a description of the principal changes in terms? ____ ____ ____
   b. Aggregate gain on restructuring of payables and the related income tax effect? ____ ____ ____
   c. Aggregate net gain or loss on transfers of assets recognized during the period? ____ ____ ____
   d. Per-share amount of the aggregate gain on restructuring of payables, net of related income tax effect? ____ ____ ____
   [SFAS 15, par. 25 (AC D22.121)]

4. For the period after a troubled debt restructuring, do disclosures include:
   a. The extent to which amounts contingently payable are included in the carrying amount of restructured payables? ____ ____ ____
   b. Total amounts that are contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? ____ ____ ____
   [SFAS 15, par. 26 (AC D22.122)]

5. If the entity issued debt securities convertible into a fixed number of common shares, and upon conversion the entity either is requested or has the option to satisfy all or part of the obligation in cash, is the conversion feature and debt obligation presented on the balance sheet as one amount? ____ ____ ____
   [EITF 90-19]

	Yes	No	N/A
6. If a long-term obligation is or will be callable because a loan covenant violation is included as a long-term (or is classified as a long-term liability in the disclosures for an unclassified balance sheet) because it is probable the violation will be cured within a specified grace period, are the circumstances disclosed? [SFAS 78, par. 5]	____	____	____
7. Are mortgage-backed bonds classified as debt on the institution's balance sheet and presented separately from advances, other notes payable, and subordinated debt? [AAG-BNS, par. 13.30]	____	____	____
8. Is debt that is treated as Tier II or supplementary capital for regulatory purposes separately disclosed? [AAG-BNS, par. 13.32]	____	____	____
9. If there is an extinguishment of debt, including prepayment of FHLB advances and conversions, is the difference between reacquisition price and carrying amount identified:			
a. As income in the period of extinguishment as gain or loss? [APB 26, pars. 20 and 21 (AC D14.103 and .104)]	____	____	____
b. As a separate or extraordinary item, as appropriate? [SFAS 4, par. 8, as amended by SFAS 64, par. 4 (AC D14.105)]	____	____	____
10. Do disclosures for extinguishments of debt that are classified as extraordinary items include:			
a. A description of the extinguishment transactions, including the sources of any funds used to extinguish debt if it is practicable to identify the sources?	____	____	____
b. Income tax effect in the period of extinguishment?	____	____	____
c. The per-share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC L35.109c)]	____	____	____
11. If assets are set aside after January 1, 1997 solely for satisfying scheduled payments of a specific obligation, is disclosure made describing the nature of restrictions placed on those assets? [SFAS 125, par. 17c (AC L35.109b)]	____	____	____
12. Are borrowings outstanding under a revolving credit agreement that includes both a subjective acceleration clause and a requirement to maintain a lock-box arrangement, whereby remittances from the borrower's customers reduce the debt outstanding, classified as short-term obligations? [EITF 95-22]	____	____	____

O. Other Liabilities

	Yes	No	N/A
1. If the institution has not accrued a liability for compensated absences because the amount cannot be reasonably estimated, has that fact been disclosed? [SFAS 43, par. 6 (AC C44.104)]	____	____	____
2. For insurance-related assessments:			
a. If amounts relating to insurance-related assessments have been discounted pursuant to the provisions of SOP 97-3, *Accounting by Insurance and Other Enterprises for Insurance-Related Assessments*			

Yes	No	N/A

(effective for financial statements for fiscal years beginning after December 15, 1998, with earlier adoption encouraged), has the entity disclosed in the financial statements the undiscounted amounts of the liability and any related asset for premium tax offsets or policy surcharges as well as the discount rate used? ____ ____ ____

b. If amounts have not been discounted, has the entity disclosed in the financial statements the amounts of the liability, any related asset for premium tax offsets or policy surcharges, the periods over which the assessments are expected to be paid, and the period over which the recorded premium tax offsets or policy surcharges are expected to be realized? ____ ____ ____
[SOP 97-3 par. 27]

P. Shareholders' Equity

1. For each class of stock, do disclosures include the number of shares authorized, issued, and outstanding, and par or stated value per share? ____ ____ ____
[Generally Accepted]

2. Are classes of capital stock presented in order of priority in liquidation? ____ ____ ____
[Generally Accepted]

3. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding (e.g., dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, and significant terms of contracts to issue additional shares)? ____ ____ ____
[SFAS 129, par. 4 (AC C24.102)]

4. Do disclosures include the number of shares issued upon conversion, exercise, or satisfaction of required conditions during at least the most recent annual fiscal period and any subsequent interim period presented? ____ ____ ____
[SFAS 129, par. 5 (AC C24.103)]

5. For preferred stock that has a preference in involuntary liquidation considerably in excess of par or stated value of the shares, is the liquidation preference disclosed in the equity section of the balance sheet in the aggregate, either parenthetically or "in short," rather than on a per share basis or in the notes to the financial statements? ____ ____ ____
[SFAS 129, par. 6 (AC C24.104)]

6. Are the following disclosed on the face of the balance sheet or in the notes:

   a. The aggregate or per-share amounts at which preferred stock may be called or are subject to redemption through sinking-fund operations or otherwise? ____ ____ ____

   b. The aggregate and per-share amounts of arrearages in cumulative preferred dividends? ____ ____ ____
   [SFAS 129, par. 7 (AC C24.105)]

7. For redeemable stock, do disclosures include the amount of redemption requirements, separately by issue or combined, for all issues of

	Yes	No	N/A
capital stock that are redeemable at fixed or determinable prices on fixed or redeemable dates in each of the five years following the date of the latest balance sheet? [SFAS 129, par. 8 (AC C24.106)]	___	___	___
8. Are appropriations of retained earnings for loss contingencies clearly identified and included in shareholders' equity? [SFAS 5, par. 15 (AC R70.103)]	___	___	___
9. Are restrictions on payment of dividends disclosed? [SFAS 5, pars. 18 and 19 (AC C59.120)]	___	___	___
10. 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?[3] [ARB 43, Ch. 7A, par. 10 (AC Q15.111); ARB 46 (AC Q15.111); SFAS 111, par.8(a)3]	___	___	___
11. Are the carrying basis, cost and number of shares of any treasury stock held by the reporting entity disclosed? [Generally Accepted]	___	___	___
12. If treasury stock is purchased for purposes other than retirement or if ultimate disposition has not yet been decided is its cost:			
a. Shown separately as a deduction from the total of capital stock, additional paid-in capital, and retained earnings?	___	___	___
or			
b. Accorded the accounting treatment appropriate for retired stock? [APB 6, par. 12b (AC C23.103)]	___	___	___
13. If state laws relating to acquisition of stock restrict the availability of retained earnings for payment of dividends or other significant effects, is appropriate disclosure made? [APB 6, par. 13 (AC C23.104)]	___	___	___
14. For treasury shares purchased at a stated price significantly in excess of current market price, is the allocation of amounts paid and the accounting treatment for such amounts disclosed? [TB 85-6, pars. 1–3 (AC C23.501–.503)]	___	___	___

Income Statement

A. General

	Yes	No	N/A
1. Are the important components of income separately disclosed? [Generally Accepted]	___	___	___

B. Interest Income

	Yes	No	N/A
1. If the enterprise anticipates prepayments in applying the interest method, has the policy and the significant assumptions underlying the prepayment estimates been disclosed? [SFAS 91, par. 19 (AC L20.118)]	___	___	___

[3] As stated in paragraph 8(a)3 of SFAS 111, the dating would rarely, if ever, be of significance after a period of ten years.

	Yes	No	N/A
2. Are amounts of loan origination, commitment, and other fees and costs recognized as an adjustment of yield reported as part of interest income? [SFAS 91, par. 22 (AC L20.121)]	____	____	____

C. Interest Expense

1. If significant, is interest on short positions reported as interest expense? [AAG-BNS, par. 5.91]	____	____	____
2. If no interest is capitalized during the period, are the amount of interest cost and charge to expense disclosed? [SFAS 34, par. 21 (AC I67.118a)]	____	____	____
3. If some interest cost is capitalized during the period, is the total amount of interest cost incurred during the period and the amount thereof that has been capitalized been disclosed? [SFAS 34, par. 21 (AC I67.118b)]	____	____	____
4. Are interest costs associated with product financing arrangements identified separately? [SFAS 49, par. 9 (AC D18.107)]	____	____	____

D. Other Income

1. Is amortization of other fees, such as commitment fees that are being amortized on a straight-line basis over the commitment period or included in income when the commitment expires, reported as service income? [SFAS 91, par. 22 (AC L20.121)]	____	____	____

E. Other Expenses

1. Do disclosures for advertising costs include:

a. The accounting policy selected from the two alternatives in paragraph 26 of SOP 93-7, *Reporting on Advertising Costs,* for reporting advertising, indicating whether such costs are expensed as incurred or the first time the advertising takes place?	____	____	____
b. A description of the direct-response advertising reported as assets (if any), the accounting policy, and the amortization period?	____	____	____
c. The total amount charged to advertising expense for each income statement presented, with separate disclosure of amounts, if any, representing a write-down to net realizable value and the reasons for such a write-down?	____	____	____
d. The total amount of advertising reported as assets in each balance sheet? [SOP 93-7, par. 49]	____	____	____

F. Income Taxes

1. Are the types of significant temporary differences and carryforwards disclosed? [SFAS 109, par. 43 (AC I27.142)]	____	____	____

	Yes	No	N/A
2. Are the following significant components of income tax expense attributable to continuing operations for each year presented disclosed:			
a. Current tax expense or benefit?	____	____	____
b. Deferred tax expense or benefit (exclusive of the effects of other components listed below)?	____	____	____
c. Investment tax credits?	____	____	____
d. The benefits of operating loss carryforwards?	____	____	____
e. Tax expense that results from allocating certain benefits, either directly to contributed capital or to reduce goodwill or other noncurrent intangible assets, of an acquired entity?	____	____	____
f. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the enterprise?	____	____	____
g. Adjustments of the beginning-of-the year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years?	____	____	____
h. Amounts and expiration dates of operating losses and tax carryforwards for tax purposes?	____	____	____
i. Any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill or other noncurrent intangible assets of an acquired entity or directly to contributed capital? [SFAS 109, pars. 45 and 48 (AC I27.144 and .147)]	____	____	____
3. Is the amount of income tax expense or benefit allocated to continuing operations and the amounts separately allocated to other items (in accordance with the provisions of paragraphs 35–39 of SFAS 109 (AC I27.134–.138)) disclosed for each year for which those items are presented? [SFAS 109, par. 46 (AC I27.145)]	____	____	____
4. *a.* Is the nature of significant items for public enterprises disclosed by the use of percentages or dollars for reconciling (i) the reported amount of income tax expense attributable to continuing operations for the year to date and (ii) the amount of income tax expense that would result from applying domestic federal statutory notes to pretax income from operations?	____	____	____
b. Is the nature of significant reconciling items (omission of numerical reconciliation is permitted) for a non-public enterprise disclosed?	____	____	____
c. If not otherwise evident, are the nature and effect of any other significant matters affecting comparability of information for all periods present? [SFAS 109, par. 47 (AC I27.146)]	____	____	____
5. If the institution is a member of a group that files a consolidated tax return, are the following items disclosed in its separately issued financial statements:			

	Yes	No	N/A
a. The aggregate amount of current and deferred tax expense for each statement of income presented and the amount of any tax-related balances due to or from affiliates as of the date of each statement of condition presented?	____	____	____
b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in *a.* above are presented? [SFAS 109, par. 49a and b (AC I27.148a and b)]	____	____	____
6. Are the amounts of income taxes applicable to the results of discontinued operations disclosed on the income statement or in related notes? [APB 30, par. 8 (AC I13.105)]	____	____	____
7. Are the income taxes applicable to extraordinary events disclosed on the face of the statement of operations or in related notes? [APB 30, par. 11 (AC I17.102)]	____	____	____

G. Discontinued Operations

	Yes	No	N/A
1. Are operations of any segments that have been or will be discontinued reported separately from income from continuing operations and as a component of income before extraordinary items and the cumulative effect of accounting changes (if any)? [APB 30, par. 8 (AC I13.105)]	____	____	____
2. Is any gain or loss from disposal of any discontinued segments reported in conjunction with results of discontinued operations as a component of income before extraordinary items? [APB 30, par. 8 (AC I13.105)]	____	____	____
3. Are amounts of income taxes applicable to the results of discontinued operations and the gains or losses from disposals disclosed on the face of the income statement or in the notes to the financial statements? [APB 30, par. 8 (AC I13.105)]	____	____	____
4. Are revenues applicable to discontinued operations separately disclosed in the notes to the financial statements? [APB 30, par. 8 (AC I13.105)]	____	____	____
5. For the period encompassing the measurement date, do notes to financial statements disclose:			
a. Identity of the segment discontinued?	____	____	____
b. Expected disposal date, if known?	____	____	____
c. Expected manner of disposal?	____	____	____
d. Description of the remaining assets and liabilities of the discontinued segment at the balance-sheet date?	____	____	____
e. Income or loss from operations and any proceeds from disposal of the discontinued segment during the period from the measurement date to the balance-sheet date?	____	____	____

	Yes	No	N/A
f. The fact that the loss on disposal cannot be estimated within reasonable limits, if applicable? [APB 30, par. 18 and par. 18, fn. 7 (AC I13.108 and .109)]			
6. For periods after the measurement date and including the period of disposal, do notes to financial statements disclose the information in Steps 5.*a.*–*e.* above compared with the prior estimates? [APB 30, par. 18 (AC I13.108)]			
7. If any losses on disposals of business segments that were reported in prior periods are adjusted during the current period, are the adjustments separately disclosed as to year of origin, nature, and amount and classified separately on the current period as a gain or loss on disposal of a segment? [APB 30, par. 25 (AC I13.104)]			
8. If an institution decides to dispose of a segment of a business accounted for in accordance with APB 30 and the measurement date occurs after the balance sheet date but before the financial statements for the prior period have been issued and a loss is expected, are the segment's operating results presented as discontinued operations in the income statement of the not yet released financial statements (assuming that the loss does not result from a discrete and identifiable event that occurs unexpectedly after the balance sheet date)? [EITF 95-18]			
9. If an institution has accounted for the discontinuance of a segment in accordance with APB 30 and subsequently decides to retain the segment, is any impairment of the individual assets classified in continuing operations? [EITF 90-16]			
10. If the institution plans to dispose of two segments of a business, and a net gain is expected (one has a net gain and the other a net loss), is that gain shown net? [EITF 85-36]			

H. Extraordinary Items

	Yes	No	N/A
1. Do extraordinary items meet both criteria of (1) unusual nature and (2) infrequency of occurrence? [APB 30, par. 20 (AC I17.107)]			
2. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before net income? [APB 30, par. 11 (AC I17.102)]			
3. Are descriptive captions and amounts (including applicable income taxes) presented for individual extraordinary events or transactions, preferably on the face of the income statement, if practicable? [APB 30, par. 11 (AC I17.102)]			
4. Do disclosures include descriptions of an extraordinary event or transaction and the principal items entering into determination of an extraordinary gain or loss? [APB 30, par. 11 (AC I17.102)]			

	Yes	No	N/A
5. Is each adjustment in the current period of an element of an extraordinary item that was reported in a prior period separately disclosed as to year of origin, nature, and amount and classified separately in the current period as an extraordinary item? [SFAS 16, par. 16c (AC I17.119)]	____	____	____
6. Are material events or transactions that are either unusual in nature or of infrequent occurrence, but not both (and therefore not meeting criteria for extraordinary items):			
a. Reported as a separate component of income from continuing operations?	____	____	____
b. Accompanied by disclosure of the nature and financial effects of each event? [APB 30, par. 26 (AC I22.101)]	____	____	____
7. 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. The per share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC I17.104)]	____	____	____
8. If a debtor enters into a binding contract with a holder of its debt obligation to redeem the debt security at a future date within one year for a specified amount greater than (or less than) the debtor's carrying amount of the debt, is the loss that is recognized classified as an extraordinary item, net of income taxes? [EITF 95-15]	____	____	____

I. Earnings Per Share ☐

Note: SFAS 128, *Earnings per Share,* applies only to entities with publicly held common stock or potential common stock.

	Yes	No	N/A
1. If the reporting entity has a simple capital structure (only common stock outstanding), are basic per-share amounts for income from continuing operations and for net income presented on the face of the income statement for all periods for which an income statement or summary of earnings is presented? [SFAS 128, pars. 36 and 38 (AC E11.131 and .133)]	____	____	____
2. If the reporting entity has other than a simple capital structure, are basic and diluted per-share amounts for income from continuing operations and for net income presented on the face of the income statement with equal prominence for all periods for which an income statement or summary of earnings is presented? (*Note:* If diluted EPS data are reported for at least one period, they should be reported for all periods presented, even if they are the same amounts as basic EPS.) [SFAS 128, pars. 36 and 38 (AC E11.131 and .133)]	____	____	____
3. If discontinued operations, extraordinary items, or the cumulative effect of accounting changes are reported in the period, are the basic			

	Yes	No	N/A
and diluted per share amounts for those line items presented on the face of the income statement or in the notes? [SFAS 128, par. 37 (AC E11.132)]	___	___	___
4. If per share amounts not required to be presented by SFAS 128 are disclosed, are they disclosed only in the notes and do the disclosures indicate whether the per share amounts are pretax or net of tax? [SFAS 128, par. 37 (AC E11.132)]	___	___	___
5. Are the following disclosed for each period for which an income statement is presented:			
a. A reconciliation of the numerators and denominators of the basic and diluted per share computations for income from continuing operations?	___	___	___
b. The effect that has been given to preferred dividends in arriving at income available to common shareholders' in computing basic EPS?	___	___	___
c. Securities (including those issuable pursuant to contingent stock agreements) that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been antidilutive for the period(s) presented? [SFAS 128, par. 40 (AC E11.135)]	___	___	___
6. For the latest period for which an income statement is presented, do disclosures include a description of any transaction that occurs after the end of the most recent period but before issuance of the financial statements that would have changed materially the number of common shares or potential common shares outstanding at the end of the period if the transaction had occurred before the end of the period? [SFAS 128, par. 41 (AC E11.136)]	___	___	___

J. Comprehensive Income

	Yes	No	N/A
1. Are all components of comprehensive income reported in the financial statements in the period in which they are recognized? [SFAS 130, par. 14 (AC C49.108)]	___	___	___
2. Is a total amount for comprehensive income displayed in the financial statement where the components of other comprehensive income are reported? [SFAS 130, par. 14 (AC C49.108)]	___	___	___
3. Is an amount for net income displayed and included as a component of comprehensive income? [SFAS 130, pars. 15 and 22 (AC C49.109 and .116)]	___	___	___
4. Are items included in other comprehensive income classified separately into foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities? [SFAS 130, par. 17 (AC C49.111)]	___	___	___
5. Are reclassification adjustments made to avoid double counting in comprehensive income of items that are displayed as part of net income for a period that also had been displayed as part of other comprehensive			

	Yes	No	N/A
income in that period or other periods presented on the face of the financial statement in which comprehensive income is reported or disclosed in the notes? [SFAS 130, par. 20 (AC C49.114)]	____	____	____
6. Are comprehensive income and its components displayed in a financial statement that is displayed with the same prominence as the other financial statements? (*Note:* SFAS 130 encourages but does not require that the components of other comprehensive income and total comprehensive income be displayed below the total for net income in a statement that reports results of operations or in a separate statement of comprehensive income that begins with net income.) [SFAS 130, pars. 22 and 23 (AC C49.116 and .117)]	____	____	____
7. Are the components of other comprehensive income displayed either net of related tax effects, or before related tax effects with one amount shown for the aggregate tax effect related to the total of other comprehensive income items? [SFAS 130, par. 24 (AC C49.118)]	____	____	____
8. Is the amount of income tax expense or benefit allocated to each component of other comprehensive income (including reclassification adjustments) displayed on the face of the statement in which those components are displayed or disclosed in the notes to the financial statements? [SFAS 130, par. 25 (AC C49.119)]	____	____	____
9. Is the total of other comprehensive income for a period transferred to a component of equity that is displayed separately from retained earnings and additional paid-in-capital in the balance sheet with a descriptive title such as *accumulated other comprehensive income?* [SFAS 130, par. 26 (AC C49.120)]	____	____	____
10. Are accumulated balances for each classification within accumulated other comprehensive income disclosed on the face of the balance sheet, in the statement of changes in shareholders' equity, or in the notes? [SFAS 130, par. 26 (AC C49.120)]	____	____	____
11. Has the enterprise reported a total for comprehensive income in condensed financial statements of interim periods? [SFAS 130, par. 27 (AC C49.121)]	____	____	____

Note: Questions 12 and 13 apply only if SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* has been adopted. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the effective date of SFAS 133 was amended by SFAS 137).

	Yes	No	N/A
12. Has the entity displayed as a separate classification within other comprehensive income the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments that are reported in comprehensive income pursuant to paragraphs 30 and 41 of SFAS 133? [SFAS 133, par. 46 (AC D50)]	____	____	____
13. As part of the disclosures of accumulated other comprehensive income, pursuant to paragraph 26 of SFAS 130, *Reporting Comprehensive Income,* has the entity separately disclosed the beginning and ending			

	Yes	No	N/A
accumulated derivative gain or loss, the related net change associated with current period hedging transactions, and the net amount of any reclassification into earnings? [SFAS 133, par. 47 (AC D50)]	____	____	____
14. If an additional liability required to be recognized pursuant to SFAS 87, paragraph 36 (AC P16.130), exceeds unrecognized prior-service cost, is the excess (which would represent a net loss not yet recognized as net periodic pension cost) reported in other comprehensive income, net of any tax benefits that result from considering such losses as temporary differences, for purposes of applying the provisions of SFAS 87, paragraph 37 (AC I27) and SFAS 109, paragraph 287? [SFAS 87, par. 37 (AC P16.131)]	____	____	____

K. 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 entity'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)]	____	____	____

Statement of Changes in Stockholders' Equity

A. Are changes in separate accounts of stockholders' equity disclosed? [APB 12, par. 10 (AC C08.102)]	____	____	____
B. Are changes in the number of shares of equity securities disclosed? [APB 12, par. 10 (AC C08.102)]	____	____	____
C. If prior-period adjustments have been recorded during the current year, are their resulting effects (both gross and net of applicable income taxes and including the amounts of income tax applicable to the prior period adjustments) appropriately disclosed:			
1. For single-period statements, does the disclosure indicate the effects of such restatement on the balance of retained earnings at the beginning of the period and on the net income of the immediately preceding period?	____	____	____
2. If financial statements of more than one period are presented, does disclosure include the effects for each of the periods presented in the statements? [APB 9, par. 26 (AC A35.107)]	____	____	____

Practice Tip

Disclosure of restatements in annual reports issued subsequent to the first such post-revision disclosure would ordinarily not be required.

D. If the reporting entity is a publicly traded company and if interim financial data and disclosures are not separately reported for the fourth

	Yes	No	N/A
quarter, are accounting changes made during the fourth quarter, disposals of segments of a business, extraordinary, unusual, or infrequently occurring items recognized in the fourth quarter, and the aggregate effect of year end adjustments that are material to the results of that quarter disclosed in a note to the financial statements? [APB 28, par. 31; SFAS 3, par. 4 (AC I73.147)]	___	___	___
E. If the reporting entity is a publicly traded company, is disclosure about the effect of accounting changes on interim periods that are required by paragraphs 23–26 of APB 28 or by paragraphs 9–13 of SFAS 3 included in a note to the financial statements for the fiscal year in which the change is made? [SFAS 3, par. 14 (AC I73.147)]	___	___	___
F. For a correction of an error, is the nature of the error 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)]	___	___	___

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] if financial statements present both financial position and results of operations? [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 and 28 (AC C25.125 and .126)]	___	___	___
C. 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 purchases, originations, and sales of loans held for sale classified as operating cash flows? [SFAS 102, par. 9 (AC C25.122B); AAG-BNS, par. 8.34]	___	___	___
D. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:			
1. Interest received on loans?	___	___	___
2. Insurance proceeds except those directly related to investing or financing activities?	___	___	___
3. Interest paid to creditors?	___	___	___
4. Payments to suppliers and employees?	___	___	___
5. Payments to governments for taxes, duties, fines, and other fees or penalties?	___	___	___
6. Payments to settle lawsuits?	___	___	___
7. Contributions to charities?	___	___	___
8. Cash flows from purchases, sales, and maturities of trading assets? [SFAS 95, pars. 22 and 23 (AC C25.120 and .121)]	___	___	___

	Yes	No	N/A
E. Are cash receipts and cash payments from investing activities shown separately on statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	____	____	____
F. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:			
1. Net change in interest-bearing deposits with banks?	____	____	____
2. Net change in federal funds sold (if federal funds sold are not included in cash and cash equivalents) and securities purchased under agreements to resell?	____	____	____
3. Net change in loans?	____	____	____
4. Purchases of and proceeds from sales of available-for-sale securities?	____	____	____
5. Proceeds from maturities of available for sale and held-to-maturity securities?	____	____	____
6. Purchases of held-to-maturity securities?	____	____	____
7. Net purchases of property and equipment?	____	____	____
8. Net expenditures on foreclosed real estate?	____	____	____
9. Proceeds from sale of foreclosed real estate?	____	____	____
10. Purchases of mortgage servicing rights? [AAG-BNS, par. 19.12; SFAS 95, pars. 12, 13, and 31 (AC C25.110, .111, and .129); SFAS 115, par. 18 (AC I80.117)]	____	____	____
G. Are cash receipts and cash payments from financing activities shown separately on the statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	____	____	____
H. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities:			
1. Net change in deposit accounts?	____	____	____
2. Net change in borrowed funds?	____	____	____
3. Net change in federal funds purchased and securities sold under agreements to repurchase?	____	____	____
4. Issuance and repayment of long-term debt?	____	____	____
5. Dividends paid?	____	____	____
6. Debt issue costs? [AAG-BNS, par. 19.12; EITF 95-13]	____	____	____
I. If applicable, is the effect of exchange rate changes on cash balances held in foreign currencies shown separately? [SFAS 95, par. 25 (AC C25.123)]	____	____	____
J. Is the change in cash and due from banks shown in the statement of cash flows? [AAG-BNS, par. 19.12; SFAS 95, par. 26 (AC C25.124)]	____	____	____
K. Is a reconciliation of net income to net cash flow from operating activities presented, either within the statement of cash flows or in a separate schedule (the reconciliation should separately report all major reconciling items pertaining to operating activities)? [SFAS 95, pars. 29 and 30 (AC C25.127 and .128)]	____	____	____

	Yes	No	N/A
L. Are noncash investing and financing activities (i.e., converting debt to equity) summarized either in a narrative or a separate schedule? [SFAS 95, par. 32 (AC C25.134)]	____	____	____
M. If the indirect method of reporting operating cash flows is used, are the amounts of interest paid (net of amounts capitalized) and income taxes paid disclosed in a separate schedule or footnote for each year presented? [SFAS 95, par. 29 (AC C25.127)]	____	____	____
N. Are the following classes of operating cash receipts and payments for entities using the direct method, at a minimum, separately disclosed:			
1. Cash collected from customers, including lessees, licensees, and the like?	____	____	____
2. Interest and dividends received?	____	____	____
3. Other operating cash receipts, if any?	____	____	____
4. Cash paid to employees and other suppliers of goods or services, including suppliers of insurance, advertising, and the like?	____	____	____
5. Interest paid?	____	____	____
6. Income taxes paid?	____	____	____
7. Other operating cash payments, if any? [SFAS 95, par. 27 (AC C25.125)]	____	____	____

General

A. Titles and References

1. Are the financial statements suitably titled? [Generally Accepted]	____	____	____
2. Does each statement include a general reference to the notes that are an integral part of the financial statement presentation? [Generally Accepted]	____	____	____

B. Disclosure of Accounting Policies

1. Is a description of all significant accounting policies of the entity presented as an integral part of the financial statements? [APB 22, par. 8 (AC A10.102)]	____	____	____
2. Do the summary or notes identify and describe all significant accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position, cash flows, and results of operations? [APB 22, par. 12 (AC A10.105)]	____	____	____
3. Do those principles and methods identified in question 2 include all instances in which there:			
a. Is a selection from existing acceptable alternatives?	____	____	____
b. Are principles and methods peculiar to the industry in which the reporting entity operates, even if such principles and methods are predominantly followed in that industry?	____	____	____
c. Are unusual or innovative applications of GAAP? [APB 22, par. 12 (AC A10.105)]	____	____	____

	Yes	No	N/A
4. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the financial statements and notes thereto) so duplication of details is avoided? [APB 22, par. 14 (AC A10.107)]	____	____	____
5. Does the disclosure of significant accounting policies include an explanation of the accounting policy for securities, including the basis for classification? [AAG-BNS, par. 5.100]	____	____	____
6. Are the following disclosed in the summary of significant accounting policies:			
a. The basis of accounting for loans and lease financings, both held in a portfolio and held for sale?	____	____	____
b. The methods of determining carrying amounts of loans held for sale (required for mortgage loans by paragraph 29 of SFAS 65)?	____	____	____
c. The methods and significant assumptions used to estimate the fair value of loans (as required by paragraph 10 of SFAS 107)?	____	____	____
d. The method of estimating credit losses?	____	____	____
e. The method of recognizing interest income on loans, including a statement about the institution's policy for the treatment of loan fees and costs, including the method of amortizing net deferred fees or costs? [AAG-BNS, par. 6.71]	____	____	____
7. If the institution has purchased securities with an agreement to resell, is its policy for requiring collateral or other security under such an arrangement disclosed? [SFAS 125, par. 17a (AC F38.109); AAG-BNS, par. 5.106]	____	____	____
8. Is a description of the institution's depreciation and capitalization policies included in the notes to the financial statements? [AAG-BNS, par. 10.11]	____	____	____
9. Is policy for defining a cash equivalent disclosed? [AAG-BNS, par. 19.13; SFAS 95, par. 10 (AC C25.108)]	____	____	____
10. If consolidated statements are presented, is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, par. 13 (AC A10.106)]	____	____	____
11. Is the policy for requiring collateral or other security disclosed if the institution has entered into repurchase agreements or securities lending transactions? [SFAS 125, par. 17a]	____	____	____
12. If material, is the accounting policy used in recognizing amounts related to a modification of an operating lease (that does not change the lease classification) disclosed? [EITF 95-17]	____	____	____
13. Has disclosure been made of the lessor's accounting policy for contingent rental income?	____	____	____

	Yes	No	N/A
C. Comparative Financial Statements			
1. Are comparative statements considered? [ARB 43, Ch. 2A, pars. 1 and 2 (AC F43.101 and .102)]	___	___	___
2. Are the disclosures included in the prior years' 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)]	___	___	___
D. Accounting Changes			☐
1. For all changes in accounting principles, does disclosure in the period of the change include:			
a. Nature of the change?	___	___	___
b. Justification for the change including a clear explanation of why the newly adopted principle is preferable?	___	___	___
c. Effect on income before extraordinary items and net income?	___	___	___
d. Effect on related per-share amounts? [APB 20, pars. 17 and 19 (AC A06.113 and .115)]	___	___	___
2. For all changes in accounting principles, except those concerning a change in entity and those recognized in paragraphs 27–30 of APB 20:			
a. Are financial statements for prior periods, included for comparative purposes, presented as previously reported?	___	___	___
b. Is the effect of adopting the new accounting principle on income before extraordinary items and on net income and the related earnings-per-share amounts disclosed in the period of the change?	___	___	___
c. Are income before extraordinary items and net income computed on a pro forma basis shown on the face of the income statements for all periods presented as if the newly adopted accounting principle had been applied during all periods affected? [APB 20, pars. 19–21 and 25 (AC A06.115–.117 and .121)]	___	___	___
3. If appropriate, is the cumulative effect of a change in accounting principle shown separately between the captions "extraordinary items" and "net income"? [APB 20, pars. 20 and 21 (AC A06.116 and .117 and E09.104)]	___	___	___
4. Is the reason for not reporting the cumulative effect of the change and not disclosing the pro forma amounts for prior years disclosed if it is impossible to determine such effect? [APB 20, pars. 25 and 26 (AC A06.121 and .122)]	___	___	___
5. If a change in an accounting estimate affects several future periods, is its effect on income before extraordinary items, net income, and related per share amounts of the current period disclosed? [APB 20, par. 33 (AC A06.132)]	___	___	___

	Yes	No	N/A
6. If any accounting change has no material effect in the period of change but is reasonably certain to materially affect later periods, is the change disclosed in the financial statements of the period of change? [APB 20, par. 38 (AC A06.133)]	____	____	____
7. If a change in reporting entity occurs, are the disclosures made in accordance with APB 20, paragraphs 34 and 35? [APB 20, pars. 34 and 35 (AC A35.112 and .113)]	____	____	____
8. If interim financial reports contain an adjustment related to prior interim periods of the current fiscal year, do disclosures include:			
a. The effect on income from continuing operations, net income, and related per share amounts for each prior interim period of the current fiscal year?	____	____	____
b. Income from continuing operations, net income, and related per share amounts for each prior interim period restated? [SFAS 16, par. 15 (AC A35.111)]	____	____	____

E. **Regulatory Matters**

The disclosure requirements that follow should be presented separately for holding companies and all significant insured subsidiaries, as applicable.

	Yes	No	N/A
1. Have the following disclosures relating to Federal regulatory capital requirements been included in the financial statements:			
a. A description of regulatory capital requirements for capital adequacy purposes and established by the prompt corrective action provisions of Section 38 of the Federal Deposit Insurance Act?	____	____	____
b. The actual or possible material effects of noncompliance with such requirements?	____	____	____
c. Whether the institution is in compliance with the regulatory capital requirements, including the following with respect to quantitative measures:[4]			
(1) The institution's required and actual ratios and amounts of Tier I leverage, Tier I risk-based, and total risk-based capital and (for savings institutions) tangible capital?	____	____	____
(2) Factors that may significantly affect capital adequacy such as potentially volatile components of capital, qualitative factors, and regulatory mandates?	____	____	____
d. As of the most recent balance sheet presented, the prompt corrective action category in which the institution was classified as of its most recent notification?	____	____	____
e. As of the most recent balance sheet date, whether management believes any conditions or events since notification have changed the institution's category? [AAG-BNS, pars. 2.53 and 2.56]	____	____	____
2. If, as of the most recent balance sheet presented, the institution is either not in compliance with capital adequacy requirements, or considered less than adequately capitalized under prompt corrective action provisions or both, are the possible material effects of such conditions and events on amounts and disclosures in the financial statements disclosed? [AAG-BNS, par. 2.54]	____	____	____

[4] These amounts may be presented in either narrative or tabular form.

	Yes	No	N/A
3. Has the institution disclosed the following information in situations where there is substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time:			
a. Pertinent conditions and events giving rise to the assessment of substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time?	____	____	____
b. Possible effect of such conditions and events?	____	____	____
c. Management's evaluation of the significance of those conditions and events and any mitigating factors?	____	____	____
d. Possible discontinuance of operations?	____	____	____
e. Management's plans (including relevant prospective financial information)?	____	____	____
f. Information about the recoverability or classification of recorded asset amounts or classification of liabilities? [AAG-BNS, par. 2.54]	____	____	____
4. If other regulatory limitations exist that could materially affect the economic resources of the institution, are the following disclosures made regarding:			
a. Noncompliance with laws and regulations?	____	____	____
b. Supervisory actions or regulatory changes that place limitations or restrictions on operating activities?	____	____	____
c. Classification of the institution under prompt corrective action provisions of the FDI Act?	____	____	____
d. The continued existence of conditions that brought about previous regulatory actions or restrictions?	____	____	____
e. Effects of scheduled increases in deposit insurance premiums?	____	____	____
f. Failure to meet regulatory capital requirements?	____	____	____
g. Limitations on availability of borrowings through the Federal Reserve Bank window?	____	____	____
h. Exposure to the institution posed by transactions with correspondent banks and related limitations on interbank liabilities? [AAG-BNS, pars. 2.55, 2.82, and 2.83]	____	____	____

F. Risks and Uncertainties

	Yes	No	N/A
1. Is a description of the major products and services the institution sells or provides and the principal markets, including the location of those markets, disclosed? [SOP 94-6, par. 10]	____	____	____
2. If the institution operates in more than one business, are the relative importance of its operations in each business and the basis for the determination (for example, assets, revenues, or earnings) disclosed? [SOP 94-6, par. 10]	____	____	____
3. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included in the financial statements? [SOP 94-6, par. 11]	____	____	____

	Yes	No	N/A
4. Is the disclosure regarding an estimate made when known information available prior to the issuance of the financial statements indicates that both of the following criteria have been met:			
a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.	___	___	___
b. The effect of the change will be material. [SOP 94-6, par. 13]	___	___	___
5. Does the disclosure in Step 4 above indicate the nature of the uncertainty and include an indication that it is reasonably possible that a change in estimate will occur in the near term?[5] [SOP 94-6, par. 14]	___	___	___
6. If the estimate in Step 4 above involves a loss contingency covered by SFAS 5, *Accounting for Contingencies,* do disclosures include an estimate of the possible loss or range of loss, or state that such an estimate cannot be made? [SOP 94-6, pars. 13 and 14]	___	___	___
7. Is disclosure of the concentrations described in paragraph 22 of SOP 94-6 made, if, based on information known to management prior to issuance of the financial statements, the criteria in paragraph 21 of SOP 94-6 are met? [SOP 94-6, pars. 21 and 22]	___	___	___
8. Have the optional disclosures in paragraphs 14 and 15 of SOP 94-6 been considered? [SOP 94-6, par. 10]	___	___	___
G. Contingencies and Commitments			
1. Is the nature and amount of accrued loss contingencies, including those related to environmental matters, litigation, claims, and assessments, disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	___	___	___
2. For loss contingencies not accrued including environmental matters, 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. Is the nature and amount of guarantees disclosed (e.g., obligations under standby letters of credit, guarantees to repurchase loans that have been sold and commitments to originate loans)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 2 and 3 (AC C59.114)]	___	___	___

[5] If risk reduction techniques are used to mitigate losses to the entity that may result from certain events, these disclosures are encouraged but not required.

	Yes	No	N/A
4. Are gain contingencies adequately disclosed and misleading implications about likelihood of realization avoided? [SFAS 5, par. 17 (AC C59.118)]	___	___	___
5. Is there adequate disclosure of commitments, such as those for capital expenditures, for purchase or sale of securities under financial futures contracts, unused letters of credit, and for funding of loans? [SFAS 5, pars. 18 and 19 (AC C59.120); FASB 80 (AC F80)]	___	___	___
6. Is disclosure made if a subsidiary entity has guaranteed parent company debt? [SFAS 57, par. 1 (AC R36.101)]	___	___	___
7. If the institution as guarantor "lends" its creditworthiness to another party (borrower) for a fee, is the guarantee disclosed in a note, if material? [EITF 85-20]	___	___	___
8. If exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures include the excess amount or state that no estimate is possible? [SFAS 5, par. 10 (AC C59.109)]	___	___	___
9. When, after considering management's plans, the auditor concludes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, is adequate disclosure of the situation made in the financial statements? [SAS 59, par. 10 (AU 341.10)]	___	___	___
H. Environmental Remediation Liabilities			
1. If SOP 96-1, *Environmental Remediation Liabilities*, is applicable, have the appropriate disclosures, required by SOP 96-1, been made? [SOP 96-1]	___	___	___
I. 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 understand 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)]	___	___	___

	Yes	No	N/A
2. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting entity 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 entity being significantly different from those that would have been obtained if the entity were autonomous? [SFAS 57, par. 4 (AC R36.104)]	___	___	___

J. Lessor Leases ☐

When leasing, exclusive of leveraged leasing, is a significant part of the institution's (lessor's) business activities in terms of revenue, net income, or assets, is the following information with respect to leases disclosed in the financial statements or notes thereto:

	Yes	No	N/A
1. For sales-type and direct financing leases:			
a. The components of the net investment as of the date of each balance sheet presented:			
(1) Future minimum lease payments to be received, with separate deductions for:			
(a) Amounts representing executory costs, including any profit thereon, included in the minimum lease payments?	___	___	___
(b) The accumulated allowance for uncollectible minimum lease payments receivable?	___	___	___
(2) Unguaranteed residual values accruing to the benefit of the lessor?	___	___	___
(3) For direct financing leases only, initial direct costs?	___	___	___
(4) Unearned income?	___	___	___
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. 23a, as amended by SFAS 91, par. 25d (AC L10.119a)]	___	___	___
2. Is the method of amortizing deferred investment credits retained on lease transactions disclosed? [AAG-BNS, par. 14.30]	___	___	___
3. Are leasing arrangements described? [SFAS 13, par. 23c (AC L10.119c)]	___	___	___
4. Are the following disclosures made for leveraged leases:			
a. The deferred taxes related to the investment in a leveraged lease shall be presented separately from the remainder of the net investment?	___	___	___
b. Pretax income from leveraged leases?	___	___	___
c. Tax effect of pretax income?	___	___	___

	Yes	No	N/A
d. Amount of investment tax credit recognized as income during the period, if any? [SFAS 13, par. 47 (AC L10.149)]	____	____	____

5. If leveraged leases are a significant part of the institution's (lessor's) business activities in terms of revenue, net income, or assets, are the following additional disclosures made as to the investment in leveraged leases:

	Yes	No	N/A
a. Rental receivable?	____	____	____
b. A receivable for the amount of investment tax credit to be realized on the transaction?	____	____	____
c. Estimated residual value of the leased asset?	____	____	____
d. Unearned and deferred income? [SFAS 13, pars. 43 and 47 (AC L10.149)]	____	____	____
6. For leasing transactions with related parties, are the nature and extent of the transaction disclosed? [SFAS 13, par. 29 (AC L10.125)]	____	____	____

7. For operating leases, do disclosures include:

	Yes	No	N/A
a. The cost and carrying amount (if different) of property on lease or held for leasing by major classes of property according to nature and function, and the amount of accumulated depreciation in total as of the latest balance-sheet date?	____	____	____
b. Minimum future rentals on noncancelable leases as of the latest balance-sheet date presented, in the aggregate and for each of the five succeeding fiscal years?	____	____	____
c. Total contingent rentals included in income for each period for which an income statement is presented? [SFAS 13, par. 23b (AC L10.119b)]	____	____	____
8. If the lessor accrues contingent rental income prior to the lessee's achievement of the specified target (provided achievement of that target is considered probable), has disclosure been made of the impact on rental income as if the lessor's accounting policy was to defer contingent rental income until the specified target is met? [EITF 98-9]	____	____	____

K. Lessee Leases ☐

1. For capital leases, do disclosures include:

	Yes	No	N/A
a. Gross amounts of assets recorded by major classes as of the date of each balance sheet presented? [SFAS 13, par. 16.a.i. (AC L10.112a(1))]	____	____	____
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 separate deductions for executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13, pars. 10 and 16.a.ii. (AC L10.106 and .112a(2))]	____	____	____

	Yes	No	N/A
c. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16.a.iii. (AC L10.112a(3))]	____	____	____
d. Total contingent rentals actually incurred for each period for which an income statement is presented? [SFAS 13, par. 16.a.iv. (AC L10.112a(4))]	____	____	____
e. Separate identification of:			
(1) Assets recorded under capital leases?	____	____	____
(2) Accumulated amortization of capital leases?	____	____	____
(3) Obligations under capital leases?	____	____	____
(4) Amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense? [SFAS 13, par. 13 (AC L10.112a(5))]	____	____	____
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:			
a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?	____	____	____
b. The total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16b (AC L10.112b)]	____	____	____
3. For all operating leases, do disclosures include rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	____	____	____
4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:			
a. Basis for determination of contingent rentals?	____	____	____
b. Terms of any renewal or purchase and options or escalation clauses?	____	____	____
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d)]	____	____	____
L. Employee Stock Ownership Plans			☐
1. If an employer sponsors an ESOP, do the employer's disclosures include:			
a. A description of the plan, the basis for determining contributions, including the employee groups covered, and the nature and effect of significant matters affecting comparability of information for all periods presented?	____	____	____
(1) For leveraged ESOPs and pension reversion ESOPs, does the description include the basis for releasing shares and how dividends on allocated and unallocated shares are used?	____	____	____

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

M. Employers' Disclosures about Pensions and Other Postretirement Benefits

Reduced Disclosure Requirements for Nonpublic Entities

1. For a nonpublic entity[8] has the election been made to disclose the following for its pension and other postretirement benefit plans in lieu of the disclosures required by paragraph 5 of SFAS 132:

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[6] This disclosure need not be made for old ESOP shares for which the entity does not apply the guidance in SOP 93-6.

[7] Employers may wish to disclose additional information about the obligation, particularly information about the timing of payments.

[8] A nonpublic entity is any entity other than one (*a*) whose debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market including securities quoted only locally or regionally, (*b*) that makes a filing with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market or (*c*) that is controlled by an entity covered by (*a*) or (*b*).

	Yes	No	N/A
a. The benefit obligation, fair value of plan assets, and funded status of the plan? [SFAS 132, par. 8a (AC P16.150A, P40.169A)]	____	____	____
b. Employer contributions, participant contributions, and benefits paid? [SFAS 132, par. 8b (AC P16.150A, P40.169A)]	____	____	____
c. The amounts recognized in the statement of financial position, including the net pension and other postretirement benefit prepaid assets or accrued liabilities and any intangible asset and the amount of accumulated other comprehensive income recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132, par. 8c (AC P16.150A, P40.169A)]	____	____	____
d. The amount of net periodic benefit cost recognized and the amount included within other comprehensive income arising from a change in the minimum pension liability recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132, par. 8d (AC P16.150A, P40.169A)]	____	____	____
e. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rate, rate of compensation increase (for pay-related plans), and expected long-term rate of return on plan assets? [SFAS 132, par. 8e (AC P16.150A, P40.169A)]	____	____	____
f. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132, par. 8f (AC P16.150A, P40.169A)]	____	____	____
g. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132, par. 8g (AC P16.150A, P40.169A)]	____	____	____
h. The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [SFAS 132, par. 8h (AC P16.150A, P40.169A)]	____	____	____

Pensions and Other Postretirement Benefits

1. If an employer sponsors one or more defined benefit pension plans or one or more defined benefit postretirement plans has the following information been provided:

   a. A reconciliation of beginning and ending balances of the benefit obligation[9] showing separately, if applicable, the effects during

[9] For defined benefit pension plans, the benefit obligation is the projected benefit obligation-the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered prior to that date. For defined benefit postretirement plans, the benefit obligation is the accumulated postretirement benefit obligation-the actuarial present value of benefits attributed to employee service rendered to a particular date.

	Yes	No	N/A
the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes[10] benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits? [SFAS 132, par. 5a (AC P16.150, P40.169)]	____	____	____
b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes,[11] contributions by the employer, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements? [SFAS 132, par. 5b (AC P16.150, P40.169)]	____	____	____
c. The funded status of the plans, the amounts not recognized in the statement of financial position, and the amounts recognized in the statement of financial position, including:			
(1) The amount of any unamortized prior service cost?	____	____	____
(2) The amount of any unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?	____	____	____
(3) The amount of any remaining unamortized, unrecognized net obligation or net asset existing at the initial date of application of SFAS 87 or SFAS 106?	____	____	____
(4) The net pension or other postretirement benefit prepaid assets or accrued liabilities?	____	____	____
(5) Any intangible asset and the amount of accumulated other comprehensive income recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132, par. 5c (AC P16.150, P40.169)]	____	____	____
d. The amount of net periodic benefit cost recognized, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the amortization of the unrecognized transition obligation or transition asset, the amount of recognized gains and losses, the amount of prior service cost recognized, and the amount of gain or loss recognized due to a settlement or curtailment? [SFAS 132, par. 5d (AC P16.150, P40.169)	____	____	____
e. The amount included within other comprehensive income for the period arising from a change in the additional minimum pension liability recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132, par. 5e (AC P16.150, P40.169)]	____	____	____
f. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rate, rate of compensation increase (for pay-related plans), and expected long-term rate of return on plan assets? [SFAS 132, par. 5f (AC P16.150, P40.169)]	____	____	____

[10] The effects of foreign currency exchange rate changes that are to be disclosed are those applicable to plans of a foreign operation whose functional currency is not the reporting currency pursuant to SFAS 52, *Foreign Currency Translations*.

[11] Refer to footnote 10.

	Yes	No	N/A
g. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132, par. 5g (AC P40.169)]	____	____	____
h. The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on (1) the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost and (2) the accumulated postretirement benefit obligation for health care benefits? (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting). [SFAS 132, par. 5h (AC P40.169)]	____	____	____
i. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132, par. 5i (AC P16.150, P40.169)]	____	____	____
j. If applicable, any alternative amortization method used to amortize prior service amounts or unrecognized net gains and losses pursuant to paragraphs 26 and 33 of SFAS 87 or paragraphs 53 and 60 of SFAS 106? [SFAS 132, par. 5j (AC P16.150, P40.169)]	____	____	____
k. If applicable, any substantive commitment such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation? [SFAS 132, par. 5k (AC P16.150, P40.169)]	____	____	____
l. If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event? [SFAS 132, par. 5l (AC P16.150, P40.169)]	____	____	____
m. An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by SFAS 132? [SFAS 132, par. 5m (AC P16.150, P40.169)]	____	____	____
2. Are amounts related to the employer's results of operations disclosed for each period for which an income statement is presented? [SFAS 132, par. 5 (AC P16.150, P40.169)]	____	____	____
3. Are amounts related to the employer's statement of financial position disclosed for each balance sheet presented? [SFAS 132, par. 5 (AC P16.150, P40.169)]	____	____	____

Employers with Two or More Plans

1. The disclosures required by SFAS 132 may be aggregated for all of an employer's defined benefit pension plans and may be aggregated for

	Yes	No	N/A
all of an employer's defined benefit postretirement plans or may be disaggregated in groups if that is considered to provide the most useful information or is otherwise required by paragraph 7 of SFAS 132. Has the entity elected to aggregate these disclosures?	___	___	___
2. Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligation in excess of assets. The same aggregation is permitted for postretirement plans. Has the entity elected to aggregate these disclosures?	___	___	___
3. If those disclosures are combined, has the employer disclosed the aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets?	___	___	___
4. Has the aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets also been disclosed?	___	___	___
5. Do disclosure of amounts recognized in the statement of financial position present prepaid benefit costs and accrued benefit liabilities separately? [SFAS 132, par. 6 (AC P16.153, P40.172)]	___	___	___
6. An employer may combine disclosures about pension or postretirement benefit plans outside the United States with those for U.S. plans unless the benefit obligations of the plans outside the United States are significant relative to the total benefit obligation and those plans use significantly different assumptions. Has the entity elected to combine these disclosures? [SFAS 132, par. 7 (AC P16.153A, P40.173)]	___	___	___
Defined Contribution Plans			
1. Has the employer disclosed the amount of cost recognized for defined contribution pension or other postretirement benefit plans during the period separately from the amount of cost recognized for defined benefit plans?	___	___	___
2. Do the disclosures include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132, par. 9 (AC P16.162, P40.198)]	___	___	___
Multiemployer Plans			
1. Has the employer disclosed the amount of contributions to multiemployer plans during the period?	___	___	___
2. Has the employer chosen to disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pensions and other postretirement benefits? If so do the disclosures include a description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132, par. 10 (AC P16.166, P40.178)]	___	___	___
3. In some situations, withdrawal from a multiemployer plan may result in an employer's having an obligation to the plan for a portion of its unfunded benefit obligations. If withdrawal under circumstances that			

	Yes	No	N/A
would give rise to an obligation is either probable or reasonably possible, have the provisions of SFAS 5, *Accounting for Contingencies,* been applied? [SFAS 132, par. 11 (AC P16.166)]	___	___	___
4. In some situations, withdrawal from a multiemployer plan may result in employer's having an obligation to the plan for a portion of the plan's unfunded accumulated postretirement benefit obligation. If it is either probable or reasonably possible that (*a*) an employer would withdraw from the plan under circumstances that would give rise to an obligation or (*b*) an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause), has the employer applied the provisions of SFAS 5, *Accounting for Contingencies?* [SFAS 132, par. 11 (AC P40.179)]	___	___	___

N. Consolidations ☐

1. Are the accounts of all majority-owned subsidiaries (except those for which control is likely to be temporary or does not rest with the majority owner) consolidated? [SFAS 94, par. 13 (AC C51.103)]	___	___	___
2. If the financial reporting periods of any subsidiaries are different from that of the parent, are intervening events that materially affect financial position or results of operations disclosed? [ARB 51, par. 4 (AC C51.107)]	___	___	___

O. Financial Instruments ☐

Note: If SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* has been adopted, the following questions do not apply. See section O1 for the required disclosures. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the effective date of SFAS 133 was amended by SFAS 137).

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1. For financial instruments with off-balance-sheet risk (except for those excluded in SFAS 105), are the following disclosed either in the body of the financial statements or in the notes by category of financial instrument:			
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 22, *Disclosure of Accounting Policies?* [SFAS 105, par. 17, as amended by SFAS 119, par. 14 (AC F25.112)]	___	___	___
2. Do the disclosures in questions 1.*a.* and *b.* distinguish between financial instruments with off-balance-sheet risk held or issued for trading purposes, including dealing and other trading activities measured at			

	Yes	No	N/A
fair value with gains and losses recognized in earnings, and financial instruments with off-balance-sheet risk held or issued for purposes other than trading? [SFAS 105, par. 17, as amended by SFAS 119, par. 14 (AC F25.112)]	____	____	____
3. For financial instruments with off-balance-sheet risk (except for those excluded in SFAS 105), are the following disclosed, either in the body of the financial statements or in the notes, by category 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 if the collateral or other security, if any, for the amount due proved to be of no value to the entity?	____	____	____
b. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? [SFAS 105, par. 18, as amended by SFAS 119, par. 14 (AC F25.113)]	____	____	____
4. Do disclosures of all significant concentrations of credit risk arising from all financial instruments, whether off-balance-sheet risk or from individual counterparty or groups of counterparties (except for certain insurance and investment contracts, purchase contracts and pension obligations), include:			
a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	____	____	____
b. The amount of the accounting loss due to credit risk the institution would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and if the collateral or other security, if any, for the amount due proved to be of no value to the institution?	____	____	____
c. The institution's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the institution's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? [SFAS 105, par. 20 (AC F25.115)]	____	____	____

Note: SFAS 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*, amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, to make the disclosures prescribed in SFAS 107 optional for entities that meet all of the following criteria:

a. The entity is nonpublic.
b. The entity's total assets are less than $100 million on the date of the financial statements.
c. The entity has not held or issued any derivative financial instruments, as defined in SFAS 119, *Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments*, other than loan commitments, during the reporting period.

5. Is the fair value of financial instruments, for which it is practicable to estimate that value (except for those excluded in paragraphs 8 and 13

	Yes	No	N/A
of SFAS 107), disclosed, together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial condition?[12] [SFAS 107, par. 10, as amended by SFAS 119, par. 15 (AC F25.115C)]	____	____	____
6. Do the disclosures in Step 5 distinguish between financial instruments held or issued for trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings, and financial instruments held or issued for purposes other than trading? [SFAS 107, par. 10, as amended by SFAS 119, par. 15 (AC F25.115C)]	____	____	____
7. Are the method(s) and significant assumptions used to estimate the fair value of financial instruments disclosed? [SFAS 107, par. 10 (AC F25.115C)]	____	____	____
8. If it is not practicable to estimate the fair market value of a financial instrument, do the disclosures include:			
a. Information pertinent to estimating the fair value of the financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	____	____	____
b. The reasons why it is not practicable to estimate fair value? [SFAS 107, par. 14 (AC F25.115G)]	____	____	____
9. If the offsetting of derivative financial instruments against nonderivative financial instruments is not permitted under FASB Interpretation 39, *Offsetting of Amounts Related to Certain Contracts,* does the institution, in disclosing the fair value of a derivative financial instrument, not:			
a. Combine, aggregate, or net the fair value with the fair value of a nonderivative financial instrument?	____	____	____
b. Net the fair value with the fair value of other derivative financial instruments? [SFAS 107, par. 13, as amended by SFAS 119, par. 15 (AC F25.115J)]	____	____	____
10. For all fiscal years subsequent to the year of transition, are SFAS 107 disclosures included for each year for which a statement of financial position is presented for comparative purposes? [SFAS 107, par. 17]	____	____	____
11. For a written put option involving a reporting entity's own stock that gives the reporting entity a choice of settlement methods, is the classification within equity based on the settlement method that required the written put option to be initially classified as equity under the EITF 94-7 framework? [EITF 96-13]	____	____	____
12. Are the classification guidelines under EITF 96-13 followed for written put options involving a reporting entity's own stock that give the reporting entity a choice of settlement methods? [EITF 96-13]	____	____	____

[12] If disclosed in more than a single note, one of the notes should include a summary table containing the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by SFAS 107, as amended.

	Yes	No	N/A
O1. Financial Instruments			☐

Note: The following disclosures apply only if SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* has been adopted. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the effective date of SFAS 133 was amended by SFAS 137).

Derivative Instruments and Hedging Activities

1. If an entity holds or issues derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133) has disclosure been made of its objectives for holding or issuing those instruments, the context needed to understand those objectives, and its strategies for achieving those objectives? ___ ___ ___
2. Does the description distinguish between derivative instruments (and nonderivative instruments) designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, derivative instruments (and nonderivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, and all other derivatives? ___ ___ ___
3. Does the description also indicate the entity's risk management policy for each of those types of hedges, including a description of the items or transactions for which risks are hedged? ___ ___ ___
4. For derivative instruments not designated as hedging instruments, does the description indicate the purpose of the derivative activity? ___ ___ ___
5. Qualitative disclosures about an entity's objectives and strategies for using derivative instruments may be more meaningful if such objectives and strategies are described in the context of an entity's overall risk management profile. If appropriate, an entity is **encouraged, but not required,** to provide such additional qualitative disclosures. Have such disclosures been made? ___ ___ ___
   [SFAS 133, par. 44 (AC D50)]

6. Do the entity's disclosures for every reporting period for which a complete set of financial statements is presented also include the following:

   Fair value hedges

   a. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under SFAS 52, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:

      (1) The net gain or loss recognized in earnings during the reporting period representing (*a*) the amount of the hedges' ineffectiveness and (*b*) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of income or other statement of financial performance? ___ ___ ___

      (2) The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? ___ ___ ___
      [SFAS 133, par. 45a (AC D50)]

	Yes	No	N/A
Cash flow hedges			
b. For derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:			
(1) The net gain or loss recognized in earnings during the reporting period representing *(a)* the amount of the hedges' ineffectiveness and *(b)* the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of income or other statement of financial performance?	____	____	____
(2) A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated other comprehensive income, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months?	____	____	____
(3) The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments?	____	____	____
(4) The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur? [SFAS 133, par. 45b (AC D50)]	____	____	____
Hedges of the net investment in a foreign operation			
a. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under SFAS 52, that have been designated and have qualified as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, the net amount of gains or losses included in the cumulative translation adjustment during the reporting period? [SFAS 133, par. 45c (AC D50)]	____	____	____
7. The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, has the entity presented a more complete picture of its activities by disclosing that information? **(Encouraged, but not required.)** [SFAS 133, par. 45 (AC D50)]	____	____	____
Disclosures about Fair Value of Financial Instruments			
8. Has the entity disclosed, either in the body of the financial statements or in the accompanying notes[13], the fair value of financial instruments			

[13] If disclosed in more than a single note, one of the notes shall include a summary table. The summary table shall contain the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by this Statement as amended.

	Yes	No	N/A
(except for those excluded in paragraphs 8 and 13 of SFAS 107) for which it is practicable to estimate fair value? [SFAS 107, par. 10 (AC F25)]	___	___	___
9. Has the fair value disclosed in the notes been presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position? [SFAS 107, par. 10 (AC F25)]	___	___	___
10. In disclosing the fair value of a financial instrument, has the entity taken care not to net that fair value with the fair value of other financial instruments—even if those financial instruments are of the same class or are otherwise considered to be related, for example, by a risk management strategy—except to the extent that the offsetting of carrying amounts in the statement of financial position is permitted under the general principle in paragraphs 5 and 6 of FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, or the exceptions for master netting arrangements in paragraph 10 of Interpretation 39 and for amounts related to certain repurchase and reverse repurchase agreements in paragraphs 3 and 4 of FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*? [SFAS 107, par. 14 (AC F25)]	___	___	___
11. If it is not practicable to estimate the fair value of a financial instrument or a class of financial instruments, are the following disclosed:			
a. Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	___	___	___
b. The reasons why it is not practicable to estimate fair value? [SFAS 107, par. 14 (AC F25)]	___	___	___

Note: SFAS 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*, makes the disclosures about fair values of financial instruments prescribed in SFAS 107 optional for reporting entities that:

a. Are nonpublic entities,
b. Have total assets of less than $100 million on the date of the financial statements, and
c. Have no instrument that, in whole or in part, is accounted for as a derivative instrument under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, during the reporting period.

Disclosure about Concentrations of Credit Risk of All Financial Instruments

12. Except as indicated in paragraph 15B[14] of SFAS 107, has the entity disclosed all significant concentrations of credit risk arising from *all*

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[14] SFAS 107, paragraph 15B, provides that these disclosure requirements do not apply to the following financial instruments, whether written or held:

a. Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of SFAS 87 (Financial instruments of a pension plan, other than the obligations for pension benefits, when subject to the accounting and reporting requirements of SFAS 35, *Accounting and Reporting by Defined Benefit Pension Plans*, are subject to the reporting of paragraph 15A).

b. The financial instruments described in paragraphs 8(a), 8(c), 8(e), and 8(f) of SFAS 107, as amended by SFAS 112, *Employers' Accounting far Postemployment Benefits*, SFAS 123, *Accounting for Stock Based Compensation*, and SFAS 125, except for reinsurance receivables and prepaid reinsurance premiums.

	Yes	No	N/A
financial instruments, whether from an individual counterparty or groups of counterparties (*Group concentrations* of credit risk exist if a number of counterparties are engaged in similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions)? [SFAS 107, par. 15A (AC F25)]	____	____	____
13. Has the entity made the following disclosures about each significant concentration:			
a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?	____	____	____
b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity?	____	____	____
c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments?	____	____	____
d. The entity's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the entity's maximum amount of loss due to credit risk? [SFAS 107, par. 15A (AC F25)]	____	____	____
14. Has the entity disclosed quantitative information[15] about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks **(encouraged, but not required)**? [SFAS 107, par. 15C (AC F25)]	____	____	____
15. For a written put option involving a reporting entity's own stock that gives the reporting entity a choice of settlement methods, is the classification within equity based on the settlement method that required the written put option to be initially classified as equity under the EITF 94-7 framework? [EITF 96-13]	____	____	____
16. Are the classification guidelines under EITF 96-13 followed for written put options involving a reporting entity's own stock that give the reporting entity a choice of settlement methods? [EITF 96-13]	____	____	____

[15] Appropriate ways of reporting the quantitative information encouraged will differ for different entities and will likely evolve over time as management approaches and measurement techniques evolve. Possibilities include disclosing (*a*) more details about current positions and perhaps activity during the period, (*b*) the hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices, (*c*) a gap analysis of interest rate repricing or maturity dates, (*d*) the duration of the financial instruments, or (*e*) the entity's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year. This list is not exhaustive, and an entity is encouraged to develop other ways of reporting quantitative information.

	Yes	No	N/A
Note: If SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, has been adopted, replace Steps 3, 4, 5 and 6 in Section D of the "Statement of Condition" section with the following questions:			
17. For securities classified as available-for-sale, has the reporting entity made the following disclosures by major-security type as of each date for which a statement of financial position is presented:			
a. Aggregate fair value?	____	____	____
b. Total gains for securities with net gains in accumulated other comprehensive income?	____	____	____
c. Total losses for securities with net losses in accumulated other comprehensive income? [SFAS 115, par. 19 (AC I80.118)]	____	____	____
18. For securities classified as held-to-maturity, has the reporting entity made the following disclosures by major-security type as of each date for which a statement of financial position is presented:			
a. Aggregate fair value?	____	____	____
b. Gross unrecognized holding gains or losses?	____	____	____
c. Net carrying amount?	____	____	____
d. Gross gains and losses in accumulated other comprehensive income for any derivatives that hedged the forecasted acquisition of the held-to-maturity securities? [SFAS 115, par. 19 (AC I80.118)]	____	____	____
19. In complying with the above requirements, has disclosure been made of major security types including:			
a. Equity securities?	____	____	____
b. Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies?	____	____	____
c. Debt securities issued by the states of the United States and political subdivisions of the states?	____	____	____
d. Debt securities issued by foreign governments?	____	____	____
e. Corporate debt securities?	____	____	____
f. Mortgage-backed securities?	____	____	____
g. Other debt securities? [SFAS 115, par. 19 (AC I80.118)]	____	____	____
20. For investments in debt securities classified as available-for-sale or held-to-maturity:			
a. Is disclosure made about their contractual maturities as of the date of the latest balance sheet presented (maturity information may be combined in appropriate groupings)?	____	____	____
b. If securities not due at a single date (such as mortgage-backed securities) are allocated over several maturity groupings, is the basis for allocation disclosed? [SFAS 115, par. 20 (AC I80.119)]	____	____	____

	Yes	No	N/A
21. For each period for which an income statement is presented, are the following disclosed:			
a. The proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales?	___	___	___
b. The basis on which the cost of a security sold or the amount reclassified out of accumulated other comprehensive income into earnings was determined (i.e., specified identification, average cost, or other method used)?	___	___	___
c. The gross gains and losses included in earnings from transfers of securities from the available-for-sale category to the trading category?	___	___	___
d. The amount of the net unrealized holding gain or loss on available-for-sale securities for the period that has been included in accumulated other comprehensive income and the amount of gains and losses reclassified out of accumulated other comprehensive income into earnings for the period?	___	___	___
e. The portion of trading gains and losses for the period that relates to trading securities still held at the reporting date? [SFAS 115, par. 21 (AC I80.120)]	___	___	___
22. For any sales of or transfers from securities classified as held-to-maturity, are the following disclosed for each period for which an earnings statement is presented:			
a. Net carrying amount of the sold or transferred security?	___	___	___
b. The net gain or loss in accumulated other comprehensive income for any derivative that hedged the forecasted acquisition of the held-to-maturity security?	___	___	___
c. Related realized or unrealized gain or loss?	___	___	___
d. The circumstances leading to the decision to sell or transfer the security? [SFAS 115, par. 22 (AC I80.121)]	___	___	___
P. Foreign Currency			☐
1. Is the aggregate transaction gain or loss included in net income for the period disclosed? (Note—for this disclosure, gains and losses on forward contracts determined in conformity with the requirements of paragraphs 18 and 19 of SFAS 52, shall be considered transaction gains or losses.[16]) [SFAS 52, par. 30 (AC F60.140)]	___	___	___
2. Is an analysis of changes during the period in the accumulated amount of translation adjustments included, and does it disclose:			
a. Beginning and ending amount of cumulative translation adjustments?	___	___	___

[16] If SFAS 133, has been adopted, the phrase "forward contracts determined in conformity with the requirements of paragraphs 18 and 19 of SFAS 52 shall be considered transaction gains or losses" is replaced by "derivative instruments shall comply with paragraph 45 of SFAS 133." SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the effective date of SFAS 133 was amended by SFAS 137).

	Yes	No	N/A
b. The aggregate adjustment for the period resulting from translation adjustments and gains and losses from certain hedges and intercompany balances? (Note—Paragraph 45c of SFAS 133 specifies additional disclosures for instruments designated as hedges of the foreign currency exposure of a net investment in a foreign operation. See section J1)	____	____	____
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)]	____	____	____
3. If significant rate changes have occurred after the date of the financial statements, are the effects on unsettled balances related to foreign currency translations disclosed? [SFAS 52, par. 32 (AC F60.142)]	____	____	____
4. Are any foreign earnings reported in addition to amounts received in the U.S. disclosed, if significant? [ARB 43, Ch. 12, par. 5 (AC F65.102)]	____	____	____
5. If the reporting entity entered into a foreign currency swap contract to replace foreign currency debt with reporting currency debt, is the contract accounted for separately and not netted against the foreign currency debt (because they are two separate legal transactions and do not have the legal right of setoff)? [EITF 86-25; FASBI 39]	____	____	____

Q. Futures Contracts ☐

Note: If SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* has been adopted, question no. 1 does not apply. See section J1 for the required disclosures. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the effective date of SFAS 133 was amended by SFAS 137).

	Yes	No	N/A
1. 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)]	____	____	____

R. Derivatives ☐

Note: If SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* has been adopted, the following questions do not apply. See section O1 for the required disclosures. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the effective date of SFAS 133 was amended by SFAS 137).

	Yes	No	N/A
1. For options held and other derivative financial instruments not within the scope of SFAS 105 that do not have off-balance-sheet risk, are the following disclosures made by category of financial instrument:			
a. The face or contract amount (or notional principal amount if there is no face or contract amount)?	___	___	___
b. The nature and terms, including a discussion of:			
(1) Credit and market risk?	___	___	___
(2) Cash requirements?	___	___	___
(3) Related accounting policy as required by APB 22?	___	___	___
c. Do disclosures in Steps 1.*a.* and *b.* above distinguish between financial instruments held or issued for:			
(1) Trading purposes, including dealing and other trading activities measured at fair value with gains and losses recognized in earnings?	___	___	___
(2) Purposes other than trading? [SFAS 119, pars. 8 and 9 (AC F25.115L and .115M)]	___	___	___
2. Does the institution that holds or issues derivative financial instruments for trading purposes disclose:			
a. The average fair value during the reporting period and the related end-of-period fair value, distinguishing between assets and liabilities?	___	___	___
b. The net gains or losses (net trading revenue) arising from trading activities during the reporting period disaggregated by class, business activity, risk or other category consistent with management of those activities and where those net trading gains or losses are reported in the income statement?	___	___	___
(1) If the disaggregation is other than by class, did the entity also disclose for each category the classes of derivative financial instruments, other financial instruments, and nonfinancial assets and liabilities from which the net trading gains and losses arose?	___	___	___
c. The average fair value for assets and liabilities from the trading of other types of financial instruments or nonfinancial assets? ***(This disclosure is encouraged but not required.)*** [SFAS 119, par. 10 (AC F25.115N)]	___	___	___
3. Does an institution that holds or issues derivative financial instruments for purposes other than trading disclose:			
a. A description of:			
(1) The objectives for holding or issuing?	___	___	___
(2) The context needed to understand those objectives?	___	___	___
(3) The strategies for achieving those objectives?	___	___	___
(4) The classes of derivative financial instruments used?	___	___	___

	Yes	No	N/A
b. A description of how each class of derivative financial instrument is reported in the financial statements, including:			
(1) The policies for recognition and measurement or nonrecognition of the derivative financial instruments?	___	___	___
(2) When recognized, where the instruments and related gains and losses are reported?	___	___	___
c. For derivative financial instruments that are held or issued and accounted for as hedges of anticipated transactions, both firm and forecasted transactions for which there is no firm commitment, including:			
(1) A description of the anticipated transactions whose risks are hedged, including the expected time period of occurrence?	___	___	___
(2) A description of the classes of derivative financial instruments used to hedge?	___	___	___
(3) The amount of explicitly deferred hedging gains and losses?	___	___	___
(4) A description of the transaction or events that result in recognition in earnings of the deferred gains or losses? [SFAS 119, par. 11 (AC F25.115O)]	___	___	___
4. Are the following encouraged, but not required, quantitative disclosures made:			
a. Interest rate?	___	___	___
b. Foreign exchange?	___	___	___
c. Commodity price?	___	___	___
d. Other market risks consistent with management's strategies?	___	___	___
e. Information of the risk of other financial instruments or nonfinancial assets and liabilities related by risk management strategy pertaining to the objectives for holding or issuing derivative financial instruments?[17] [SFAS 119, pars. 12 and 13 (AC F25.115P and .115Q)]	___	___	___
S. Transfers and Servicing of Financial Assets			☐
1. If it is not practicable to estimate the fair value of certain assets obtained or liabilities incurred in transfers of financial assets during the period, are those items and the reasons why it is not practicable to estimate fair value described in the notes to the financial statements? [SFAS 125, par. 17d]	___	___	___
2. For all servicing assets and servicing liabilities are the following disclosures made:			
a. The amounts of servicing assets or liabilities recognized and amortized during the period?	___	___	___

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

	Yes	No	N/A
b. The fair value of recognized servicing assets and liabilities for which it is practicable to estimate that value and the method and significant assumptions used to estimate the fair value?	____	____	____
c. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with paragraph 37 of SFAS 125?	____	____	____
d. The activity in any valuation allowance for impairment of recognized servicing assets—including beginning and ending balances, aggregate additions charged and reductions credited to operations, and aggregate direct write-downs charged against the allowances—for each period for which results of operations are presented? [SFAS 125, par. 17e]	____	____	____

T. Nonmonetary Transactions ☐

1. Are the following disclosures for nonmonetary transactions made:

	Yes	No	N/A
a. Nature of transactions?	____	____	____
b. Basis of accounting?	____	____	____
c. Gain or loss recognized on the transfer? [APB 29, par. 28, fn. 7 (AC C11.102, AC N35.120); FASBI 30 (AC N35.114–.119)]	____	____	____

U. Subsequent Events ☐

	Yes	No	N/A
1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provide additional evidence about conditions that existed at the balance-sheet date? [SFAS 5, par. 8 (AC C59.115); SAS 1, sec. 560.03, .04, and .07 (AU 560.03, .04, .07, and 561.01–.10)]	____	____	____
2. Are subsequent events that provide evidence about conditions that did not exist at the balance-sheet date, but arose subsequent to that date, adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120); SAS 1, sec. 560.05–.07 and .09 (AU 560.05–.07 and .09)]	____	____	____

Note: Consider the appropriateness of dual-dating the auditor's report if a subsequent event is disclosed in the financial statements (AU 530.05).

V. Costs to Exit an Activity ☐

	Yes	No	N/A
1. For nonpublic institutions, if there is a restructuring charge, is it reflected using the most meaningful income statement presentation within the framework of APB 30? [EITF 87-4]	____	____	____

2. If a material liability is recognized for certain employee termination benefits in accordance with Section A of EITF 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*, are the following disclosures made in all periods until the plan of termination is completed:

	Yes	No	N/A
a. The amount of termination benefits accrued and charged to expense and the classification of those costs in the income statement?	___	___	___
b. The number of employees to be terminated?	___	___	___
c. A description of the employee group(s) to be terminated?	___	___	___
d. The amount of actual termination benefits paid and charged against the liability and the number of employees actually terminated as a result of the plan to terminate employees?	___	___	___
e. The amount of any adjustment(s) to the liability?	___	___	___
3. If management commits to an exit plan that meets the criteria in Section B of EITF 94-3, are the following reporting requirements followed:			
a. Reporting the income statement effect of recognizing a liability at the commitment date in income from continuing operations and not on the face of the income statement net of taxes?	___	___	___
b. No disclosure made on the face of the income statement for earnings per share effect?	___	___	___
c. Revenue and related costs and expenses of activities that will not be continued should not be combined and reported as a separate component of income? [EITF 94-3, Section B]	___	___	___
4. If the activities that will not be continued are significant to the enterprise's revenue or operating results, or if the exit costs recognized at the commitment date are material, are the following disclosures made in all periods until the exit plan is completed:			
a. A description of the major actions comprising the exit plan, activities that will not be continued, including the method of disposition, and the anticipated date of completion?	___	___	___
b. A description of the type and amount of exit costs recognized as liabilities and the classification of those costs in the income statement?	___	___	___
c. A description of the type and amount of exit costs paid and charged against the liability?	___	___	___
d. The amount of any adjustment(s) to the liability?	___	___	___
e. For all periods presented, the revenue and net operating income or losses from activities that will not be continued if those activities have separately identifiable operations? [EITF 94-3, Section B]	___	___	___

W. Business Combinations ☐

	Yes	No	N/A
1. If a business combination occurred during the period and met the specified conditions for a pooling of interests, do the statements and notes include the names and descriptions of companies involved; number of shares of stock issued; details of operations for the part of the year before the pooling; adjustments to adopt common accounting principles; effect on prior net income; details of equity changes if fiscal year change; and reconciliation of revenue and net income previously reported to amounts now reported? [APB 16, pars. 61–65 (AC B50.122–.124)]	___	___	___

	Yes	No	N/A
2. If a business combination does not meet the specified conditions for a pooling of interests:			
a. Do the statements and notes include the name and description of purchased company; time period for which post-purchase results are included in income; cost, number of shares issued or issuable, and amounts assigned to such shares; method and period for amortizing goodwill; contingent payments or commitments? [APB 16, par. 95 (AC B50.164)]	____	____	____
b. In connection with the acquisition of a banking or thrift institution, are the nature and amounts of any regulatory financial assistance disclosed? [SFAS 72, par. 11 (AC B50.158F)]	____	____	____
3. Is any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill and other noncurrent intangible assets of an acquired entity or directly to contributed capital (paragraphs 30 and 36 of SFAS 109, AC section I27.129 and .135) disclosed? [SFAS 109, par. 48 (AC I27.147)]	____	____	____
4. Where the entity has purchased an enterprise and applied guidance outlined in EITF 87-11 regarding the intended disposition of a subsidiary in accounting for the purchase, and the subsidiary has not yet been disposed of, are the following disclosed:			
a. A description of the operations held for sale, the method used to assign amounts to those assets, the method used to account for those assets, and the expected disposal date?	____	____	____
b. The operation's profit or loss that has been excluded from the consolidated income statement and a schedule reconciling that amount to the earnings received or losses funded by the parent that are accounted for as an adjustment to the carrying amount of the assets (the amount of allocated interest cost should be separately identified)?	____	____	____
c. Any gain or loss on the ultimate disposition that is treated as an adjustment of the original purchase price allocation? [EITF 90-6]	____	____	____
d. Consideration that is issued or issuable at the end of the contingency period or that is held in escrow? [APB 16, par. 78 (AC B50.136)]	____	____	____
e. If applicable, the purchase price allocation that is tentative or preliminary? [EITF 90-6]	____	____	____
5. If, after the end of the holding period as defined, a decision not to sell a line of business or a portion of a line of business is made, do disclosures include:			
a. The reason for the decision not to sell?	____	____	____
b. An explanation of the adjustment including:			
(1) The carrying amount of the operations held for sale that will be allocated to the current fair values of its identifiable assets and liabilities (the explanation should include the amount of operating profit or losses and interest capitalized in obtaining the current fair value)?	____	____	____

	Yes	No	N/A
(2) The effect on comparability of the reporting periods? [EITF 90-6]	___	___	___

6. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired, are the method and period of amortization disclosed? ___ ___ ___
[FASBI 9, par. 8, as amended by SFAS 72, pars. 13 and 14 (AC I60.131); APB 17, par. 30 (AC I60.111)]

7. If a financial institution was acquired pursuant to an assistance agreement between the acquiror and a government agency, are the following considered:

   a. If part of the governmental agency assistance involved a note receivable from the agency, is a portion of the note receivable, equal to the fair value of the equity securities sold to the governmental agency, offset against the equity securities (unless it can be demonstrated that the equity security is economically separable, as defined, from the note)? (See EITF 88-19 for conditions that would determine economic separability.) ___ ___ ___

   b. If all or a portion of the note receivable from the governmental agency is offset against the equity from the securities issued to the agency, are subsequent dividend payments to the governmental agency on the equity securities netted against cash receipts from the governmental agency for interest payments on the note, and the net amount recorded as regulatory assistance? ___ ___ ___
   [EITF 88-19; AAG-BNS, pars. 16.14, 16.20, and 16.21]

8. Is the guidance in EITF 94-3 (and not EITF 95-3) followed for those costs to relocate employees as a result of a business combination accounted for using the pooling-of-interests method? ___ ___ ___
[EITF 95-14]

9. If a material liability is recognized by the combined institution for costs incurred to (1) exit an activity, (2) involuntarily terminate employees of an acquired institution, or (3) relocate employees of an acquired entity, are disclosures made in accordance with EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination,* in addition to the disclosures required by paragraphs 95 and 96 in APB 16, *Business Combinations*? ___ ___ ___
[EITF 95-3]

X. Segment Information ☐

Note: SFAS 131, *Disclosures about Segments of an Enterprise and Related Information,* is effective for fiscal years beginning after December 15, 1997, with earlier application encouraged. Public business enterprises are required to provide the disclosures described in SFAS 131 and nonpublic business enterprises are encouraged to do so.

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1. Are the factors used to identify the reporting entity's reportable segments, including the basis of organization (for example, whether management has chosen to organize the reporting entity around differences in products and services, geographic areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated) disclosed? ___ ___ ___
[SFAS 131, par. 26 (AC F30.125)]

	Yes	No	N/A
2. Are the types of products and services from which each reportable segment derives its revenues disclosed? [SFAS 131, par. 26 (AC F30.125)]	____	____	____
3. Has a measure of profit or loss and total assets been reported for each reportable segment? [SFAS 131, par. 27 (AC F30.126)]	____	____	____
4. If the following specified amounts (*a*) are included in the measure of segment profit or loss reviewed by the chief operating decision maker or (*b*) are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss, are they disclosed for each reportable segment:			
(1) Revenues from external customers?	____	____	____
(2) Revenues from transactions with other operating segments of the reporting entity?	____	____	____
(3) Interest revenue?	____	____	____
(4) Interest expense?	____	____	____
(5) Depreciation, depletion, and amortization expense?	____	____	____
(6) Unusual items as described in paragraph 26 of APB 30?	____	____	____
(7) Equity in the net income of investees accounted for by the equity method?	____	____	____
(8) Income tax expense or benefit?	____	____	____
(9) Extraordinary items?	____	____	____
(10) Significant noncash items other than depreciation, depletion, and amortization expense? [SFAS 131, par. 27 (AC F30.126)]	____	____	____
5. If the following specified amounts are (*a*) included in the determination of segment assets reviewed by the chief operating decision maker or (*b*) are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment assets, are they disclosed for each reportable segment:			
(1) The amount of investment in equity method investees?	____	____	____
(2) Total expenditures for additions to long-lived assets other than financial instruments and deferred tax assets? [SFAS 131, par. 28 (AC F30.127)]	____	____	____
6. Is an explanation of the measurements of segment profit or loss and segment assets that discloses the following for each reportable segment provided:			
a. The basis of accounting for any transactions between reportable segments?	____	____	____
b. The nature of any differences between the reporting entity's consolidated income before taxes, extraordinary items, discontinued operations, and the cumulative effect of changes in accounting principle?	____	____	____

	Yes	No	N/A
c. The nature of any differences between the measurements of the reportable segments' assets and the reporting entity's consolidated assets?	____	____	____
d. The nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss?	____	____	____
e. The nature and effect of any asymmetrical allocations to segments? [SFAS 131, par. 31 (AC F30.130)]	____	____	____
7. Are reconciliations of the totals of the reportable segments' revenues, measures of profit or loss, assets, and every other significant item of information disclosed to corresponding consolidated amounts presented with all significant reconciling items separately identified and described? [SFAS 131, par. 32 (AC F30.131)]	____	____	____
8. If the reporting entity changes the structure of its internal organization in a manner that changes the composition of its reportable segments, is the corresponding information for prior periods restated and is the fact that the corresponding items of segment information for earlier periods have been restated disclosed? [SFAS 131, par. 34 (AC F30.133)]	____	____	____
9. If the reporting entity changes the structure of its internal organization in a manner that changes the composition of its reportable segments and the corresponding information for prior periods is not restated, does disclosure in the year in which the change occurs include segment information for the current period under both the old basis and the new basis? [SFAS 131, par. 35 (AC F30.134)]	____	____	____
10. For all reporting entities subject to SFAS 131, including those that have a single reportable segment, are the following enterprise-wide items disclosed:			
a. Revenues from external customers for each product and service or each group of similar products and services unless it is impracticable to do so? [SFAS 131, par. 37 (AC F30.136)]	____	____	____
b. The following geographic information unless it is impracticable to do so:			
(1) Revenues from external customers (*a*) attributed to the reporting entity's country of domicile and (*b*) attributed to all foreign countries in total from which the reporting entity derives revenue?	____	____	____
(2) Revenues from external customers attributed to an individual foreign country, if material?	____	____	____
(3) The basis for attributing revenues from external customers to individual countries?	____	____	____
(4) Long-lived assets other than financial instruments and deferred tax assets (*a*) located in the reporting entity's country of domicile and (*b*) located in all foreign countries in total in which the reporting entity holds assets?	____	____	____

	Yes	No	N/A
(5) Long-lived assets as described above in an individual foreign country, if material? [SFAS 131, par. 38 (AC F30.137)]	____	____	____
c. Information about the extent of the reporting entity's reliance on its major customers, including the following:			
(1) If revenues from transactions with any single customer amount to 10 percent or more of the reporting entity's revenues, that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenue? [SFAS 131, par. 39 (AC F30.138)]	____	____	____
11. If the information described in Step 10.*a.* and *b.* above has not been disclosed because it is impracticable, is that fact disclosed? [SFAS 131, pars. 37 and 38 (AC F30.136 and .137)]	____	____	____

Y. Postemployment Benefits ☐

	Yes	No	N/A
1. If an obligation for postemployment benefits (for example, salary continuation, supplemental unemployment benefits, severance benefits, disability related benefits, job training and counseling, and continuation of health and insurance coverage) has not been accrued because the amount cannot be reasonably estimated, is that fact disclosed in the financial statements? [SFAS 112, par. 7 (AC P32.105)]	____	____	____

Z. Stock Compensation Plans ☐

	Yes	No	N/A
1. If the reporting entity continues to apply APB 25 in accounting for its stock-based compensation arrangements, is the pro forma net income and, if earnings per share are presented, pro forma earnings per share determined as if the fair-value based method (described in SFAS 123) had been applied in measuring compensation cost, disclosed for each year for which an income statement is presented? [SFAS 123, par. 45 (AC C36.144)]	____	____	____
2. Is a description of the plan(s), including the general terms of awards under the plan(s) disclosed? [SFAS 123, par. 46 (AC C36.145)]	____	____	____
3. Are the following disclosed for each year for which an income statement is presented:			
a. The number and weighted-average exercise prices of options for each of the following groups of options:			
(1) Those outstanding at the beginning of the year?	____	____	____
(2) Those outstanding at the end of the year?	____	____	____
(3) Those exercisable at the end of the year?	____	____	____
(4) Those granted during the year?	____	____	____
(5) Those exercised during the year?	____	____	____
(6) Those forfeited during the year?	____	____	____
(7) Those expired during the year?	____	____	____

	Yes	No	N/A
b. The weighted-average grant-date fair value of options granted during the year? (*Note:* That if the exercise prices of some options differ from the market price of the stock on the grant date, weighted-average fair values of options shall be disclosed separately for options whose exercise price (1) equals, (2) exceeds, or (3) is less than the market price of the stock on the grant date.)	____	____	____
c. The number and weighted-average grant-date fair value of equity instruments other than options granted during the year?	____	____	____
d. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (1) risk-free interest rate, (2) expected life, (3) expected volatility, and (4) expected dividends?	____	____	____
e. Total compensation cost recognized in income for stock-based employee compensation awards?	____	____	____
f. The terms of significant modifications of outstanding awards? [SFAS 123, par. 47a–f (AC C36.146)]	____	____	____
4. If the reporting entity grants options under multiple stock-based employee compensation plans, are the items in Step 3 above disclosed separately for different types of awards to the extent that the differences in the characteristics of the awards make separate disclosure important to an understanding of the reporting entity's use of stock-based compensation? [SFAS 123, par. 47 (AC C36.146)]	____	____	____
5. For options outstanding at the date of the latest balance sheet presented, are the following disclosed:			
a. The range of exercise prices?	____	____	____
b. The weighted-average exercise price?	____	____	____
c. The weighted-average remaining contractual life? [SFAS 123, par. 48 (AC C36.147)]	____	____	____
6. If the range of exercise prices is wide (the highest exercise price exceeds approximately 150 percent of the lowest exercise price), are the exercise prices segregated into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received as a result of option exercises and are the following disclosed for each range:			
a. The number, weighted-average exercise price, and weighted-average remaining contractual life of options outstanding?	____	____	____
b. The number and weighted-average exercise price of options currently exercisable? [SFAS 123, par. 48 (AC C36.147)]	____	____	____

FSP Section 2400
Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

SAS =	AICPA Statement of Auditing Standards
AU =	Reference to section number in AICPA, *Professional Standards* (vol. 1)
SSARS =	AICPA Statement on Standards for Accounting and Review Services
AR =	Reference to section number in AICPA, *Professional Standards* (vol. 2)
AAG-BNS =	AICPA Audit and Accounting Guide *Banks and Savings Institutions* (May 1, 1998).
SSAE =	AICPA Statement on Standards for Attestation Engagements
AT =	Reference to section number in AICPA, *Professional Standards* (vol. 1)

.03 Checklist Questionnaire:

	Yes	No	N/A
1. Is every financial statement audited specifically identified in the introductory paragraph of the auditor's report? [SAS 58, par. 6 (AU 508.06)]	____	____	____
2. Do the titles of the financial statements referred to in the introductory paragraph of the auditor's report match the titles of the financial statements presented? [Generally Accepted]	____	____	____
3. Do the dates of the financial statements referred to in the introductory paragraph of the auditor's report match the dates of the financial statements presented? [Generally Accepted]	____	____	____
4. Is the report appropriately addressed? [SAS 58, par. 9 (AU 508.09)]	____	____	____
5. Does the auditor's report include appropriate:			
a. A title that includes the word "independent"? [SAS 58, par. 8a (AU 508.08*a*)]	____	____	____
b. A statement that the financial statements identified in the report were audited? [SAS 58, par. 8b (AU 508.08*b*)]	____	____	____
c. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit? [SAS 58, par. 8c (AU 508.08*c*)]	____	____	____

	Yes	No	N/A
d. A statement that the audit was conducted in accordance with generally accepted auditing standards? [SAS 58, par. 8d (AU 508.08*d*)]	____	____	____
e. A statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? [SAS 58, par. 8e (AU 508.08*e*)]	____	____	____
f. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [SAS 58, par. 8f (AU 508.08*f*)]	____	____	____
g. A statement that the auditor believes that his audit provides a reasonable basis for his opinion? [SAS 58, par. 8g (AU 508.08*g*)]	____	____	____
h. An opinion as to whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with generally accepted accounting principles? [SAS 58, par. 8h (AU 508.08*h*)]	____	____	____
i. The manual or printed signature of the auditor's firm?	____	____	____
j. The date of the audit report? [SAS 58, par. 8j (AU 508.08*j*)]	____	____	____

Practice Tip

Paragraph 8 of SAS 58 illustrates the form of the auditor's standard report on financial statements covering a single year and on comparative financial statements.

	Yes	No	N/A
6. If a subsequent event disclosed in the financial statements occurs after completion of field work but before the issuance of the auditor's report, has the need for dual-dating of the report been considered? [SAS 1, sec. 530, pars. 3–5 (AU 530.03–.05)]	____	____	____
7. If the accountant is not independent, is a compilation report indicating the lack of independence issued (non-public companies only)? [SAS 26, par. 10 (AU 504.10); SSARS 1, pars. 22 and 38 (AR 100.22 and .38)]	____	____	____
8. If the opinion is based in part on the report of another auditor:			
a. Does the introductory paragraph of the standard report disclose the fact that the opinion is based, in part, on the report of other auditors?	____	____	____
b. Does the opinion paragraph include a reference to the report of the other auditor? [SAS 58, pars. 11a, 12, and 13 (AU 508.11*a*, .12, and .13)]	____	____	____

	Yes	No	N/A
9. If, to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles, does the report include, in a separate paragraph or paragraphs, the information required by the rule? [SAS 58, pars. 11b and 15 (AU 508.11*b* and .15)]	____	____	____
10. If there is substantial doubt about the entity's ability to continue as a going concern:			
a. Does the report include an explanatory paragraph, following the opinion paragraph, to reflect that conclusion?	____	____	____
b. Is that conclusion expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern? [SAS 58, par. 11c (AU 508.11*c*); SAS 59, as amended by SAS 64, par. 12 (AU 341.12)]	____	____	____

Practice Tip

In a going concern paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. See SAS 77 for an example.

	Yes	No	N/A
11. If there has been a material change between periods in accounting principles or in the method of their application that has a material effect on the comparability of the reporting entity's financial statements:			
a. Does the report include an explanatory paragraph, following the opinion paragraph, that refers to the change?	____	____	____
b. Does the explanatory paragraph identify the nature of the change and refer the reader to the note to the financial statements that discusses the change in detail? [SAS 58, as amended by SAS 79, pars. 11d and 16 (AU 508.11*d* and .16)]	____	____	____
12. In an updated report, the opinion is different from the opinion previously expressed on the financial statements of a prior period:			
a. Does the report include an explanatory paragraph, preceding the opinion paragraph, that discloses all of the substantive reasons for the different opinion?	____	____	____
b. Does the explanatory paragraph disclose:			
(1) The date of the auditor's previous report?	____	____	____
(2) The type of opinion previously expressed?	____	____	____
(3) The circumstances or events that caused the auditor to express a different opinion?	____	____	____
(4) That the auditor's updated opinion on the financial statements of the prior period is different from his or her previous opinion on those statements? [SAS 58, as amended by SAS 79, pars. 11e and 69 (AU 508.11*e* and .69)]	____	____	____

	Yes	No	N/A
13. If financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented:			
a. Does the introductory paragraph of the report indicate:			
(1) That the financial statements of the prior period were audited by another auditor?	____	____	____
(2) The date of the predecessor auditor's report?	____	____	____
(3) The type of report issued by the predecessor auditor?	____	____	____
(4) If the report was other than a standard report, the substantive reasons therefor, including a description of the nature of and reasons for the explanatory paragraph added to the predecessor's report or his or her opinion qualification?	____	____	____
b. If the financial statements have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the financial statements of the prior period before restatement? [SAS 58, as amended by SAS 79, pars. 11e and 74 (AU 508.11*e* and .74)]	____	____	____
14. If selected quarterly financial data required by SEC Regulation S-K has been omitted or has not been reviewed, does the report include an additional paragraph stating that fact? [SAS 58, par. 11f (AU 508.11*f*); SAS 71, par. 41 (AU 722.41)	____	____	____
15. If supplementary information required by the FASB has been omitted, the presentation of such information departs materially from FASB guidelines, the auditor is unable to complete prescribed procedures with respect to such information, or the auditor is unable to remove substantial doubt about whether the supplementary information conforms to FASB guidelines, does the report include an additional paragraph stating that fact? [SAS 58, par. 11g (AU 508.11*g*); SAS 52, par. 8 (AU 558.08)]	____	____	____
16. If other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both require revision? [SAS 58, par. 11h (AU 508.11*h*); SAS 8, par. 4 (AU 550.04)]	____	____	____
17. If the auditor decides to emphasize a matter regarding the financial statements in the report, is the explanatory information presented in a separate paragraph that avoids use of phrases such as "with the foregoing (following) explanation"? [SAS 58, pars. 11 and 19, as amended by SAS 79 (AU 508.11 and .19); Interpretation 3 of SAS 1, sec. 410 (AU 9410.18); Interpretation 1 of SAS 57 (AU 9342.03)]	____	____	____
18. If it has not been possible to conduct the audit in accordance with GAAS or to apply all of the procedures considered necessary in the circumstances, has consideration been given to the need to issue a qualified opinion or to disclaim an opinion? [SAS 58, as amended by SAS 79, par. 22 (AU 508.22)]	____	____	____
19. If a qualified opinion is to be expressed because of a scope limitation:			
a. Are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph?	____	____	____

	Yes	No	N/A
b. Does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of?*	____	____	____
c. Is the situation described and referred to in both the scope and opinion paragraphs?	____	____	____
d. Does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not the scope limitation itself? [SAS 58, as amended by SAS 79, pars. 22–27 (AU 508.22–.27)]	____	____	____

Practice Tip

Scope limitations include situations in which the auditor is unable to obtain sufficient evidential matter to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements. [SAS 58, as amended by SAS 79, par. 31]

Note: Consult the Topical Index to the AICPA *Professional Standards* under "Scope of Audit Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

	Yes	No	N/A
20. If an opinion is disclaimed because of a scope limitation:			
a. Are all of the substantive reasons for the disclaimer stated in a separate paragraph or paragraphs?	____	____	____
b. Does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?	____	____	____
c. Does the report avoid identifying procedures that were performed?	____	____	____
d. Is the scope paragraph omitted?	____	____	____
e. If there are reservations about fair presentation of the financial statements in conformity with GAAP, are they described in the report? [SAS 58, as amended by SAS 79, par. 63 (AU 508.63)]	____	____	____
21. If the financial statements are materially affected by a departure from GAAP (including inadequate disclosure, inappropriate accounting principles, and unreasonable accounting estimates), has consideration been given to the need to issue a qualified opinion or an adverse opinion? [SAS 58, as amended by SAS 79, par. 35 (AU 508.35)	____	____	____
22. If a qualified opinion is to be expressed because of a GAAP departure:			
a. Are all of the substantive reasons that have led to the conclusion that there is a departure from GAAP disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	____	____	____
b. Does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of* and a reference to the explanatory paragraph?	____	____	____

Yes No N/A

c. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so? ____ ____ ____
[SAS 58, as amended by SAS 79, pars. 37 and 38 (AU 508.37 and .38)]

23. If an adverse opinion is to be expressed because of a GAAP departure:

a. Are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph? ____ ____ ____

b. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so? ____ ____ ____

c. State that the financial statements do not present fairly the financial position, or results of operations or cash flows in conformity with GAAP? ____ ____ ____
[SAS 58, as amended by SAS 79, pars. 58 and 59 (AU 508.58 and .59)]

Note: Consult the Topical Index to the AICPA *Professional Standards* under "Departures From Established Principles," "Adverse Opinions," and "Qualified Opinions" for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion.

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24. If information accompanies the basic financial statements and auditor's report in an auditor-submitted document, is it accompanied by a report that:

a. States that the audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole? ____ ____ ____

b. Specifically identifies the accompanying information? ____ ____ ____

c. States that the accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements? ____ ____ ____

d. Includes either an opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion (depending on whether the information was subjected to the auditing procedures applied in the audit of the basic financial statements)? ____ ____ ____
[SAS 29, par. 6 (AU 551.06)]

Practice Tip

SAS No. 87, *Restricting the Use of an Auditor's Report* provides guidance to auditors in determining whether an engagement requires a restricted-use report and, if so, what elements to include in that report. SAS No. 87 is effective for reports issued after December 31, 1998.

FSP Section 2500

Supplemental Information for Banks and Savings Institutions That Are Securities and Exchange Commission Registrants

.01 Footnote 3 to SAS 69 states, in part, that, for Securities and Exchange Commission (SEC) registrants, rules and releases of the SEC have an authority similar to other officially established accounting principles. Regulation S-X is the primary source of requirements for financial statements and related footnotes required to be included in documents filed with the SEC. In addition to Regulation S-X, preparers and auditors of financial statements should be familiar with the SEC's Financial Reporting Releases (FRR) and Staff Accounting Bulletins (SAB). FRRs communicate the SEC's position on accounting and auditing principles and practices. SABs represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant of the SEC.

.02 Bank holding companies disclose supplemental statistical disclosures in filings following the guidance of Industry Guide 3, *Statistical Disclosures by Bank Holding Companies.* SAB 69, *Application of Article 9,* includes the SEC staff view that Article 9 of Regulation S-X and Industry Guide 3, "while applying literally only to bank holding companies, provide useful guidance to certain other SEC registrants, including savings and loan holding companies, on certain disclosures relevant to an understanding of the registrant's operations."

.03 When determining compliance with SEC requirements, preparers and auditors should refer to the appropriate SEC pronouncements to ensure compliance with SEC disclosure rules. In particluar, the following documents should be consulted:

- Regulation S-X, Article 3, *General Instructions as to Financial Statements*
- Regulation S-X, Article 4, *Rules of General Application*
- Regulation S-X, Article 9, *Bank Holding Companies*
- Staff Accounting Bulletins (SAB)—SABs reflect the SEC staff's views regarding accounting-related disclosure practices. They represent interpretations and policies followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the federal securities laws.
- Financial Reporting Releases (FRR)—FRRs adopt, change, or interpret requirements relating to accounting, auditing, and disclosure issues.

FSP Section 2600
Illustrative Financial Statements

.01 This section contains illustrative consolidated financial statements prepared in conformity with generally accepted accounting principles (GAAP). The financial statements are for illustrative purposes only; are not intended to be comprehensive and are not intended to establish preference among alternative principles acceptable under GAAP. The illustrative financial statements reflect many of the minimum disclosure requirements for a bank or stock savings institution but do not include all of the amounts or transactions that might be found in practice. For example, the illustrative notes indicate the subject matter generally required to be disclosed, but they should be expanded, reduced, or otherwise modified to suit individual circumstances based on a careful reading of the specified authoritative literature.

.02 Although the illustrative financial statements include certain transactions that are not unique to banks or savings institutions, such as disclosures about segments, employee benefit plans, and earnings per share, the illustrative financial statements are not intended to reflect all transactions that a bank or savings institution may encounter. Preparers and auditors should consult authoritative pronouncements for guidance on presenting such other information.

.03 The illustrative financial statements reflect the application of Articles 3, 3A, 4 and 9 (to the extent that such articles are applicable to these illustrative financial statements) of Regulation S-X of the Securities and Exchange Commission (SEC) that, for SEC registrants, have an authority similar to other officially established accounting principles. See footnote 1 to the Preface of the Audit and Accounting Guide *Banks and Savings Institutions*. Preparers and auditors should consult all pertinent SEC rules and releases for guidance on presenting all information that may be required in individual situations. Disclosures required by the aforementioned Articles, have been shaded for ease of identification. Certain items that are shaded may also satisfy GAAP requirements (primarily GAAP requirements that permit such information to be presented either on the face of the financial statements or in the footnotes). Therefore readers should not assume that all shaded presentations satisfy only SEC requirements. Also, certain presentations in the financial statements are not shaded, but are not necessarily GAAP requirements either (for example, certain immaterial items).

.04 Financial statements of nonpublic entities (as defined by GAAP and including mutual institutions) may substantially differ from those presented herein. Principal differences relate to the inclusion herein of—

- A stockholders' equity section in the statement of financial condition of a stock institution
- A statement of changes in stockholders' equity which replaces the statement of changes in retained earnings as presented by a mutual institution
- Earnings-per-share data
- Segment information
- Expanded disclosures about pensions, income taxes and stock-based-compensation
- Parent-company-only financial statements
- Supplemental quarterly operations data

.05 As discussed below, preparers and auditors of financial statements of banks and savings institutions also should be familiar with the rules and regulations of the federal banking regulatory agencies that relate to the form and content of financial statements that are required to be prepared in conformity with GAAP and filed with the agencies.

.06 The illustrative financial statements are in conformity with accounting standards issued up to and including FASB Statement of Financial Accounting Standards (SFAS) No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. Preparers and auditors of financial statements should refer to subsequent FASB Statements and other GAAP for additional requirements. Interpretation No. 3 of AU section 410, "Adherence to Generally Accepted Accounting Principles," specifically address the need for the auditor to consider the adequacy of the disclosure of impending changes in accounting principles if (*a*) the financial statements have been prepared based on accounting principles that will not be acceptable in the future and (*b*) the financial statements will be restated in the future as a result of the change. In Staff Accounting Bulletin No. 74, the SEC staff indicated that recently issued accounting standards may constitute material matters and, therefore, disclosure in the financial statements should also be considered in situations where the change to the new accounting standard will be accounted for in financial statements of future periods, either prospectively or with a cumulative catch-up adjustment. Preparers and auditors of financial statements should assess the appropriateness of such disclosures pertaining to accounting standards that have been issued but do not require adoption until some future date.

.07 Banks and savings institutions generally present unclassified balance sheets.

Supplemental Requirements

.08 Preparers of financial statements should be familiar with rules and regulations of the federal banking regulatory agencies that relate to the form and content of general-purpose financial statements, rather than regulatory financial reports, filed with regulators. Such requirements involve additional information prepared in conformity with GAAP (rather than regulatory accounting practices) but that is not necessary for financial statements to be in conformity with GAAP. (Paragraphs 2.83 through 2.87 of the AICPA Audit and Accounting Guide *Banks and Savings Institutions* discuss the difference between regulatory financial reporting and financial statements prepared in conformity with GAAP.)

.09

SAMPLE BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 1998	December 31, 1997
	(In thousands)	
Assets		
Cash and due from banks	$ 6,732	$ 7,233
Federal funds sold and securities purchased under agreements to resell	6,154	1,232
Cash and cash equivalents	12,886	8,465
Interest-bearing deposits in banks	7,000	6,584
Trading assets	8,059	3,000
Securities available-for-sale	39,391	52,653
Securities held-to-maturity (fair value approximates $12,021 at December 31, 1998)	11,853	—
Federal Home Loan Bank stock, at cost	5,186	5,186
Loans held for sale	4,000	1,000
Loans, net of allowance for loan losses of $4,761 in 1998 and $4,391 in 1997	407,855	409,085
Customers' liability on acceptances	1,000	—
Foreclosed assets, net	2,609	1,256
Premises and equipment, net	5,093	3,717
Other assets	6,030	8,371
	$510,962	$499,317
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	$ 35,623	$ 35,222
Interest-bearing	340,914	322,899
Total deposits	376,537	358,121
Federal funds purchased and securities sold under agreements to repurchase	20,385	37,900
Acceptances outstanding	1,000	—
Trading liabilities	459	638
Long-term debt	35,501	27,705
Accrued expenses and other liabilities	2,442	2,000
Total liabilities	436,324	426,364
Commitments and contingencies (Notes 8, 13 and 14)		
Stockholders' equity:		
Preferred stock, $.10 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, $.10 par value, 15,000,000 shares authorized; 3,742,076 shares issued	374	374
Additional paid-in capital	52,613	52,638
Retained earnings	40,835	39,588
Accumulated other comprehensive income (loss)	1,657	(1,563)
Common stock in treasury, at cost (1998 - 1,335,635 shares; 1997 - 1,095,635 shares)	(20,841)	(18,084)
Total stockholders' equity	74,638	72,953
	$510,962	$499,317

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

.10

SAMPLE BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Income

	Years Ended December 31,		
	1998	1997	1996
	(In thousands, except per share data)		
Interest and dividend income:			
Loans, including fees	$41,718	$38,111	$30,069
Debt securities:			
Taxable	3,600	4,500	5,310
Tax-exempt	22	76	14
Dividends	605	698	711
Trading account securities	440	325	108
Other	863	1,695	1,794
Total interest and dividend income	47,248	45,405	38,006
Interest expense:			
Deposits	25,645	25,399	22,337
Federal funds purchased, and securities sold under agreements to repurchase	2,672	3,512	896
Long-term debt	2,961	1,546	246
Total interest expense	31,278	30,457	23,479
Net interest income	15,970	14,948	14,527
Allowance for loan losses	334	745	270
Net interest income, after allowance for loan losses	15,636	14,203	14,257
Noninterest income:			
Customer service fees	863	834	805
Loan servicing fees	100	117	109
Net gain on sales of loans	230	120	350
Net gain (loss) on sales of available-for-sale securities	(1,010)	(614)	892
Net gain (loss) on trading activities	(701)	286	700
Other	21	36	20
Total noninterest income (loss)	(497)	779	2,876
Noninterest expenses:			
Salaries and employee benefits	5,177	4,983	4,233
Occupancy and equipment	1,282	1,087	1,026
Data processing	680	686	533
Foreclosed assets, net	1,436	125	15
Other general and administrative	2,019	1,666	1,736
Total noninterest expenses	10,594	8,547	7,543
Income before income taxes	4,545	6,435	9,590
Income tax expenses	1,818	2,538	4,094
Net income	$ 2,727	$ 3,897	$ 5,496
Earnings per share:			
Basic	$ 1.10	$ 1.38	$ 1.74
Diluted	$ 1.05	$ 1.30	$ 1.72

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

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SAMPLE BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 1998, 1997 and 1996

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	(In thousands, except share data)						
Balance at December 31, 1995	3,742,000	$374	$52,627	$32,972	$(3,479)	$ (5,957)	$76,537
Comprehensive income:							
Net income	—	—	—	5,496	—	—	5,496
Change in net unrealized gain (loss) on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	1,479	—	1,479
Total comprehensive income							6,975
Purchase of treasury stock (695,000 shares)	—	—	—	—	—	(8,340)	(8,340)
Cash dividends declared ($.42 per share)	—	—	—	(1,313)	—	—	(1,313)
Balance at December 31, 1996	3,742,000	374	52,627	37,155	(2,000)	(14,297)	73,859
Comprehensive income:							
Net income	—	—	—	3,897	—	—	3,897
Change in net unrealized gain (loss) on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	437	—	437
Total comprehensive income							4,334
Purchase of treasury stock (405,000 shares)	—	—	—	—	—	(4,052)	(4,052)
Reissuance of treasury stock under stock option plan (26,500 shares)	—	—	11	—	—	265	276
Cash dividends declared ($.52 per share)	—	—	—	(1,464)	—	—	(1,464)
Balance at December 31, 1997	3,742,000	374	52,638	39,588	(1,563)	(18,084)	72,953
Comprehensive income:							
Net income	—	—	—	2,727	—	—	2,727
Change in net unrealized gain (loss) on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	3,220	—	3,220
Total comprehensive income							5,947
Purchase of treasury stock (250,000 shares)	—	—	—	—	—	(2,886)	(2,886)
Reissuance of treasury stock under stock option plan (10,000 shares)	—	—	(25)	—	—	129	104
Cash dividends declared ($.60 per share)	—	—	—	(1,480)	—	—	(1,480)
Balance at December 31, 1998	3,742,000	$374	$52,613	$40,835	$ 1,657	$(20,841)	$74,638

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

SAMPLE BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		
Cash flows from operating activities:			
Net income	$ 2,727	$ 3,897	$ 5,496
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Allowance for loan losses	334	745	270
Net amortization of securities	866	110	80
Amortization of deferred loan (fees) costs	(97)	(86)	86
Depreciation and amortization	402	339	294
Realized loss (gain) on sales of available-for-sale securities, net	1,010	614	(892)
Provision for foreclosed asset losses	1,246	75	—
Deferred income tax benefit	(288)	(294)	(279)
Net change in:			
Trading assets and liabilities	(5,238)	(3,000)	—
Loans held for sale	(3,000)	893	1,725
Other assets	404	(2,083)	(485)
Accrued expenses and other liabilities	442	1,458	4
Net cash provided (used) by operating activities	(1,192)	2,668	6,299
Cash flows from investing activities:			
Net change in interest-bearing deposits in banks	(416)	7,408	12,990
Activity in available-for-sale securities:			
Sales	5,162	14,726	31,384
Maturities, prepayments and calls	25,127	35,550	33,475
Purchases	(13,165)	(39,304)	(34,316)
Activity in held-to-maturity securities:			
Maturities, prepayments and calls	4,700	—	—
Purchases	(16,843)	—	—
Loan purchases	(2,711)	(1,506)	—
Loan originations and principal collections, net	910	(45,734)	(85,852)
Proceeds from sales of foreclosed assets	150	—	—
Additions to premises and equipment	(1,736)	(135)	(364)
Net cash provided (used) by investing activities	1,178	(28,995)	(42,683)
Cash flows from financing activities:			
Net increase in deposits	18,416	11,027	7,584
Net change in federal funds purchased and securities sold under agreements to repurchase	(17,515)	(2,700)	33,600
Proceeds from issuance of long-term debt	11,500	20,900	5,200
Repayment of long-term debt	(3,704)	—	(400)
Proceeds from issuance of treasury stock under stock option plan	104	276	—
Payments to acquire treasury stock	(2,886)	(4,052)	(8,340)
Cash dividends paid on common stock	(1,480)	(1,464)	(1,313)
Net cash provided by financing activities	4,435	23,987	36,331
Net change in cash and cash equivalents	4,421	(2,340)	(53)
Cash and cash equivalents at beginning of year	8,465	10,805	10,858
Cash and cash equivalents at end of year	$ 12,886	$ 8,465	$ 10,805
Supplementary cash flow information:			
Interest paid on deposits and borrowed funds	$ 30,155	$ 31,200	$ 22,337
Income taxes paid	2,523	2,919	3,480

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

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Sample Bancorp, Inc. and Subsidiary
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation. The consolidated financial statements include the accounts of Sample Bancorp, Inc. (the Corporation) and its wholly-owned subsidiary, ABC Bank (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates. In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of foreclosed real estate, deferred tax assets and trading activities.

Business. The Corporation provides a variety of financial services to individuals and small businesses through its offices in New England. Its primary deposit products are savings and term certificate accounts and its primary lending products are consumer and commercial mortgage loans.

Significant Group Concentrations of Credit Risk. Most of the Corporation's activities are with customers located within the New England region of the country. Notes 3 and 4 discuss the types of securities that the Corporation invests in. Note 5 discusses the types of lending that the Corporation engages in. The Corporation does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents. For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Interest-bearing Deposits in Banks. Interest-bearing deposits in banks mature within one year and are carried at cost.

Trading Activities. The Corporation engages in trading activities both for its own account and on behalf of its customers. Securities that are held principally for resale in the near term are recorded in the trading assets account at fair value with changes in fair value recorded in earnings. Interest and dividends are included in net interest income. Derivatives executed on behalf of customers are carried at fair value with changes in fair value recorded in earnings, and are classified as trading assets when there is a positive fair value and trading liabilities when there is a negative fair value.

Quoted market prices, when available, are used to determine the fair value of trading instruments. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of instruments with similar characteristics, or discounted cash flows.

Securities. Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held For Sale. Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans. The Corporation grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout New England. The ability of the Corporation's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures.

Servicing. Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Financial Instruments

Credit related financial instruments—In the ordinary course of business, the Corporation has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, standby letters of credit and forward sales commitments to various credit card trusts. Such financial instruments are recorded when they are funded.

Derivative financial instruments designated as hedges—As part of the Corporation's asset/liability management, the Corporation uses interest rate contracts, which include, swaps, futures, forwards and option agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Derivatives that are used as part of the asset/liability management process are linked to specific assets or liabilities and have high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period. In addition, forwards and option contracts must reduce an exposure's risk, and for hedges of anticipatory transactions, the significant terms and characteristics of the transaction must be identified and the transactions must be probable of occurring. The derivative instruments that meet the preceding qualifications are accounted for as follows:

- Swaps and options are accounted for on the "accrual" method. Under that method, the interest component associated with the contract is recognized over the life of the contract in net interest income. Except for contracts designated as a hedge of an available-for-sale security, swaps and options are not carried at fair value. For contracts that are designated as a hedge of an available-for-sale security, in addition to the accrual method of accounting, these contracts are carried at fair value with the resulting gain or loss recognized in other comprehensive income. Option premiums paid are amortized to net interest income over the life of the contract.
- Futures and forwards are carried at fair value with the resulting gain or loss deferred and recognized in net interest income in a manner consistent with the objectives of the use of the instrument.
- When a contract is terminated the resulting gain or loss is deferred and amortized into net interest income based upon the shorter of the contract's life or the underlying hedged item. If the underlying hedged item is disposed, the deferred gain or loss is immediately recognized as part of the gain or loss on the disposed item.

Other derivative financial instruments—Those contracts that do not meet the hedging criteria above are classified as trading activities and are recorded at fair value with changes in fair value recorded in earnings.

Foreclosed Assets. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Banking Premises and Equipment. Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Transfers of Financial Assets. Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income Taxes. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Retirement Plan. The compensation cost of an employee's pension benefit is recognized on the projected unit credit method over the employee's approximate service period. The aggregate cost method is utilized for funding purposes.

Stock Compensation Plans. Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Corporation's stock option plan have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. The Corporation has elected to continue with the accounting methodology in Opinion No. 25 and, as a result, has provided pro forma disclosures of net income and earnings per share and other disclosures, as if the fair value based method of accounting had been applied. The pro forma disclosures include the effects of all awards granted on or after January 1, 1995. (See Note 17.)

Earnings Per Common Share. Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Corporation relate solely to outstanding stock options, and are determined using the treasury stock method.

Earnings per common share have been computed based on the following:

	Years Ended December 31,		
	1998	*1997*	*1996*
		(In thousands)	
Net income	$2,727	$3,897	$5,496
Less: Preferred stock dividends	—	—	—
Net income applicable to common stock	$2,727	$3,897	$5,496
Average number of common shares outstanding	2,485	2,817	3,164
Effect of dilutive options	121	183	31
Average number of common shares outstanding used to calculate diluted earnings per common share	2,606	3,000	3,195

Comprehensive Income. The Corporation adopted SFAS 130, *Reporting Comprehensive Income*, as of January 1, 1998. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. The adoption of SFAS 130 had no effect on the Corporation's net income or shareholders' equity.

The components of other comprehensive income and related tax effects are as follows:

	Years Ended December 31,		
	1998	*1997*	*1996*
	(In thousands)		
Unrealized holding gains on available-for-sale securities	$ 4,435	$ 114	$3,357
Reclassification adjustment for losses (gains) realized in income	1,010	614	(892)
Net unrealized gains	5,445	728	2,465
Tax effect	(2,225)	(291)	(986)
Net-of-tax amount	$ 3,220	$ 437	$1,479

Recent Accounting Pronouncements. In June 1998, the FASB issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, effective for fiscal years beginning after June 15, 1999. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other contracts, and requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure them at fair value. If certain conditions are met, an entity may elect to designate a derivative as follows: (*a*) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (*b*) a hedge of the exposure to variable cash flows of a forecasted transaction, or (*c*) a hedge of the foreign currency exposure of an unrecognized firm commitment, an available-for-sale security, a foreign currency denominated forecasted transaction, or a net investment in a foreign operation. The Statement generally provides for matching the timing of the recognition of the gain or loss on derivatives designated as hedging instruments with the recognition of the changes in the fair value of the item being hedged. Depending on the type of hedge, such recognition will be in either net income or other comprehensive income. For a derivative not designated as a hedging instrument, changes in fair value will be recognized in net income in the period of change. Management is currently evaluating the impact of adopting this Statement on the consolidated financial statements, but does not anticipate that it will have a material impact.

2. Securities Purchased Under Agreements to Resell

The Bank enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as secured loans. Securities purchased under agreements to resell at December 31, 1998 and 1997 consist of U.S. Treasury securities.

The amounts advanced under these agreements are reflected as assets in the consolidated balance sheet. It is the Bank's policy to take possession of securities purchased under agreements to resell. Agreements with third parties specify the Bank's rights to request additional collateral, based on its monitoring of the fair value of the underlying securities on a daily basis. The securities are delivered by appropriate entry into the Bank's account maintained at the Federal Reserve Bank or into a third-party custodian's account designated by the Bank under a written custodial agreement that explicitly recognizes the Bank's interest in the securities. At December 31, 1998, these agreements matured within 90 days and no material amount of agreements to resell securities purchased was outstanding with any individual dealer.

3. Trading Activities

Trading assets, at fair value, consist of the following:

	December 31, 1998	December 31, 1997
	(In thousands)	
Debt securities:		
U. S. government and agency securities	$1,300	$ —
Mortgage-backed securities	1,050	2,000
Marketable equity securities	4,260	—
Derivative financial instruments:		
Interest rate swaps	269	325
Futures and forwards	697	300
Options	483	375
	$8,059	$3,000

Trading liabilities, at fair value, consist of the following derivative financial instruments:

	December 31, 1998	December 31, 1997
	(In thousands)	
Futures and forwards	$—	$353
Options	459	285
	$459	$638

The average fair values of derivative financial instruments included in trading activities consist of the following:

	Year Ended December 31, 1998	Year Ended December 31, 1997
	(In thousands)	
Assets:		
Interest rate swaps	$ 308	$368
Futures and forwards	357	(26)
Options	565	138
	$1,230	$480
Liabilities:		
Futures and forwards	$ —	$295
Options	387	185
	$ 387	$480

The net gains (losses) on trading activities included in earnings are as follows:

	Years Ended December 31, 1998	1997	1996
	(In thousands)		
Debt and equity securities	$ 306	$250	$651
Derivative financial instruments	(1,007)	36	49
	$ (701)	$286	$700

4. Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 1998			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities Available-for-Sale				
Debt securities:				
U.S. Government and federal agency	$10,674	$2,060	$ (30)	$12,704
Corporate	13,130	1,097	(154)	14,073
Mortgage-backed	9,948	500	(40)	10,408
Other	1,525	—	(25)	1,500
Total debt securities	35,277	3,657	(249)	38,685
Marketable equity securities	1,398	—	(692)	706
Total securities available-for-sale	$36,675	$3,657	$(941)	$39,391
Securities Held-to-Maturity				
U.S. Government and federal agency	$ 3,070	$ 123	$ (4)	$ 3,189
State and municipal	3,047	50	—	3,097
Foreign governments	50	—	—	50
Corporate	1,560	—	(40)	1,520
Mortgage-backed	2,326	14	—	2,340
Other	1,800	25	—	1,825
Total securities held-to-maturity	$11,853	$ 212	$ (44)	$12,021

	December 31, 1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities Available-for-Sale				
Debt securities:				
U.S. Government and federal agency	$19,505	$ 5	$ (11)	$19,499
Corporate	15,990	10	(4)	15,996
Other	12,038	4	(233)	11,809
Total debt securities	47,533	19	(248)	47,304
Marketable equity securities	7,849	60	(2,560)	5,349
Total securities available for sale	$55,382	$ 79	$(2,808)	$52,653

At December 31, 1998 and 1997, U.S. Government obligations with a carrying value of $2,000,000 and $1,800,000, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. At December 31, 1998 and 1997, the carrying amount of securities pledged to secure repurchase agreements was $17,500,000 and $25,300,000, respectively.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 1998 follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Within 1 year	$10,286	$11,499	$ 2,858	$ 2,906
Over 1 year through 5 years	10,421	11,827	3,622	3,815
After 5 years through 10 years	3,245	3,465	3,047	2,960
Over 10 years	1,377	1,486	—	—
	25,329	28,277	9,527	9,681
Mortgage-backed securities	9,948	10,408	2,326	2,340
	$35,277	$38,685	$11,853	$12,021

For the years ended December 31, 1998, 1997 and 1996, proceeds from sales of securities available for sale amounted to $5,162,000, $14,726,000 and $31,384,000, respectively. Gross realized gains amounted to $1,250,000, $750,000 and $1,040,000, respectively. Gross realized losses amounted to $2,260,000, $1,364,000 and $148,000, respectively. The tax benefit (provision) applicable to these net realized gains and losses amounted to $404,000, $245,000 and $(357,000), respectively.

For the year ended December 31, 1998, gross gains of $82,000 and gross losses of $426,000 were included in earnings as a result of transfers of securities from the available-for-sale category to the trading category.

5. Loans

A summary of the balances of loans follows:

	December 31,	
	1998	*1997*
	(In thousands)	
Mortgage loans on real estate:		
Residential 1-4 family	$237,255	$239,698
Commercial	121,942	109,717
Construction	10,453	19,063
Second mortgages	7,657	9,388
Equity lines of credit	5,129	1,667
	382,436	379,533
Commercial loans	24,449	25,419
Consumer installment loans:		
Personal	6,671	10,020
Credit cards	2,508	3,170
	9,179	13,190
Subtotal	416,064	418,142
Less: Allowance for loan losses	(4,761)	(4,391)
Unadvanced loan funds	(3,000)	(4,272)
Net deferred loan fees	(448)	(394)
Loans, net	$407,855	$409,085

An analysis of the allowance for loan losses follows:

	Years Ended December 31,		
	1998	*1997*	*1996*
	(In thousands)		
Balance at beginning of year	$4,391	$3,751	$3,486
Provision for loan losses	334	745	270
Loans charged-off	(589)	(110)	(5)
Recoveries of loans previously charged-off	625	5	—
Balance at end of year	$4,761	$4,391	$3,751

The following is a summary of information pertaining to impaired loans:

	December 31,	
	1998	*1997*
	(In thousands)	
Impaired loans without a valuation allowance	$ 500	$ 300
Impaired loans with a valuation allowance	1,500	1,735
Total impaired loans	$2,000	$2,035
Valuation allowance related to impaired loans	$ 350	$ 400

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		
Average investment in impaired loans	$1,500	$649	$600
Interest income recognized on impaired loans	$ 126	$ 24	$ 52
Interest income recognized on a cash basis on impaired loans	$ 126	$ 24	$ 52

No additional funds are committed to be advanced in connection with impaired loans.

6. Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were $42,000,000 and $40,000,000 at December 31, 1998 and 1997, respectively.

The balance of capitalized servicing rights, net of valuation allowances, included in other assets at December 31, 1998 and 1997, was $505,000 and $315,000, respectively. The fair values of these rights were $540,000 and $320,000, respectively. The fair value of servicing rights was determined using discount rates ranging from 7.0 percent to 8.50 percent and prepayment speeds ranging from 8.5 percent to 9.5 percent, depending upon the stratification of the specific right.

The following summarizes mortgage servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		
Mortgage servicing rights capitalized	$350	$250	$110
Mortgage servicing rights amortized	$ 80	$ 35	$ 10
Valuation allowances:			
Balances at beginning of year	$—	$—	$—
Additions	80	—	45
Reductions	—	—	(45)
Write-downs	—	—	—
Balances at end of year	$ 80	$—	$—

7. Foreclosed Assets

Foreclosed assets are presented net of an allowance for losses. An analysis of the allowance for losses on foreclosed assets is as follows:

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		
Balance at beginning of year	$ 75	$—	$—
Provision for losses	1,246	75	—
Charge-offs	(171)	—	—
Recoveries	50	—	—
Balance at end of year	$1,200	$75	$—

Expenses applicable to foreclosed assets include the following:

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		
Net loss (gain) on sales of real estate	$ —	$—	$—
Provision for losses	1,246	75	—
Operating expenses, net of rental income	190	50	15
	$1,436	$125	$ 15

8. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31,	
	1998	1997
	(In thousands)	
Premises:		
Land	$ 295	$ 295
Buildings	4,439	3,465
Equipment	2,828	2,066
	7,562	5,826
Accumulated depreciation	(2,469)	(2,109)
	$ 5,093	$ 3,717

Depreciation expense for the years ended December 31, 1998, 1997 and 1996 amounted to $402,000, $339,000 and $294,000, respectively.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 1998, pertaining to banking premises and equipment, future minimum rent commitments (in thousands) under various operating leases are as follows:

1999	$550
2000	545
2001	520
2002	480
2003	425
Thereafter	500
	$3,020

The leases contain options to extend for periods from three to ten years. The cost of such rentals is not included above. Total rent expense for the years ended December 31, 1998, 1997 and 1996 amounted to $274,000, $285,000 and $258,000, respectively.

9. Deposits

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 1998 and 1997 was $25,345,000 and $22,560,000, respectively.

At December 31, 1998, the scheduled maturities of time deposits (in thousands) are as follows:

1999	$104,433
2000	42,531
2001	23,330
2002	8,000
2003	2,000
Thereafter	200
	$180,494

10. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The Corporation may be required to provide additional collateral based on the fair value of the underlying securities.

11. Long-Term Debt

The Bank's fixed-rate, long-term debt of $14,201,000 at December 31, 1998 matures through 2010. At December 31, 1998 and 1997, the interest rates on fixed-rate, long-term debt ranged from 4.55 percent to 11.50 percent and from 4.55 percent to 14.25 percent, respectively. At December 31, 1998 and 1997, the weighted average interest rates on fixed-rate, long-term debt were 7.69 percent and 8.00 percent, respectively, as adjusted to reflect the effect of interest rate swaps used to convert fixed rates to variable rates.

The Bank's floating-rate, long-term debt of $21,300,000 at December 31, 1998 matures through 2004. The majority of the floating rates are based on three- and six-month London Interbank Offer Rate (LIBOR). At December 31, 1998 and 1997, the interest rate on floating-rate, long-term debt ranged from 5.37 percent to 7.80 percent and from 4.79 percent to 7.17 percent, respectively. At December 31, 1998 and 1997, the weighted average interest rates on floating-rate, long-term debt were 6.10 percent and 6.27 percent, respectively.

At December 31, 1998 and 1997, $4,304,000 and $3,801,000, respectively, of long-term debt was redeemable at par at the option of the Corporation on dates ranging from March 15, 1999 through June 21, 2000.

At December 31, 1998, the Corporation also had $20,000,000 available under a long-term line of credit that expires in 2002.

The contractual maturities of long-term debt are as follows:

	December 31,			
	1998			*1997*
	Fixed Rate	*Floating Rate*	*Total*	*Total*
		(In thousands)		
Due in 1999	$ 1,005	$ 1,700	$ 2,705	$ 1,769
Due in 2000	2,801	13,211	16,012	15,020
Due in 2001	3,019	2,945	5,964	5,100
Due in 2002	4,320	1,260	5,580	4,112
Due in 2003	2,576	1,490	4,066	1,704
Thereafter	480	694	1,174	—
Total long-term debt	$14,201	$21,300	$35,501	$27,705

12. Income Taxes

Allocation of federal and state income taxes between current and deferred portions is as follows:

	Years Ended December 31,		
	1998	*1997*	*1996*
		(In thousands)	
Current tax provision:			
Federal	$1,349	$1,856	$3,268
State	757	976	1,105
	2,106	2,832	4,373
Deferred tax benefit:			
Federal	(208)	(294)	(279)
State	(80)	—	—
	(288)	(294)	(279)
	$1,818	$2,538	$4,094

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Years Ended December 31,		
	1998	1997	1996
Statutory federal tax rate	34.0%	34.0%	34.0%
Increase (decrease) resulting from:			
State taxes, net of federal tax benefit	11.5	11.7	11.2
Dividends received deduction	(3.8)	(3.5)	(1.8)
Other, net	(1.7)	(2.8)	(0.7)
Effective tax rates	40.0%	39.4%	42.7%

The components of the net deferred tax asset, included in other assets, are as follows:

	December 31,	
	1998	1997
	(In thousands)	
Deferred tax assets:		
Net unrealized loss on securities available-for-sale	$ —	$1,166
Deferred loan fees	144	182
Allowance for loan losses	1,400	977
Employee benefit plans	357	380
Other	447	592
	2,348	3,297
Deferred tax liabilities:		
Net unrealized gain on securities available-for-sale	(1,059)	—
Depreciation	(271)	(342)
	(1,330)	(342)
Net deferred tax asset	$1,018	$2,955

13. Off-Balance Sheet Activities

Credit-Related Financial Instruments. The Corporation is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 1998 and 1997, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	1998	1997
	(In thousands)	
Commitments to grant loans	$3,281	$5,265
Unfunded commitments under lines of credit	3,907	7,205
Commercial and standby letters of credit	3,000	2,500

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Corporation is committed.

Commercial and standby letters-of-credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Corporation generally holds collateral supporting those commitments if deemed necessary.

The Corporation has engaged in several sales of credit card receivable balances and is committed to selling credit card receivable balances for the next five years. The amounts are dependent upon customer purchases and payment patterns. The risk associated with these transactions is limited to the on-balance sheet instruments that were retained upon sale and serve as credit enhancements. The remaining market and credit risks are transferred to investors and third party institutions providing credit enhancement.

Derivative Financial Instruments. The Corporation utilizes various derivative instruments for trading purposes and other than trading purposes such as asset liability management. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations and payments are based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any.

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. Most interest rate swaps involve the exchange of fixed and floating interest payments. Interest rate swaps are the most common type of derivative contract that the Corporation utilizes. An example of a situation in which the Corporation would utilize an interest rate swap would be to convert its fixed-rate debt to a variable rate. By entering into the swap, the principal amount of the debt would remain unchanged but the interest payment streams would change.

Futures and forwards are contracts for the delayed delivery of securities or money market instruments. The selling party agrees to deliver on a specified future date, a specified instrument, at a specified price or yield; however, the contract may allow for a cash settlement. The credit risk inherent in futures and forwards is the risk that the exchange party may default. Futures contracts settle in cash daily and, therefore, there is minimal credit risk to the Corporation. The credit risk inherent in forwards arises from the potential inability of counterparties to meet the terms of their contracts. Both futures and forwards are also subject to the market risk of movements in interest rates or the value of the underlying securities or instruments.

Forward rate agreements are contracts to exchange payments on a specified future date, based on a market change in interest rates from trade date to contract settlement date. The notional amount on which the interest payments are based is not exchanged. The maturity of these agreements is typically less than two years. The credit and market risk is similar to forward contracts discussed above.

Interest rate options, which include caps and floors, are contracts that transfer, modify, or reduce interest rate risk in exchange for the payment of a premium when the contract is initiated. The Corporation pays a premium for the right, but not the obligation, to buy or sell a financial instrument at predetermined terms in the future. The credit risk inherent in options is the risk that the exchange party may default.

Derivative instruments are generally either negotiated over-the-counter (OTC) contracts or standardized contracts executed on a recognized exchange. Standardized exchange-traded derivatives primarily include futures and options. Negotiated OTC derivatives are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise price and maturity.

Information pertaining to the notional amounts of the Corporation's derivative financial instruments is as follows:

Type of Contract	*Notional Amounts December 31, 1998*	*1997*
	(In thousands)	
Trading:		
Interest rate swaps	$3,000	$3,000
Futures and forwards	2,000	1,000
Options	1,000	1,000
	$6,000	$5,000
Other than trading:		
Interest rate swaps	$5,000	$2,000
Futures and forwards	2,000	3,000
	$7,000	$5,000

At December 31, 1998 and 1997, interest rate swaps used for other-than-trading purposes modify the interest rate exposure in the Corporation's long-term debt. Forward and future contracts are used to hedge the interest rate risk inherent in the Corporation's loan portfolio.

Collateral Requirements. To reduce credit risk related to the use of both derivatives and credit-related financial instruments, the Corporation might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Corporation's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate.

If the counterparty does not have the right and ability to redeem the collateral or the Corporation is permitted to sell or repledge the collateral on short notice, the Corporation records the collateral in its balance sheet at fair value with a corresponding obligation to return it.

14. Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

15. Minimum Regulatory Capital Requirements

The Corporation (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 1998 and 1997, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 1998, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Corporation's and the Bank's actual capital amounts and ratios as of December 31, 1998 and 1997 are also presented in the table.

	Actual		*Minimum Capital Requirement*		*Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions*	
	Amount	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
			(Dollars in thousands)			
December 31, 1998:						
Total Capital to Risk Weighted Assets:						
Consolidated	$74,327	20.2%	$29,436	8.0%	$ N/A	N/A%
ABC Bank	68,139	19.2	28,391	8.0	35,489	10.0
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	72,566	19.7	14,718	4.0	N/A	N/A
ABC Bank	65,674	18.5	14,200	4.0	21,300	6.0
Tier 1 Capital to Average Assets:						
Consolidated	72,566	13.2	21,990	4.0	N/A	N/A
ABC Bank	65,674	12.2	21,532	4.0	26,916	5.0
December 31, 1997:						
Total Capital to Risk Weighted Assets:						
Consolidated	74,482	19.5	30,557	8.0	N/A	N/A
ABC Bank	69,845	18.3	30,533	8.0	38,167	10.0
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	73,091	19.1	15,307	4.0	N/A	N/A
ABC Bank	67,683	17.8	15,210	4.0	22,814	6.0
Tier 1 Capital to Average Assets:						
Consolidated	73,091	14.2	20,589	4.0	N/A	N/A
ABC Bank	67,683	13.4	20,204	4.0	25,255	5.0

16. Employee Benefit Plans

Pension Plan. The Corporation provides pension benefits for eligible employees through a defined benefit pension plan. Substantially all employees participate in the retirement plan on a non-contributing basis, and are fully vested after three years of service. Information pertaining to the activity in the plan is as follows:

	Years Ended December 31, 1998	1997	1996
	(In thousands)		
Change in benefit obligation:			
Benefit obligation at beginning of year	$2,143	$1,940	$1,796
Service cost	202	114	96
Interest cost	170	165	138
Actuarial loss	25	—	—
Benefits paid	(125)	(76)	(90)
Benefit obligation at end of year	2,415	2,143	1,940
Change in plan assets:			
Fair value of plan assets at beginning of year	2,200	2,006	1,861
Actual return on plan assets	41	150	150
Employer contribution	75	120	85
Benefits paid	(125)	(76)	(90)
Fair value of plan assets at end of year	2,191	2,200	2,006
Funded status	(224)	57	66
Unrecognized net actuarial loss	187	80	90
Unrecognized prior service cost	98	117	136
Prepaid pension cost	$ 61	$ 254	$ 292

The components of net periodic pension cost are as follows:

	Years Ended December 31, 1998	1997	1996
	(In thousands)		
Service cost	$202	$114	$ 96
Interest cost	170	165	138
Expected return on plan assets	(154)	(155)	(144)
Amortization of prior service cost	19	19	19
Recognized net actuarial loss	31	15	26
	$268	$158	$135

For the years ended December 31, 1998, 1997 and 1996, actuarial assumptions include an assumed discount rate on benefit obligations of 7.00 percent, 7.75 percent and 7.75 percent, respectively, and an expected long-term rate of return on plan assets of 7.00 percent, 7.75 percent and 7.75 percent, respectively. An annual salary increase of 6 percent was utilized for all years.

401(k) Plan. The Corporation has a 401(k) Plan whereby substantially all employees participate in the Plan. Employees may contribute up to 15 percent of their compensation subject to certain limits based on federal tax laws. The Corporation makes matching contributions equal to 25 percent of the first 6 percent of an employee's compensation contributed to the Plan. Matching contributions vest to the employee equally over a five-year period. For the years ended December 31, 1998, 1997 and 1996, expense attributable to the Plan amounted to $50,000, $45,000 and $20,000, respectively.

17. Stock Compensation Plans

Under the Corporation's Employee Stock Option Plan, the Corporation may grant options to its directors, officers and employees for up to 368,000 shares of common stock. Both incentive stock options and non-qualified stock options may be granted under the Plan. The exercise price of each option equals the market price of the Corporation's stock on the date of grant and an option's maximum term is ten years.

The Corporation applies APB Opinion 25 and related Interpretations in accounting for the stock option plan. Accordingly, no compensation cost has been recognized. Had compensation cost for the Corporation's stock option plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method prescribed by FASB Statement No. 123, the Corporation's net income and earnings per share would have been adjusted to the pro forma amounts indicated below:

		Years Ended December 31,		
		1998	*1997*	*1996*
		(In thousands, except per share data)		
Net income	As reported	$2,727	$3,897	$5,496
	Pro forma	$2,679	$3,849	$5,496
Earnings per share	As reported	$ 1.10	$ 1.38	$ 1.74
	Pro forma	$ 1.08	$ 1.37	$ 1.74
Earnings per share—assuming dilution	As reported	$ 1.05	$ 1.30	$ 1.72
	Pro forma	$ 1.03	$ 1.28	$ 1.72

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Years Ended December 31,		
	1998	*1997*	*1996*
Dividend yield	1.5%	1.5%	1.5%
Expected life	6 years	5 years	5 years
Expected volatility	24%	29%	28%
Risk-free interest rate	6.5%	6.5%	7.5%

A summary of the status (shares in thousands) of the Corporation's stock option plan is presented below:

	1998		*1997*		*1996*	
	Shares	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*
Outstanding at beginning of year	286	$11.17	244	$10.50	244	$10.50
Granted	—	—	76	13.00	—	—
Exercised	(10)	10.50	(27)	12.50	—	—
Forfeited	(19)	14.00	(7)	10.50	—	—
Outstanding at end of year	257	$11.30	286	$11.17	244	$10.50
Options exercisable at year-end	181	$10.50	242	$10.50	206	$10.50
Weighted-average fair value of options granted during the year	$—		$4.19		$—	

Information pertaining to options (in thousands) outstanding at December 31, 1998 is as follows:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Prices	*Number Outstanding*	*Weighted Average Remaining Contractual Life*	*Weighted Average Exercise Price*	*Number Exercisable*	*Weighted Average Exercise Price*
$10.00 - $12.00	221	3.6 years	$10.50	181	$10.50
12.25 - 14.25	36	5.0	14.00	—	—
Outstanding at end of year	257	3.8 years	$11.30	181	$10.50

18. Related Party Transactions

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates amounting to $3,559,000 at December 31, 1998 and $3,462,000 at December 31, 1997. During the year ended December 31, 1998, total principal additions were $184,000 and total principal payments were $87,000.

Deposits from related parties held by the Bank at December 31, 1998 and 1997 amounted to $14,000,000 and $12,000,000, respectively.

19. Restrictions On Dividends, Loans And Advances

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank, and loans or advances are limited to 10 percent of the Bank's capital stock and surplus on a secured basis.

At December 31, 1998, the Bank's retained earnings available for the payment of dividends was $10,837,000. Accordingly, $59,449,000 of the Corporation's equity in the net assets of the Bank was restricted at December 31, 1998. Funds available for loans or advances by the Bank to the Corporation amounted to $5,296,000.

In addition, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

20. Fair Value Of Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Corporation.

The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts of cash and short-term instruments approximate fair values.

Interest-bearing deposits in banks: The carrying amounts of interest-bearing deposits maturing within ninety days approximate their fair values. Fair values of other interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Trading assets and liabilities: Fair values for trading account securities (including derivative financial instruments held or issued for trading purposes), which also are the amounts recognized in the consolidated balance sheet, are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments except in the case of certain options and swaps where pricing models are used.

Securities: Fair values for securities, excluding Federal Home Loan Bank stock, are based on quoted market prices. The carrying value of Federal Home Loan Bank stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

Mortgage loans held for sale: Fair values of mortgage loans held for sale are based on commitments on hand from investors or prevailing market prices.

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

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

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

Long-term borrowings: The fair values of the Corporation's long-term borrowings are estimated using discounted cash flow analyses based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

Accrued interest: The carrying amounts of accrued interest approximate fair value.

Off-balance-sheet instruments: Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Fair values for off-balance sheet derivative financial instruments, for other than trading purposes, are based upon quoted market prices, except in the case of certain options and swaps where pricing models are used.

The estimated fair values, and related carrying or notional amounts, of the Corporation's financial instruments are as follows:

	December 31,			
	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 12,886	$ 12,886	$ 8,465	$ 8,465
Interest-bearing deposits in banks	7,000	7,000	6,584	6,584
Trading assets	8,059	8,059	3,000	3,000
Securities available-for-sale	39,391	39,391	52,653	52,653
Securities held-to-maturity	11,853	12,021	—	—
Federal Home Loan Bank stock	5,186	5,186	5,186	5,186
Loans and loans held for sale, net	411,855	412,300	410,085	411,056
Customers' liability on acceptances	1,000	1,000	—	—
Accrued interest receivable	3,823	3,823	4,081	4,081
Financial liabilities:				
Deposits	376,537	378,200	358,121	359,270
Federal funds purchased and repurchase agreements	20,385	21,000	37,900	38,000
Trading liabilities	459	459	638	638
Long-term debt	35,501	34,000	27,705	26,000
Accrued interest payable	565	565	489	489
Off-balance sheet derivative financial instruments:				
Other than trading assets:				
Interest rate swaps	2	150	1	230
Futures and forwards	—	115	—	120
Other than trading liabilities:				
Interest rate swaps	—	—	—	—
Futures and forwards	—	—	—	—
Off-balance sheet credit related financial instruments:				
Commitments to extend credit	70	72	85	89

21. Condensed Financial Statements of Parent Company

Financial information pertaining only to Sample Bancorp, Inc. is as follows:

Balance Sheets	December 31, 1998	December 31, 1997
	(In thousands)	
Assets		
Cash and due from banks	$ 23	$ 41
Short-term investments with ABC Savings Bank	4,525	4,292
Total cash and cash equivalents	4,548	4,333
Investment in common stock of ABC Savings Bank	70,286	69,262
Other assets	324	371
Total assets	$75,158	$73,966
Liabilities and Stockholders' Equity		
Accrued expenses	$ 158	$ 158
Other liabilities	362	855
Total liabilities	520	1,013
Stockholders' equity	74,638	72,953
Total liabilities and stockholders' equity	$75,158	$73,966

Statements of Income	Years Ended December 31, 1998	1997	1996
		(In thousands)	
Income:			
Dividends from ABC Savings Bank	$ 5,000	$5,000	$ —
Interest on investments	183	156	567
Miscellaneous income	18	4	—
Total income	5,201	5,160	567
Operating expenses	276	396	298
Income before income taxes and equity in undistributed net income of ABC Savings Bank	4,925	4,764	269
Applicable income tax provision (benefit)	2	(74)	108
	4,923	4,838	161
Equity in undistributed net income (loss) of ABC Savings Bank	(2,196)	(941)	5,335
Net income	$ 2,727	$3,897	$5,496

Statements of Cash Flows	1998	1997	1996
Cash flows from operating activities:			
Net income	$2,727	$3,897	$5,496
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net loss (income) of ABC Savings Bank	2,196	941	(5,335)
Decrease (increase) in other assets	47	(144)	91
Increase (decrease) in accrued expenses	—	(78)	108
Increase (decrease) in other liabilities	(493)	467	(201)
Net cash provided by operating activities	4,477	5,083	159
Cash flows from investing activities:			
Sales and maturities of debt securities	—	—	3,000
	—	—	3,000
Cash flows from financing activities:			
Proceeds from reissuance of treasury stock	104	276	—
Payments to acquire treasury stock	(2,886)	(4,052)	(8,340)
Cash dividends paid on common stock	(1,480)	(1,464)	(1,313)
Net cash used for financing activities	(4,262)	(5,240)	(9,653)
Net increase (decrease) in cash and cash equivalents	215	(157)	(6,494)
Cash and cash equivalents at beginning of year	4,333	4,490	10,984
Cash and cash equivalents at end of year	$4,548	$4,333	$4,490

22. Segment Reporting

The Corporation has two reportable segments, the consumer bank and the commercial bank. The consumer bank segment provides customers such products as credit cards, mortgages and automobile financing. The commercial bank segment provides its commercial customers such products as working capital loans, equipment loans and leases, and other business financing arrangements.

Information about reportable segments, and reconciliation of such information to the consolidated financial statements as of and for the years ended December 31, follows:

1998	Consumer	Commercial	Intersegment Elimination	Other	Consolidated Totals
			(In thousands)		
Net interest income	$ 9,526	$ 6,261	$—	$ 183	$ 15,970
Other revenue— external customers	851	363	—	—	1,214
Other revenue— from other segments	—	60	(60)	—	—
Depreciation and amortization	257	145	—	—	402
Provision for loan losses	59	275	—	—	334
Provision for foreclosed asset losses	441	805	—	—	1,246
Profit (loss)	3,927	2,589	—	(3,789)	2,727
Assets	310,080	200,585	(50)	347	510,962
Expenditures for additions to premises and equipment	1,156	580	—	—	1,736
1997					
Net interest income	$ 8,221	$ 6,571	$—	$ 156	$ 14,948
Other revenue— external customers	635	472	—	—	1,107
Other revenue— from other segments	—	75	(75)	—	—
Depreciation and amortization	203	136	—	—	339
Provision for loan losses	245	500	—	—	745
Provision for foreclosed asset losses	—	75	—	—	75
Profit (loss)	4,390	2,691	—	(3,184)	3,897
Assets	349,234	149,671	—	412	499,317
Expenditures for additions to premises and equipment	55	80	—	—	135
1996					
Net interest income	$ 9,074	$ 4,886	$—	$ 567	$ 14,527
Other revenue— external customers	815	449	—	—	1,264
Other revenue— from other segments	—	78	(78)	—	—
Depreciation and amortization	169	125	—	—	294
Provision for loan losses	90	180	—	—	270
Profit (loss)	6,303	2,101	—	(2,908)	5,496
Assets	285,270	190,180	—	370	475,820
Expenditures for additions to premises and equipment	—	364	—	—	364

Amounts included in the "Other" column are as follows:

	1998	1997	1996
	(In thousands)		
Net interest income:	$ 183	$ 156	$ 567
Parent company			
Profit (loss)			
Parent company operating expenses, net of miscellaneous income	$ (260)	$ (318)	$ (406)
Income taxes not allocated to segments	(1,818)	(2,538)	(4,094)
Net gain (loss) on sales of available-for-sale securities and trading activities not allocated to segments	(1,711)	(328)	1,592
	$(3,789)	$(3,184)	$(2,908)
Segment assets:			
Parent company assets, after intercompany elimination	$ 347	$ 412	$ 370

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains or losses.

The Corporation's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Corporation derives a majority of its revenues from interest income and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segments and make decisions about resources to be allocated to the segment. Therefore, the segments are reported below using net interest income for the years ended December 31. The Corporation does not allocate income taxes to the segments. Other revenue represents noninterest income, exclusive of the net gain (loss) on sales of available-for-sale securities and the net gain (loss) on trading activities which are also not allocated to the segments.

The Corporation does not have operating segments other than those reported. Parent company financial information is included in the Other category in the disclosures below, and is deemed to represent an overhead function rather than an operating segment.

The Corporation does not have a single external customer from which it derives 10 percent or more of its revenues and operates in one geographical area.

SAMPLE BANCORP, INC. AND SUBSIDIARY

23. Quarterly Data (Unaudited)

	Years Ended December 31,							
	1998				1997			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data)							
Interest and dividend income	$11,841	$11,835	$11,765	$11,807	$11,649	$11,643	$11,198	$10,915
Interest expense	(7,846)	(7,804)	(7,838)	(7,790)	(7,759)	(7,816)	(7,724)	(7,158)
Net interest income	3,995	4,031	3,927	4,017	3,890	3,827	3,474	3,757
Provision for loan losses	(105)	(61)	(117)	(51)	(271)	(294)	(114)	(66)
Net interest income, after provision for loan losses	3,890	3,970	3,810	3,966	3,619	3,533	3,360	3,691
Noninterest income (charges)	(881)	(367)	339	412	(159)	372	287	279
Noninterest expenses	(2,965)	(2,642)	(2,543)	(2,444)	(2,111)	(2,334)	(2,154)	(1,948)
Income before income taxes	44	961	1,606	1,934	1,349	1,571	1,493	2,022
Provision for income taxes	(25)	(391)	(650)	(752)	(517)	(683)	(578)	(760)
Net income	$ 19	$ 570	$ 956	$ 1,182	$ 832	$ 888	$ 915	$ 1,262
Earnings per common share:								
Basic	$ 0.01	$ 0.23	$ 0.38	$ 0.48	$ 0.30	$ 0.32	$ 0.32	$ 0.45
Diluted	$ 0.01	$ 0.22	$ 0.37	$ 0.45	$ 0.28	$ 0.30	$ 0.31	$ 0.42

[Note: Footnote explanations of significant fluctuations.]

Comment Letter

We welcome any comments and suggestions you have regarding this Checklist. Please send this completed form to: AICPA Accounting and Auditing Publications Team, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ, 07311-3881. Thank you.

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