
American Institute of Certified Public Accountants. Technical Information Division

J. Byrne Kelly

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Disclosure Checklists and Illustrative Financial Statements for Banks

A FINANCIAL REPORTING PRACTICE AID
Disclosure Checklists and Illustrative Financial Statements for Corporations (Product No. 008515)

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Disclosure Supplement and Illustrative Financial Statements for Construction Contractors (Product No. 008520)
Disclosure Supplement and Illustrative Financial Statements for Oil and Gas Producing Companies (Product No. 007974)
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Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units (Product No. 008500)
Disclosure Checklists and Illustrative Financial Statements for Banks
A FINANCIAL REPORTING PRACTICE AID

Edited by:

J. Byrne Kelly, CPA
Technical Manager
Technical Information Division

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American Institute of Certified Public Accountants
The checklists and illustrative financial statements included in this booklet have been developed by the staff of the Technical Information Division of the AICPA as non-authoritative technical practice aids. At the request of certain AICPA members, these checklists are also being made available for purchase by AICPA members subject to their recognition of the following:

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

- The checklists and illustrative financial statements have been updated through SAS No. 61, SSARS No. 6, FASB Statement of Financial Accounting Standards No. 96, FASB Interpretation No. 38, and FASB Technical Bulletin No. 87-3. The checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

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

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

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

John Graves
Director
Technical Information Division
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Introduction

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

Banks are also subject to examination by Federal and State Bank examiners and periodic examinations by the Bank's board of directors.

Common accounting and reporting by banks include:

- Accrual basis of accounting is the only acceptable basis of accounting under GAAP, although some banks may report certain revenue and expense items on a cash or modified cash basis.

- Banks usually prepare a non-classified balance sheet.

- Regulatory accounting policy requires that "goodwill" should not be capitalized but written off against stockholders' equity. For GAAP banks are required to capitalize the goodwill.

- Asset and liabilities of a bank's trust accounts are not recorded in the balance sheet.

- Subordinated debt is classified as debt and not as capital.

- Trading account securities are presented at market value. Any unrealized appreciation or depreciation is included in the income statement.

- The income statement is usually reported on a "net interest income" basis. (Interest expense is deducted from interest revenues to arrive at net interest income).

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

- Investment securities realized gains and losses are presented on a separate line, on a pretax basis, in the "other income" section of the income statement.

- Transfers of securities from an investment account to the trading account are recorded at market on the transfer date. Unrealized gains are to be deferred until disposition; unrealized losses are recognized at the transfer date.
Transfers from the trading account to the investment account are recorded at market on the transfer date. Unrealized gains or losses are included in income on the transfer date.

The components and approximate market value of the investment security portfolio should be disclosed on the balance sheet or in the related notes.

Note disclosures should include a break-down of loans by major types of lending activities, with disclosure of information about maturities and loans with fixed and floating rates of interest.

Fixed assets are normally shown as a single caption on the balance sheet, net of accumulated depreciated and amortization with note disclosures of the components.

The components of the deposit liability accounts should be disclosed on the balance sheet or in the related notes.

The interest method is used to amortize unearned discount on loans and deferred loan origination fees and costs.
Disclosure Checklists--General

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

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

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

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

0 Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.
The checklists are not all-inclusive and are not intended to present minimum requirements.

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

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

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

Explanation of references:

SAS = Statement of Auditing Standards

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

SSARS = Statement on Standards for Accounting and Review Services

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

IAG = Industry Audit Guide, Audits of Banks

Checklist Questionnaire

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<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<td>1. Does the auditor's report include appropriate:</td>
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<tr>
<td>a. Addressee [SAS 58, par. 9 (AU 508.09)]</td>
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<td>b. Date (or dual dates) of the report? [SAS 1, sec. 530 (AU 530); SAS 58, par. 46 (AU 508.46; SAS 26, pars. 15-17 (AU 504.15-.17)]</td>
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<tr>
<td>c. A title that includes the word independent? [SAS 58, par. 8 (AU 508.08)]</td>
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<td>2. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided? [SAS 1, sec. 220 (AU 220)]</td>
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<tr>
<td>a. For a public entity? [SAS 26, pars. 8-10 (AU 504.08-.10)]</td>
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<tr>
<td>b. For a nonpublic entity? [SSARS No. 1, pars. 22 and 38 (AR 100.22 and .38)]</td>
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</table>
3. Does the reporting language conform with the auditor's standard report on:

   a. Financial statements of a single year or period?  
      [SAS 58, par. 8 (AU 508.08)]

   b. Comparative financial statements?  
      [SAS 58, par. 8 (AU 508.08)]

4. Does the auditor's report include appropriate language with respect to the following:

   a. The auditor's opinion is based in part on the report of another auditor?  
      [SAS 1, sec. 543 (AU 543); SAS 7 (AU 315); SAS 58, pars. 12-13 (AU 508.12-.13)]

   b. Departure from a promulgated accounting principle which could lead to a misleading financial statement?  

   c. The financial statements was affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation?  
      [SAS 58, pars 16-33 (AU 508.16-33)]

   d. There is substantial doubt about the ability to continue as going concern?  
      [SAS 59, par. 13 (AU 341.13)]

   e. There has been a material change between periods in accounting principles or in the method of application?  
      [SAS 58, pars. 34-36 (AU 508.34-36)]

   f. Opinion on prior-period financial statements different from the opinion previously expressed?  
      [SAS 58, pars. 77-78 (AU 508.77-.78)]

   g. Predecessor auditor's report reissued?  
      [SAS 58, pars 80-82 (AU 508.80-82)]

   h. Selected quarterly financial data required by the SEC has been omitted or has not been reviewed?  
      [SAS 36, par. 29 (AU 722.29)]
i. Required supplemental information has:

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<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tr>
<td>(1). Been omitted?</td>
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<td>(2). Presentation of information departs materially from FASB guidelines?</td>
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<td>(3). The auditor is unable to complete prescribed procedures?</td>
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<tr>
<td>(4). The auditor has substantial doubts that the information conforms to FASB guidelines?</td>
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[SAS 52 (AU 551.15)]

j. Other information in the document containing the audited financial statements is materially inconsistent with information appearing in the financial statements?

[SAS 8, par. 4 (AU 550.04)]

k. A matter regarding the financial statement that should be emphasized?

[SAS 58, par. 37 (AU 508.37)]

l. Report on one basic financial statement and there are no scope limitations?

[SAS 58, par. 48 (AU 508.48)]

m. Reports on comparative financial statements?

[SAS 58, pars. 74-75 (AU 508.74-.75)]

n. For comparative financial statements, there is an unqualified opinion on one of the financial statements and a qualified or adverse opinion, disclaimer, or an explanatory paragraph on one or more financial statements for one or more periods?

[SAS 58, pars. 5 and 76 (AU 508.05 and .76)]

o. Comparative financial statements with an opinion different from the opinion previously expressed?

[SAS 58, par. 77-78 (AU 508.77-.78)]

p. Comparative financial statements when predecessor auditor's report not presented?

[SAS 58, par. 83 (AU 508.83)]

q. Audited and unaudited financial statements in comparative form?

[SAS 26, pars. 14-17 (AU 504.14-.17)]
r. Report on comparative statements of income, retained earnings, and cash flows without presentation of comparative balance sheets for the prior periods?
[SAS 58, par. 8, fn. 7 (AU 508.08, fn. 7)]

5. Has a qualified opinion or disclaimer of opinion been expressed if:

a. There is a lack of sufficient competent evidential matter or there are restrictions on the scope of the audit?
[SAS 31, par. 22 (AU 326.23); SAS 58, pars. 40-48 (AU 508.40-.48)]

b. Alternative procedures are not practicable for confirmation requests returned undelivered by postal authorities?
[IAG, page 81]

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

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

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

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

d. The financial statements contain a material departure from GAAP, inadequate disclosure or an accounting change?
[SAS 58, pars. 49-66 (AU 508.49-.66); SAS 54, par. 18 (AU 317.18); SAS 32, par. 3 (AU 431.03); SAS 59, par. 12 (AU 341.12)]

e. There is no evidence to support carrying amount of investment securities and an allowance to write down to market has not been established?
[IAG, pages 36 and 37]

f. Financial statements reported to public reflect regulatory practice of immediate write-off of goodwill?
[IAG, page 120]
7. Has an adverse opinion been expressed if the financial statements do not present fairly the financial position or the results of operations or cash flows in conformity with GAAP?
[SAS 58, pars. 67-69 (AU 508.67-.69)]

8. Has a disclaimer of opinion been expressed on the financial statements when the auditor has not performed an audit sufficient in scope to enable him to form an opinion?
[SAS 58, par. 70 (AU 508.70)]

a. Are any reservations regarding the fair presentation in conformity with generally accepted accounting principles been disclosed?
[SAS 58, par. 71 (AU 508.71)]

9. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed:

a. Are all the substantive reasons for the opinion or disclaimer disclosed?
[SAS 58, pars. 39, 40, 51, 68 and 71 (AU 509.39, .40, .51, .68 and .71)]

b. Is the reporting language clear and appropriate for the--

(1). Qualified opinion?
[SAS 58, pars. 38-66 (AU 508.38-.66)]

(2). Adverse opinion?
[SAS 58, pars. 67-69 (AU 508.67-.69)]

(3). Disclaimer of opinion?
[SAS 58, pars. 70-72 (AU 508.70-.72)]

10. Does the auditor's report include modification, if applicable, for the following:

a. Conditions that precluded application of necessary auditing procedures to long-term investments?
[SAS 58, par. 42 (AU 508.42)]

b. Regulated companies?
[SAS 1, sec. 544.02-.04 (AU 544.02-.04); SAS 14, pars. 2-8 (AU 621.02-.08)]

c. Inadequate disclosure?
[SAS 58, pars. 55-58 (AU 508.55-.58)]
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<th>Yes</th>
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<td>d. Client representations about related party transactions? [SAS 45, par. 2 (AU 334.12)]</td>
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<td>e. Client's refusal to provide written representations? [SAS 19, par. 11 (AU 333.11)]</td>
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<td>f. Limitations on scope of lawyer's response? [SAS 12, pars. 12-14 (AU 337.12-.14)]</td>
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<td>h. Scope limitation concerning errors or irregularities? [SAS 53, pars. 26-27 (AU 316.26-.27)]</td>
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<td>j. Segment information? [SAS 21 (AU 435)]</td>
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<td>k. Entity's continued existence? [SAS 59, pars. 12-16 (AU 341.12-.16)]</td>
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<td>l. Material misstatement of the financial statements? [SAS 47, par. 31 (AU 312.31)]</td>
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<td>m. Financial statements issued before the effective date of a Statement of Financial Accounting Standards when disclosure is not made of the effect of a restatement which will be required in the future as a result of the FASB Statement? [Interpretation 3 of SAS 1, section 410 (AU 9410.13-.15)]</td>
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<td>n. Client's voluntarily including supplementary information which has not been audited? [SAS 52, par. 3 (AU 558.03)]</td>
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<td>11. Has a piecemeal opinion been avoided? [SAS 58, par. 73 (AU 508.73); SAS 14, par. 12 (AU 621.12)]</td>
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12. For special reports, have the provisions of SAS 14 and SAS 35 been complied with for the following:

a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles?  
   [SAS 14, pars. 2-8 (AU 621.02-.08)]

b. Specified elements, accounts or items of a financial statement?  
   [SAS 14, pars. 9-14 (AU 621.09-.14); SAS 35 (AU 622)]

c. Compliance with aspects of contractual agreements or regulatory requirements relating to audited financial statements?  
   [SAS 14, pars. 18-19 (AU 621.18-.19)]

d. Financial information that requires a prescribed form of auditor's report?  
   [SAS 14, pars. 20-21 (AU 621.20-.21)]

13. If information is to accompany the basic financial statements and auditor's report in an auditor-submitted document (long-form report):

a. Is there a clear distinction between the client's representation and auditor's representations?  
   [SAS 29, par. 20 (AU 551.20)]

b. Does the auditor's report on the accompanying information:
   (1). State that the examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole?  

   (2). Specifically identify the accompanying information?  

   (3). State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?
(4). State whether the additional information has been subjected to the auditing procedures applied in examining the basic financial statements and whether the appropriate expression or disclaimer of opinion is included? [SAS 29, pars. 6-11 (AU 551.06-.11)]

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

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

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

15. If the document contains interim financial information, has the auditor's report been expanded if required? [SAS 36, pars. 24-30 (AU 722.24-.30)]

16. If supplementary information required by the FASB is presented outside the basic financial statements in an auditor-submitted document, has an opinion been disclaimed on such information unless it has been audited? [SAS 27, pars. 8 and 11 as amended by SAS 52, par. 3 (AU 558.03) (AU 551.15)]

17. If the client is subject to FASB requirements to include certain supplementary information in documents containing audited financial statements, has the auditor's report been appropriately modified if:

a. Required supplementary information is omitted? __ __ __

b. Measurement or presentation of the supplementary information departs materially from guidelines prescribed by the FASB? __ __ __

c. The auditor is unable to complete the procedures prescribed by SAS 52? [SAS 52, par. 2 (AU 558.02)] __ __ __
18. If a report on internal accounting control is to be issued [Material weaknesses in internal accounting controls ("reportable conditions") that come to the auditor's attention must be communicated, preferably in writing, to the audit committee or board of directors [SAS 60 (AU 325)] is the appropriate form used for:

a. Expression of an opinion on the entity's system of internal accounting control in effect as of a specified date or during a specific period of time?  
   [SAS 30, pars. 37-46 (AU 642.37-.46)]

b. Communication to the audit committee of internal control structure related matters noted in an audit or other agreed upon matters?  
   [SAS 60, pars. 12-19 (AU 325.12-.19)]

c. Report on all or part of an entity's system for restricted use of management or specified regulatory agencies, based on the regulatory agencies' pre-established criteria?  
   [SAS 30, pars. 54-59 (AU 642.54-.59)]

d. Other special purpose reports on all or part of the entity's system for restricted use of management, specified regulatory agencies, or other specified third parties?  
   [SAS 30, pars. 60-61 (AU 642.60-.61); SAS 44, pars. 35, 41 and 46 (AU 324.35, .41 and .46)]

19. If reporting in a client-prepared document on condensed financial statements (either for an annual or an interim period) that are derived from audited financial statements of a public entity that is required to file, at least annually, complete audited financial statements with a regulatory agency, does the auditor's report indicate:

a. That the auditor has examined and expressed an opinion on the complete financial statements?  
   __ __ __

b. The date of the report on the complete financial statements?  
   __ __ __

c. The type of opinion expressed?  
   __ __ __
d. Whether, in the auditor's opinion, the information set forth in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived?

[Yes] [No] [N/A]

20. If a statement that names the auditor and also states that condensed financial statements have been derived from audited financial statements is made in a client-prepared document that does not include audited financial statements and the client is not a public entity that is required to file complete audited financial statements with a regulatory agency, at least annually, does the auditor's report express a qualified or adverse opinion on the condensed financial statements because of inadequate disclosure?

[Yes] [No] [N/A]

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

a. That the auditor has examined and expressed an opinion on the complete financial statements?

[Yes] [No] [N/A]

b. The type of opinion expressed?

[Yes] [No] [N/A]

c. The specific data on which he is reporting?

[Yes] [No] [N/A]

d. Whether, in the auditor's opinion, the information set forth in the selected financial data is fairly stated in all material respects in relation to the complete financial statements from which it has been derived?

[Yes] [No] [N/A]
22. If the selected financial data for any of the years presented are derived from financial statements that were examined by another independent auditor, does the auditor's report on the selected financial data state that fact and express a disclaimer of opinion on that data?

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

Yes  No  N/A
Financial Statements and Notes Checklist

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

Explanation of references:

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

Checklist Questionnaire

<table>
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<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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General

A. Titles and References

1. Are the financial statements suitably titled? 
   [SAS 14, par. 7 (AU 621.07)]
   ____  ____  ____

2. Does each statement include a general reference to the notes that they are an integral part of the financial statement presentation? 
   [APB Statement 4, Ch. 2, par. 10]
   ____  ____  ____

B. Disclosure of Accounting Policies

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

2. Does disclosure of significant accounting policies encompass important judgments as to appropriateness of principles concerning recognition of revenue, and allocation of asset costs to current and future periods? 
   [APB 22, par. 12 (AC A10.105); TB 82-1, par. 7 (AC I25.506)]
   ____  ____  ____
3. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided?  [APB 22, par. 14 (AC A10.107)]

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C. Accounting Changes

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

   a. Nature of the change?  
   b. Justification for the change?  
   c. Effect on income before extraordinary items and on net income?  
   d. Effect on related per share amounts?  [APB 20, pars. 17 and 19 (AC A06.113 and .115)]

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

3. For changes in the method of accounting for postretirement life insurance and health care benefits, are appropriate disclosures made?  [TB 87-1, par. 4 (AC P50.503)]

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

5. Have the applicable AICPA Statements of Position and Guides listed in Appendix A to SFAS 83 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle?  [SFAS 32, pars. 10-11 (AC A06.112); APB 20, par. 16 (AC A06.112); SFAS 83, pars. 5-6 (AC A06.112)]
6. For a change in accounting estimate affecting several future periods, are the following disclosures made in the year of change:

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

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

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

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

   b. Effect of its correction on income before extraordinary items, net income (and related per share amounts)?  
      [APB 20, pars. 36-37 (AC A35.105); SFAS 96, par. 205m (AC A35.103)]  

8. If interim financial data and disclosures are not separately reported for the fourth quarter, and an accounting change is made during the fourth quarter, is disclosure made in the year of change of:

   a. The effect on the interim periods?  

   b. Cumulative effect?  
      [APB 28, par. 31. SFAS 3, par. 14 (AC I73.147)]  

D. Comparative Financial Statements

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

2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance?  
   [ARB 43, Ch. 2A, par. 2 (AC F43.102)]  

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

1. If a business combination occurred during the period and met the specified conditions for a pooling of interests [APB 16, pars. 45-48 (AC B50.104-.107)]:
   a. Has the required accounting method been applied? [APB 16, pars. 50-62 (AC B50.109-.121)]
   b. Do the statements and notes include the required disclosures? [APB 16, pars. 63-65 (AC B50.122-.124)]

2. If a business combination does not meet the specified conditions for a pooling of interests:
   a. Has the combination been accounted for by the purchase method? [APB 16, pars. 66-94; SFAS 96 pars. 23 and 205c (AC B50.125-.147A and .159-.163); SFAS 38 (AC B50.148-.150 and .166); FASBI 9, pars. 4-7 (AC B50.155-.157)]
   b. Do the statements and notes include the required disclosures? [APB 16, pars. 95-96 (AC B50.164-.165)]
   c. In connection with the acquisition of a banking or thrift institution, are the nature and amounts of any regulatory financial assistance disclosed? [SFAS 72, par. 11 (AC B50.158F)]

3. If significant, has the amount of net operating loss or tax credit carry-forwards for which any tax benefits will be applied to reduce goodwill and other noncurrent assets (of an acquired enterprise) been disclosed separately? [SFAS 96, par. 29 (AC I25.128 and .187)]

4. If financial statements for prior years are restated, have all purchase business combinations that were consummated in those prior years been remeasured in accordance with the requirements of SFAS 96? [SFAS 96, par. 35]
F. Consolidations

1. If consolidated statements are presented:
   a. Is the consolidation policy disclosed?  
      [ARB 51, par. 5 (AC C51.108); APB 22, par. 13 (AC A10.106)]
      ___ ___ ___
   b. Are intercompany balances and transactions eliminated?  
      [ARB 51, par. 6 (AC C51.109)]
      ___ ___ ___
   c. In instances when the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations?  
      [ARB 51, par. 4 (AC C51.107); SFAS 12, pars. 18-20 (AC I89.112-.114); FASBI 13 (AC I89.120-.122)]
      ___ ___ ___

2. Are the accounts of majority owned subsidiaries consolidated?  
   [SFAS 94, par. 13 (AC C51.103)]
   ___ ___ ___

3. If the consolidated financial statements include more than one accepted practice of accounting for marketable securities, are the required disclosures for the various methods disclosed?  
   [SFAS 12, par. 20 (AC I89.114)]
   ___ ___ ___

4. Do disclosures about formerly unconsolidated majority-owned subsidiaries financial statements for fiscal years 1986 or 1987 include summarized information about the assets, liabilities, and results of operations (or separate statements) in the consolidated financial statements or notes?  
   [SFAS 94, par. 14 (AC C51, 120A)]
   ___ ___ ___

G. Related Party Transactions and Economic Dependency

1. For related party transactions do disclosures include:
   a. The nature of the relationship(s) involved (e.g., parent, subsidiary and affiliate companies, officers, stockholders, etc.)?  
      ___ ___ ___
b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?

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

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

H. Foreign Currency

1. Is the aggregate transaction gain or loss included in net income for the period disclosed?  
[SFAS 52, par. 30 (AC F60.140)]

2. Does analysis of changes during the period in the separate component of equity for cumulative translation adjustments disclose:
   a. Beginning and ending amount of cumulative translation adjustments?  

   b. The aggregate adjustment for the period resulting from translation adjustments and gains and losses from certain hedges and intercompany balances?  

   c. The amount of income taxes for the period allocated to translation adjustments?  

   d. The amounts transferred from cumulative translation adjustments and included in the determination of net income for the period as a result of the sale or complete or substantially complete liquidation of an investment in a foreign entity?  
[SFAS 52, par. 31 (AC F60.141)]

3. Are rate changes occurring after the date of the financial statements and the effects on unsettled balances related to foreign currency translations disclosed, if significant?  
[SFAS 52, par. 32 (AC F60.142)]

4. Are any foreign earnings reported in addition to amounts received in the United States disclosed, if significant?  
[ARB 43, Ch. 12, par. 5 (AC F65.102)]

5. Has disclosure of principal amounts of spot and forward exchange contracts been considered?  
[IAG, page 137, SFAS 80 (AC F80)]
I. Contingencies and Commitments

1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading?  
[SFAS 5, par. 9 (AC C59.108)]

2. For loss contingencies not accrued, do disclosures indicate:
   a. Nature of the contingency?  
   b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made?  
[SFAS 5, par. 10 (AC C59.109 and .111)]

3. Are the nature and amount of guarantees disclosed (for example, obligations under standby letters of credit, guarantees to repurchase loans that have been sold)?  
[SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1-3 (AC C59.114)]

4. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization?  
[SFAS 5, par. 17 (AC C59.118)]

5. Is there adequate disclosure of commitments such as those for capital expenditures, for purchase or sale of securities under financial futures contracts, and for funding of loans?  
[SFAS 5, pars. 18-19 (AC C59.120; FASB 80 (AC F80); IAG, page 15]

J. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence with respect to conditions that existed at the date of the balance sheet?  
[SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03-.04, 560.07 and 561.01-.09 (AU 560.03-.04, 560.07 and 561.01-.09)]

2. Are subsequent events that provide evidence with respect to conditions that did not exist
at the date of the balance sheet but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading?

[SFAS 5, par. 11 (AC C59.112); (APB 16, par. 61 (AC B50.120) and SAS 1, secs. 560.05-.07, .09 and 561.01-.09 (AU 560.05-.07, .09 and 561.01-.09)]

K. Pension Plans  [For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 (AC Pe35).]

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

   a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented?

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

Note: The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87 [AC P16]. That net total includes:

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

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

   c. Amortization of unrecognized prior service cost
d. Amortization of the unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 [AC P16].

   | Yes | No | N/A |
---|-----|----|-----|

   |   |   |   |

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

   (1). The fair value of plan assets?
   |   |   |   |

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

   (3). The amount of unrecognized prior service cost?
   |   |   |   |

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

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

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

   (7). The amount of net pension asset or liability recognized in the statement of financial position pursuant to SFAS 87, paragraphs 35-36 (AC P16.129-.130) (which is the net result of combining the preceding six items)?
   |   |   |   |

   d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets?
   |   |   |   |
e. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties?

f. If applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 [AC P16.120 & .127], and the existence and nature of the commitment discussed in SFAS 87 paragraph 41 [AC P16.135]?

[g. If more than one defined benefit plan exists:

(1). Have the required disclosures been aggregated for all of the employer's single-employer defined benefit plans or disaggregated in groups so as to provide the most useful information?

(2). Are plans with assets in excess of accumulated benefit obligations not aggregated with plans that have accumulated benefit obligations that exceed plan assets?

(3). Are disclosures for plans outside the U.S. not combined with those for U.S. plans unless those plans use similar economic assumptions?

2. If there is a defined contribution plan, do disclosures include:

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

b. The amount of cost recognized during the period?

[SFAS 87, par. 65 (AC P16.162)]
c. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan:

(1). Is the substance of the plan to provide a defined benefit? ___ ___ ___

(2). If answer is yes, are disclosures required for a defined benefit plan made? ___ ___ ___ [SFAS 87, par. 66 (AC P16.163)]

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

a. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented? ___ ___ ___

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

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

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

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

b. The amount of gain or loss recognized? ___ ___ ___ [SFAS 88, par. 17 (AC P16.187)]
L. Postretirement Health Care and Life Insurance Benefits

1. Do disclosures include:
   a. Description of benefits and employee groups covered? ___ ___ ___
   b. Description of accounting and funding policies? ___ ___ ___
   c. Cost of benefits recognized during period? ___ ___ ___
   d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented? [SFAS 81, par. 6 (AC P50.102)] ___ ___ ___

M. Futures Contracts

1. If a futures contract is designated a hedge:
   a. Does the item to be hedged expose the enterprise to price (or interest rate) risk? ___ ___ ___
   b. Does the futures contract reduce the exposure to risk and is it designated as a hedge? [SFAS 80, par. 4 (AC F80.104 and .404)] ___ ___ ___

2. If the futures contract hedges an anticipated transaction:
   a. Are the significant characteristics and expected terms of the anticipated transaction identified? ___ ___ ___
   b. Is it probable that the anticipated transaction will occur? [SFAS 80, par. 9 (AC F80.109)] ___ ___ ___

3. If a futures contract is accounted for as a hedge, does the disclosure include:
   a. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts? ___ ___ ___
b. The method of accounting for the futures contract including a description of the events or transactions that result in recognition in income of changes in value of the futures contracts?  
[SFAS 80, par. 12 (AC F80.112)]

N. Other Matters

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

Balance Sheet

A. General

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

B. Interest-Bearing Deposits in Other Banks

1. If material, are such deposits disclosed separately in the balance sheet?  
[IAG, page 25]

C. Federal Funds Sold and Securities Purchased Under Resale Agreements

1. Are such amounts presented gross and not netted against federal funds purchased and securities sold under agreements to repurchase?  
[IAG, page 68]

D. Trading Account Assets

1. Are trading account assets and related futures contracts stated at market value?  
[IAG, page 41]

2. Are major categories disclosed?  
[IAG, page 43]

3. Are short positions shown as liabilities?  
[IAG, page 42]
E. Investment Securities

1. Does carrying amount reflect:
   a. Permanent declines in value? [IAG, page 15]
   b. Unrealized losses attributable to:
      (1). Need to dispose of in foreseeable future?
      (2). Specific adverse conditions for a particular security? [IAG, page 30]

2. Is aggregate market value disclosed? [IAG, page 34]

3. Are carrying amount and market value of pledged securities disclosed? [IAG, page 35]

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

F. Mortgage Loans and Mortgage-Backed Securities Held for Sale

1. Are mortgage loans and mortgage-backed securities held for sale distinguished from mortgage loans and mortgage-backed securities held for long-term investment? [SFAS 65, par. 28 (AC Mo4.129)]

2. Are mortgage loans and mortgage-backed securities reported at lower of cost or market value? [SFAS 65, par. 4 (AC Mo4.105)]

3. Is the method used in determining lower of cost or market value disclosed? [SFAS 65, par. 29 (AC Mo4.130)]
4. If right to service mortgage loans was acquired, is the following information disclosed:

   a. Amount capitalized during period in acquiring right to service?  
      [SFAS 65, par. 30 (AC Mo4.131)]

   b. Method of amortizing capitalized amount?

   c. Amount of amortization for period?

G. Loans

1. Are amounts disclosed separately for the following categories or similar groupings:

   a. Commercial and industrial?

   b. Financial institutions?

   c. Real estate—construction?

   d. Real estate—other?

   e. Consumer installment?

   f. Lease financing?

   g. Foreign?
      [IAG, page 54]

2. Are maturities for each category disclosed?
   [IAG, page 54]

3. Is the amount of loans at fixed interest rates disclosed?
   [IAG, page 54]

4. Is the amount of loans at variable interest rates disclosed?
   [IAG, page 54]

5. Are loans to related parties disclosed?
   [IAG, pages 54-55; SFAS 57, par. 2 (AC R36.102)]
6. For troubled debt restructurings, are the following disclosed by major category of loans as of each balance sheet presented:

   a. Aggregate recorded investment?
      ____  ____  ____

   b. Gross interest income that would have been recorded if loans had been current per their original terms and had been outstanding throughout the period or since origination?
      ____  ____  ____

   c. Amount of interest income included in net income?
      ____  ____  ____

   d. Amounts of any commitment to lend additional funds to debtors owing restructured troubled loans?
      [SFAS 15, pars. 40-41 (AC D22.136-.137); TBs 79-6 and 79-7 (AC D22.501-.505)]
      ____  ____  ____

7. For loans sold to other banks but risk retained, are such loans reported as an asset and proceeds reported as borrowings?
   [IAG, page 54]

8. For loans sold with recourse, are the following disclosures made:

   a. For each period for which an income statement is presented, the amount of proceeds?
      ____  ____  ____

   b. At date of each balance sheet presented, balance of sold receivables that remains uncollected?
      [SFAS 77, par. 9 (AC R20.109)]
      ____  ____  ____

9. Are overdrafts classified as loans?
   [IAG, pages 55 & 76]

   ____  ____  ____

10. Is unamortized balance of unearned discounts on purchased loans shown separately and deducted from loans?
    [SFAS 91, par. 21 (AC L20.120); IAG, page 54]
    ____  ____  ____

11. Is amortized balance of loan commitment and loan origination fees shown separately and deducted from loans?
    [SFAS 91, pars. 21 and 65 (AC L20.120 and 20.124); IAG, page 54]
    ____  ____  ____
12. Is the unamortized balance of premiums on purchased loans (except credit card portfolios) shown as part of the related loan balance? [SFAS 91, par. 21 (AC L20.120)]

H. Lease Finance Receivables

1. Is aggregate of lease payments receivable plus estimated residual value, less the amount of unearned income and applicable allowance for losses, classified as loans on the balance sheet or set forth in a separate caption? [IAG, page 55]

2. Do disclosures include:
   a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented?
   b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented?
   c. Total contingent rentals included in income for each period for which an income statement is presented? [SFAS 13, par. 23u (AC L10.119a)]

3. Is method of amortizing deferred investment credits retained as lessor disclosed? [IAG, page 95]

4. Are leasing arrangements described? [SFAS 13, par. 23c (AC L10.119c); For amendments of SFAS 13 see SFASs 22, 23, 27, 28, 29, 76, 77, 91, 94, 96 and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16(r), 85-3 and 86-2]

5. Are leveraged leases appropriately accounted for and reported? [SFAS 13, pars. 41-47 (AC L10.143-.149)]

I. Allowance for Credit Losses

1. Is the allowance shown on the balance sheet as a deduction from loans and lease finance receivables? [IAG, page 54; APB 12, par. 3 (AC V18.102)]
2. Is the method of providing for loan losses disclosed?  [IAG, page 55]  
   Yes  No  N/A

3. Does the schedule of changes in allowance show:
   a. Balances at the beginning and end of each period?  
      Yes  No  N/A
   b. Provision charged to income?  
      Yes  No  N/A
   c. Losses charged to the allowance?  
      Yes  No  N/A
   d. Recoveries of amounts charged off?  [IAG, page 62]  
      Yes  No  N/A

J. Premises and Equipment

1. Are fixed assets shown on the balance sheet net of accumulated depreciation?  [IAG, page 71]  
   Yes  No  N/A

2. Is the carrying basis disclosed?  [IAG, page 71]  
   Yes  No  N/A

3. Are the balances of major classes of depreciable assets disclosed?  [APB 12, par. 5b (AC D40.105b)]  
   Yes  No  N/A

4. Is accumulated depreciation, either by major classes of assets or in total, disclosed?  [APB 12, par. 5c (AC D40.105c)]  
   Yes  No  N/A

5. Is the amount of capitalized interest cost disclosed?  [SFAS 34, par. 21 (AC I67.118)]  
   Yes  No  N/A

6. Is property not used in operations, such as repossessed collateral, excluded?  [IAG, page 72]  
   Yes  No  N/A

K. Other Assets

1. If material, are amounts disclosed separately for:
   a. Due from customers on acceptances?  
      Yes  No  N/A
   b. Investments?  
      Yes  No  N/A
   c. Other real estate owned by bank?  
      Yes  No  N/A
d. Accrued interest receivable?  

<table>
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<tr>
<th>Yes</th>
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e. Accrued income receivable?  

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<tr>
<th>Yes</th>
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f. Accounts receivable?  

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<th>Yes</th>
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g. Prepaid expenses and deferred charges?  

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<th>Yes</th>
<th>No</th>
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h. Suspense accounts?  

[IAG, page 73]

2. For investments in common stock accounted for by the equity method, are appropriate disclosures made? (Very few banks can own common stocks.)  

[APB 18, par. 20 (AC I82.110)]

3. Is real estate acquired through foreclosure at the lower of fair value or the recorded investment?  

[IAG, page 74]

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

a. Is the amortization period no greater than the estimated remaining life of long-term interest-bearing assets acquired?  

[SFAS 72, par. 4 (AC I60.131)]

b. Is the interest method used as the amortization method?  

[SFAS 72, par. 5 (AC I60.133)]

c. Are method and period of amortization disclosed?  

[APB 17, par. 30 (AC I60.111)]

5. Are investments in life insurance reported at amounts which can be realized as of the balance sheet date?  

[TB 85-4, par. 2 (AC I50.508)]

L. Deposits

1. Are amounts disclosed separately for:

a. Noninterest-bearing deposits in domestic offices?  

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b. Noninterest-bearing deposits in foreign offices?

C. Interest-bearing deposits in domestic offices?

d. Interest-bearing deposits in foreign offices? [IAG, page 79]

2. Are details provided as to:

a. Amounts and maturities of certificates of deposit in amounts of $100,000 or more?

b. Amounts of large concentrations of deposits?

c. NOW accounts? [IAG, page 79]

3. Is disclosure made as to:

a. Deposits received on unusual terms or from related parties? [IAG, page 79]

M. Federal Funds Purchased and Securities Sold Under Repurchase Agreements

1. Are all necessary disclosures made?

N. Income Taxes (Assumes the adoption of FASB 96)

1. Have deferred tax assets been recognized for the net tax benefit of net deductible amounts that could be realized by loss carryback from future years:

a. To reduce a current deferred tax liability?

b. To reduce taxes paid in the current or a prior year? [SFAS 96, par. 17e (AU I25.116e)]

2. Have deferred tax assets or liabilities been adjusted for the effect of a change in tax law or rates with the effect included in income from continuing operations for the period that includes the enactment date? [SFAS 96, par. 20 (AC I25.119)]
3. Have deferred tax assets or liabilities attributable to different tax jurisdictions been presented separately and not offset? [SFAS 96, par. 24 (AC I25.123)]

4. Have the types of temporary differences that give rise to significant portions of a deferred tax asset or liability been disclosed? [SFAS 96, par. 24 (AC I25.123)]

5. Is the amount of a deferred tax asset or liability the net deferred tax consequence of:
   a. Temporary differences that will result in net taxable or deductible amounts during the next year?
   b. Temporary differences related to an asset or liability that is classified for financial reporting as current because of an operating cycle that is longer than one year?
   c. Temporary differences for which there is no related identifiable asset or liability for financial reporting (SFAS 96, par. 12 AC I25.111)] whenever other related assets and liabilities are classified as current because of an operating cycle that is longer than one year? [SFAS 96, par. 24 (AC I25.123)]

6. Have deferred tax liabilities been recognized for temporary differences that will result in net taxable amounts in future years? [SFAS 96, par. 17f-h (AC I25.116f-h)]

7. For undistributed earnings of subsidiaries and/or corporate joint ventures, for which a deferred tax liability is not recognized; do the disclosures include:
   a. A description of the types of temporary differences?
   b. The type of events that would cause the temporary differences to become taxable?
   c. The cumulative amount of each type of temporary difference?
d. The amount of the unrecognized deferred tax liability for unremitted earnings and the amount of withholding taxes that would be payable upon remittance of the earnings?  
[SFAS 96, par. 25 (AC I25.124)]

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0. Other Liabilities

1. Are estimated losses from loss contingencies accrued if both "probable" as explained in SFAS 5 and the amount can be reasonably estimated?  
[SFAS 5, par. 8 (AC C59.105); FASBI 14 (AC C59.106-.107 and .124-.127)]

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

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

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4. For loans transferred with recourse which are not reported as sales, is the amount of proceeds from the transfer reported as a liability?  
[SFAS 77, par. 8 (AC R20.109)]

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5. If material, are amounts disclosed separately for:

   a. Acceptances outstanding?

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   b. Accrued payrolls?

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   c. Accrued income taxes?

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   d. Deferred income taxes?

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   e. Undistributed payroll deductions?

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   f. Accounts payable?

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   g. Cash dividends declared but unpaid?  
[ IAG, page 86 ]

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P. Long-Term Debt

1. Is the following information disclosed:
   a. Amounts of significant components?  
   b. Interest rates?  
   c. Due dates?  
   d. Pledged property?  
   e. Restrictive covenants?  
      [IAG, page 84]

2. Are the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented?  
   [SFAS 47, par. 10 (AC C32.105)]

3. Are conversion features appropriately accounted for and disclosed?  
   [APB 14, par. 12 (AC D10.103); APB 15, par. 19 (AC E09.110)]

4. For troubled debt restructuring occurring during the current period, do disclosures include:
   a. Description of the principal changes in terms, the major features of settlement, or both?  
   b. Aggregate gain or restructuring of payables and the related income tax effect?  
   c. Aggregate net gain or loss on transfers of assets recognized during the period?  
   d. Per share amount of the aggregate gain on restructuring of payables, net of related income tax effect?  
      [SFAS 15, par. 25 (AC D22.121)]

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

6. Has debt, as required, been considered extinguished for financial reporting purposes because:

a. The debtor is legally released from being the primary obligor and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantee?

b. The debtor irrevocably places cash or other assets in a trust to be used solely for satisfying scheduled payments of both interest and principal of a specific obligation and the possibility that the debtor will be required to make future payments with respect to that debt is remote? [SFAS 76, par. 3 (AC D14.102A)]

7. If there is an extinguishment of debt, is the difference between reacquisition price and carrying amount:

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

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

8. Do disclosures for extinguishments of debt described in 7 above include:

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

b. Income tax effect in the period of extinguishment?

c. The per share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC D14.107)]
9. If debt is considered to be extinguished in conformity with SFAS 76, paragraph 3c, does the disclosure include:

a. A general description of the transaction?

b. The amount of debt that is considered extinguished as long as the debt remains outstanding?

[SFAS 76, par. 6 (AC D14.108)]

Q. Lessee Leases

1. For capital leases do disclosures include:

a. Gross amounts of assets recorded by major classes as of the date each balance sheet presented?

[SFAS 13, par. 16a (AC L10.112a (1)-(4))] [Yes No N/A]

b. Future minimum lease payments as of the latest balance sheet presented in the aggregate, and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value?

[SFAS 13, pars. 10 and 16a (AC L10.106 and .112a(1)-(4))] [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. 16a (AC L10.112a(1)-(4))] [Yes No N/A]

d. Total contingent rentals actually incurred for each period for which an income statement is presented?

[SFAS 13, par. 16a (AC L10.112a(1)-(4)) amended 10/1/79 by SFAS 29, par. 12] [Yes No N/A]

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))] [Yes No N/A]
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?  
[SFAS 13, par. 16b (AC L10.112b)]

b. Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented?  
[SFAS 13, par. 16b (AC L10.112b)]

3. For all operating leases, do disclosures include: rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals?  
[SFAS 13, par. 16c (AC L10.112c)]

4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:

a. Basis for determination of contingent rentals?  

b. Terms of any renewal or purchase options or escalation clauses?  

c. Restrictive Covenants?  
[SFAS 13, par. 16d (AC L10.112d); For amendments of SFAS 13 see SFAS 17, 22, 23, 27, 28, 29, 76, 77, 91, 94, 96 and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16(r), 85-3 and 86-2]

R. Capital Stock

1. For each class of stock, do disclosures include the number of shares authorized, issued and outstanding, and par or stated value per share?  
[APB Statement 4, par. 199, R-9A]
2. Do the financial statement include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding, for example: dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices and pertinent dates, sinking fund requirements, or unusual voting rights? [APB 15, par. 19 (AC E09.110)]

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

4. Are liquidation preferences of preferred stock issued disclosed in the equity section of the balance sheet in the aggregate? [APB 10, par. 10 (AC C16.101)]

5. For preferred stock, do disclosures include:
   a. The aggregate or per share amounts at which shares may be called or are subject to redemption?
   b. The aggregate and per share amounts of arrearages in cumulative preferred dividends? [APB 10, par. 11 (AC C16.102)]

6. For stock option and stock purchase plans, do disclosures include:
   a. The number of shares under option?
   b. The option price?
   c. The number of shares as to which options are exercisable?
   d. For shares exercised, the number of shares exercised and option price? [ARB 43, Ch. 13B, par. 15 (AC C47.123); FASBI 28 (AC C47.119-.122 and .138-.146); TB 82-2, pars.10-.12 (AC C47.513-.515); FASBI 38 (AC C47.135A-.135E)]
S. Additional Paid-in Capital

1. Is the amount shown separately on the balance sheet?  
   [IAG, page 142]

T. Retained Earnings

1. Is the amount of retained earnings shown separately on the balance sheet?  
   [IAG, page 142]

2. Are significant restrictions on the use of retained earnings for payment of dividends disclosed?  
   [SFAS 5, par. 18 (AC C59.120); IAG, page 89]

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

4. If stock dividends are recorded at less than fair value, is the difference between recorded amount and fair value disclosed in the year of issuance?  
   [IAG, page 89]

5. If a portion of initial paid-in capital has been transferred to retained earnings, is the amount of paid-in capital included in retained earnings disclosed?  
   [IAG, page 89]

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

U. Other Stockholders' Equity Accounts

1. Are cumulative translation adjustments separately disclosed?  
   [SFAS 52, par. 31 (AC F60.141)]
2. For treasury shares purchased at a stated price significantly in excess of current market price, is the allocation of amounts paid and the accounting treatment for such amounts disclosed? [TB 85-6, par. 3 (AC C23.501-.503)]

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

Income Statement

A. Interest Income

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

2. For interest income from investment securities:
   a. Is the interest method used to record amortization and accretion? [IAG, page 32]
   b. Except as specified in SFAS 91, paragraph 20, [AC L20.119], is the interest method used as the method of amortization? [SFAS 91, par. 18 (AC L20.117)]

B. Interest Expense

1. If significant, is interest on short positions disclosed? [IAG, page 42]

C. Provision for Credit Losses

1. Is the method of providing for credit losses disclosed? [IAG, page 55]
D. Other Income

1. For investment securities gains/losses:
   a. Are such gains/losses presented separately on a pretax basis and classified as "Other Income"?
      [SOP 83-1, par. 16]

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

3. Are gains/losses on pension plan settlements or curtailments or termination benefits disclosed?
   [SFAS 88, par. 17 (AC P16.187)]

E. Other Expenses

1. Salaries:
   a. If there is a compensatory stock issuance plan:
      (1). Is compensation expense accrued in the proper periods?
         [APB 25, pars. 12-15 (AC C47.112-.115); FASBI 38, pars. 2-6 (AC C47.135A-.135E)]

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

      (3). Are disclosures adequate?
         [ARB 43, Ch. 13B, par. 15 (AC C47.123)]
b. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, pars. 6-7 (AC C38.101-.102)]

2. Employee benefits:

a. Are the amounts of net periodic pension costs and its components disclosed? [SFAS 87, par. 54b (AC P16.150b)]

b. Is the cost of postretirement health care and life insurance benefits disclosed? [SFAS 81, par. 6c (AC P50.102c)]

3. Occupancy expense:

a. Are expenses of holding other real estate excluded? [IAG, page 72]

b. Is mortgage interest expense excluded? [IAG, page 72]

4. Is depreciation expense for the period(s) disclosed accompanied by a general description of the method(s) used to compute depreciation for the major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]

F. Income Taxes

1. Has the fact that the entity is a public enterprise that is not subject to income taxes because its income is taxed directly to its owners and the net difference between the tax bases and the reported amounts of the enterprises assets and liabilities been disclosed? [SFS 96, par. 24 (AC I25.123)]

2. Has the amount of income tax expense or benefit been allocated to:

a. Continuing operations?

b. Discontinued operations?

c. Extraordinary items?

d. Cumulative effect of accounting changes?

e. Prior period adjustments?
f. Gains and losses included in comprehensive income but excluded from net income?  

Yes  No  N/A

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

a. Current tax expense or benefit?  

Yes  No  N/A

b. Deferred tax expense or benefit exclusive of (f) below?  

Yes  No  N/A

c. Investment tax credits?  

Yes  No  N/A

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

Yes  No  N/A

e. The benefits of operating loss carryforwards?  

Yes  No  N/A

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?  

Yes  No  N/A

4. Do disclosures regarding income tax expense attributable to continuing operations include:

a. A reconciliation (using percentages or dollar amounts) to the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations?  

Yes  No  N/A

b. The estimated amount and the nature of each significant item?  

Yes  No  N/A

IAG, page 97

c. Domestic and foreign components of income taxes?  

Yes  No  N/A

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for financial reporting (that is, amounts not already recognized as reductions of a deferred tax liability) and for tax purposes (that is, amounts available to reduce taxes payable on tax returns in future years) been disclosed?  

[APB 2, par. 16, SFAS 96, par. 29 (AC I25.128 and .187)]

6. Do the disclosures for investment tax credits include the method followed (flow-through or deferral) and the amounts involved?  

[APB 4, par. 11, (AC I25.186)]

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

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

b. The principal provisions of the method by which the 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 96, par. 30 (AC I25.129)]

8. For the earliest year restated or for the year SFAS 96 is first adopted if no prior year is restated, has the effect of applying SFAS 96 on the amount of deferred tax charges or credits at the beginning of the fiscal year been reported as the effect of a change in accounting principle in a manner similar to the cumulative effect of a change in accounting principle as described in paragraph 20 of APB Opinion No. 20, Accounting Changes except for any effects of the type required by SFAS 96 to be excluded from net income?  

[SFAS 96, par. 33]
9. When initially presented, have the financial statements for the year SFAS 96 is first adopted disclosed the following:

   a. The effect of adopting SFAS 96 on income from continuing operations, income before extraordinary items, and on net income for the year of adoption if restated financial statements for the prior year are not presented?

   b. The effect of any restatement on any income from continuing operations, income before extraordinary items, and on net income for each year presented?

   [SFAS 96, par. 34]

G. Discontinued Operations

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

   a. Reported separately from income from continuing operations and as a component (including applicable income taxes) of income before extraordinary items?

      [APB 30, pars. 8 and 13-18 (AC I13.101-.103, .105-.106 and .108-.109)]

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

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

2. Is gain or loss from disposal of a discontinued segment reported separately (including applicable income taxes) in conjunction with results of discontinued operations as a component of income before extraordinary items?

   [APB 30, pars. 8 and 13-18 (AC I13.101-.103, .105-.106 and .108-.109)]

3. If the entity sells part of its ownership interest in a foreign entity, is a pro rata portion of the accumulated translation adjustment component of equity attributable to that investment recognized in measuring the gain or loss on the sale?

   [FASBI 37, par. 2 (AC F60.120)]
4. For the period encompassing the measurement date, do notes to financial statements disclose:

   a. Identity of the segment discontinued? Yes No N/A
   b. Expected disposal date, if known? Yes No N/A
   c. Expected manner of disposal? Yes No N/A
   d. Description of the remaining assets and liabilities of the discontinued segment at the balance sheet date? Yes No N/A
   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

   [APB 30, par. 18 (AC I13.108-.109)]

5. For periods after measurement date and including the period of disposal, do notes to financial statements disclose the information required? Yes No N/A

   [APB 30, par. 18 (AC I13.108-.109)]

H. Extraordinary Items

1. Do extraordinary items meet both criteria of (1) an unusual nature, and (2) infrequency of occurrence? Yes No N/A

   [APB 30, pars. 19-24 (AC I17.106-.111 and .118)]

2. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before net income? Yes No N/A

   [APB 30, pars. 10-12 (AC I17.102-.103)]

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? Yes No N/A

   [APB 30, par. 11 (AC I17.102)]

4. Do disclosures include descriptions of an extraordinary event(s) or transaction(s) and the principal items entering into determination of extraordinary gain(s) or loss(es)? Yes No N/A

   [APB 30, par. 11 (AC I17.102)]
5. Are material events or transactions that are either unusual in nature, or of infrequent occurrence but not both (and therefore not meeting criteria for extraordinary items):

a. Reported as a separate component of income from continuing operations?  

b. Accompanied by disclosure of the nature and financial effects of each event?  

[APB 30, par. 26 (AC I22.101); TB 82-1, par. 6 (AC I25.505)]

6. For gains or losses from extinguishment of debt classified as extraordinary items, do disclosures include:

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

b. Income tax effect in the period of extinguishment?  

c. Per share amount of the aggregate gain or loss net of related income tax effect?  

[SFAS 4, par. 9 (AC I17.104)]

I. Other

1. Are the following excluded from determination of net income or results of operations under all circumstances:

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

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

c. Adjustments made pursuant to a quasi-reorganization?  

[APB 9, par. 28 (AC C08.101)]

2. Is earnings per share information presented on the face of the income statement accompanied by appropriate disclosure that in-
cludes the basis of the calculation?

Yes  No  N/A

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

Statement of Changes in Stockholders' Equity

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

Yes  No  N/A

[APB 12, par. 10 (AC C08.102)]

B. Are changes in the number of shares of equity securities disclosed?

Yes  No  N/A

[APB 12, par. 10 (AC C08.102)]

C. Are prior period adjustments limited to:

1. Correction of an error(s) in financial statements of prior periods?

Yes  No  N/A

[SFAS 16, par. 11 (AC A35.103)]

2. Adjustments resulting from realization of income tax benefits of pre-acquisition operating loss or tax credit carryforwards of purchased subsidiaries?

Yes  No  N/A

[SFAS 96, par. 23 (AC I25.122)]

D. Are prior period adjustments and their resulting effects (both gross and net of applicable income taxes) appropriately disclosed?

Yes  No  N/A

[APB 9, par. 26 (AC A35.107)]

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

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

Yes  No  N/A

2. Effect of its correction on income before extraordinary items, net income, and related per share amounts (if applicable)?

Yes  No  N/A

[APB 20, par. 37 (AC A35.105)]
Statement of Cash Flows  [Effective for fiscal years ending after July 15, 1988, the Statement of Cash Flows replaced the Statement of Changes in Financial Position as a basic financial statement.]

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

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

C. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:
   1. Interest received on loans?
   2. Insurance proceeds except those directly related to investing or financing activities?
   3. Interest paid to creditors?
   4. Payments to suppliers and employees?
   5. Payments to governments for taxes, duties, fines, and other fees or penalties?
   6. Payments to settle lawsuits?
   7. Contributions to charities?
      [SFAS 95, pars. 22-23 (AC C25.120-.121)]

D. Are cash receipts and cash payments from investing activities shown separately on statement of cash flows?
   [SFAS 95, par. 31 (AC C25.129)]

E. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:
   1. Receipts from collections or sales of loans?
   2. Receipts from sales of property or investments?
   3. Loans to other entities?
4. Payments to acquire property or investments?  
   [SFAS 95, pars. 16-17 (AC C25.114-.115)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tr>
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</table>

F. Are cash receipts and cash payments from financing activities shown separately on the statement of cash flows?  
   [SFAS 95, par. 31 (AC C25.129)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tbody>
<tr>
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</table>

G. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities:

1. Proceeds from issuing debt or capital stock?  
   [SFAS 95, pars. 19-20 (AC C25.117-.118)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

2. Repayment of amounts borrowed?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

3. Dividend payments to shareholders?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

4. Acquisition of treasury stock?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

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

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

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

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tbody>
<tr>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tbody>
<tr>
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</tbody>
</table>

55
Trusteed Affiliates

A. Is one of the following accounting treatments appropriately used:
   1. Consolidated financial statements?
   2. Combined financial statements?
   3. Equity method?
      [IAG, page 123]

B. If material, is summarized information presented for:
   1. Assets?
   2. Liabilities?
   3. Results or operations?
      [IAG, page 123]

C. If a separate auditor's report is issued on the financial statements, is the relationship of the trusteed affiliate to the parent disclosed?
   [IAG, page 124]
Supplemental Disclosure Checklist for Banks That Are SEC Registrants

This Supplemental Disclosure Checklist for Banks contains additional disclosures that are required in financial statements of banks that are SEC registrants. References in this supplement are from SEC Rules and Regulations since there is no specific counterpart under GAAP. This checklist only includes SEC disclosures for banks and not general SEC disclosures and does not repeat SEC required disclosures if such disclosures are generally required and included in the "Financial Statements and Notes Checklists."

<table>
<thead>
<tr>
<th>A. Cash and Due From Banks</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Has cash and due from banks, including all non-interest bearing deposits with other banks, been stated separately? (9-03.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Have any withdrawal and usage restrictions (including average reserve balances maintained with the Federal Reserve) or compensating balance requirements been disclosed? (9-03.1 (a))</td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Investment Securities</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Have the carrying value and market value of each of the following categories of securities been disclosed (exclude borrowed securities and securities purchased under resale agreements or similar arrangements): (9-03.6 (a))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. U.S. Treasury and other U.S. Government agencies and corporations?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. States of the U.S. and political subdivisions?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Other?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>d. Has disclosure been made regarding the nature and extent of registrants' repurchase and reverse repurchase agreements and the degree of risk involved in these transactions? [FRR 24 Regulation S-X Disclosure Amendment]</td>
<td></td>
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</tbody>
</table>

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<thead>
<tr>
<th>C. Loans</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>1. Have each of the following loan categories been stated separately: 9-03.7 (a) and (b))</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
a. Foreign?  

b. Other (if necessary to reflect any unusual risk concentration, regardless of size)?

- - -

- - -

c. If related party loan disclosures are made, was an analysis of such loans for the latest fiscal year also provided (i.e., beginning balance, new loans, repayments, other charges and ending balance) 9-03.7(e).

- - -

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

d. Are significant nonaccrual, past due, restructured, and potential problem loans disclosed?  

- - -

e. For liquidity problem loans in foreign countries, is a tabular summary presented showing: (FRR 27 Regulation S-X Disclosure Amendment)

(1). Aggregate loans outstanding at beginning of period?  

- - -

(2). Net change in short-term outstandings?  

- - -

(3). Additional outstandings?  

- - -

(4). Interest income accrued?  

- - -

(5). Collections of principal and interest?  

- - -

(6). Aggregate loans outstanding at end of period?  

- - -

f. Have disclosures about restructuring for problem loans in foreign countries been made? (FRR 27, Regulation S-X Disclosure Amendment)  

- - -
D. Adjustments to Allowance for Loan Losses

1. Have adjustments to allowance for loan losses in connection with business combinations been examined to determine their appropriateness? (SAB 61)

   Yes   No   N/A

E. Other Assets

1. For acquisitions occurring after December 23, 1981, has the amortization period for goodwill been reexamined prior to its initial filing with the SEC? (SAB 42 and 42A)

   Yes   No   N/A

   a. For real estate other than bank premises: (9-03.10(4a))

      (1). Is carrying basis disclosed?

      Yes   No   N/A

      (2). Is allowance for losses deducted therefrom?

      Yes   No   N/A

      (3). Is a summary of changes in allowance for losses presented?

      Yes   No   N/A

      (4). Does summary show beginning balance, provision charged to income, losses charged to the allowance, and ending balance?

      Yes   No   N/A

F. Deposits

1. Have the amounts of noninterest bearing and interest bearing deposits been stated separately? Have foreign amounts also been stated separately? (9-03.12)

      Yes   No   N/A

G. Other Liabilities

1. Has the amount of indebtedness to directors, executive officers, and principal holders of equity securities (2) of the registrant or any of its significant subsidiaries (1-02) if the aggregate amount exceeds five percent of shareholders' equity, been disclosed? (9-03.15)

      Yes   No   N/A

   a. (2) See 9-03.7 (e) for definitions of related party terms.
H. Interest and Fees on Loans

1. Have interest and fees on loans been stated separately? (9-04.1)  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
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</table>

I. Interest and Dividends of Investment Securities

1. Have the following amounts for investment securities been stated separately? (9-04.2)
   a. Taxable interest income?
   b. Nontaxable interest income?
   c. Dividends?

<p>| | | |</p>
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</table>

J. Income Statement Captions

1. Have the following captions in the income statement been stated separately? (9-04)
   a. Trading account interest?
   b. Other interest income?
   c. Total interest income?
   d. Interest on deposits?
   e. Interest on short-term borrowings?
   f. Interest on long-term debt?
   g. Total interest expense?
   h. Net interest income?
   i. Provision for loan losses?
   j. Net interest income after provision for loan losses?
   k. Other income?
   l. Other expense?
   m. Income or loss before income tax expense?
   n. Income tax expense?
o. Income or loss before extraordinary items and cumulative effects of changes in accounting principles?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

p. Extraordinary items, less applicable taxes?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
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<th>N/A</th>
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q. Cumulative effects of changes in accounting principles?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

r. Net income or loss?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
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</table>

s. Earnings per share data?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

K. Other Income

1. Have any of the following amounts that exceed one percent of the aggregate of total interest income and other income been stated separately: (9-04.13)

   a. Commissions and fees from fiduciary activities (i.e., trust department income)?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
</table>

   b. Commissions, brokers' fees and markups on securities underwriting and other securities activities?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

   c. Insurance commissions, fees and premiums?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
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</table>

   d. Fees for customer services?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

   e. Trading account profit or loss?  

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<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

   f. Equity in earnings of unconsolidated subsidiaries and 50% or less owned persons?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

   g. Gains or losses on the disposition of equity investees or 50% or less owned persons?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
</table>

   h. Other?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

(1). For investment security gains or losses: (9-04.13)

   a. Are investment securities gains or losses shown separately regardless of amount?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
</table>

   b. Is method followed in determining cost of investments sold disclosed?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

   c. Are related taxes disclosed in a footnote or parenthetically as a part of income tax expense?  

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>
L. Other Expenses

1. Have any of the following amounts that exceed one percent of the aggregate of total interest income and other income been stated separately: (9-03.14)

   a. Salaries and employee benefits?    
   b. Net occupancy expense of premises?  
   c. Goodwil amortization?              
   d. Net cost of operation of other real estate (including provisions for losses, rental income and gains and losses on sales)?
   e. Minority interest in income of consolidated subsidiaries?
   f. Other?

M. Condensed Financial Information of Registrant

1. Has disclosure in a footnote been made of the parent company's condensed balance sheet, income statement and statement of cash flows for periods that correspond with the consolidated financial statements presented? (9-06)

   [Note: Such disclosure is required when restricted net assets (as defined) of consolidated subsidiaries exceed 25% of consolidated net assets as of the end of the most recent fiscal year.]

2. Has the following condensed parent company information been stated separately:

   a. Investments in bank subsidiaries?
   b. Indebtedness of and to bank subsidiaries?
   c. Cash dividends paid to the registrant by bank subsidiaries?
3. Has each of the following been disclosed unless stated separately in the consolidated statements: (9-06 and 12-04(a))
   a. Material contingencies? ___ ___ ___
   b. Significant provisions of long-term debt obligations? ___ ___ ___
   c. A five-year schedule of debt maturities? ___ ___ ___
   d. Mandatory dividend or redemption requirements or redeemable stocks? ___ ___ ___
   e. Guarantees? ___ ___ ___

4. Has separate disclosure been made of cash dividends paid to the parent for each of the last three years by subsidiaries and investees accounted for by the equity method. (12-04(b)) ___ ___ ___

N. Foreign Activities

Has the following checklist been completed for items 1 to 5 if one or more of the following amounts associated with "foreign activities" exceed ten percent of the related consolidated amounts as reported in the financial statements: (9-05 (a))
   a. Assets? ___ ___ ___
   b. Total interest income and other income? ___ ___ ___
   c. Income (loss) before income tax expense? ___ ___ ___
   d. Net Income (loss)? ___ ___ ___

[Note--The term "foreign activities" includes loans and other revenue producing assets and transactions for which the debtor or customer, whether an affiliated or unaffiliated person, is domiciled outside of the United States.]

1. For each balance sheet, disclose total identifiable assets (net of valuation allowances) associated with foreign activities. (9-05 (b1)) ___ ___ ___
2. For each income statement, disclose revenue, income (loss) before taxes, and net income (loss) associated with foreign activities. (9-05 (b2))

3. Disclose the information required by items 1 and 2 for each significant geographic area and in the aggregate for all other geographic areas not deemed significant. (9-05 (b3))

   a. A "significant geographic area" is one in which assets, revenue, income before tax or net income exceed 10 percent of the consolidated amount as reported in the financial statements.

4. Disclose any significant estimates and assumptions, including those related to the cost of capital, used in allocating revenue and expenses to foreign activities. (9-05 (b-2))

5. Disclose the nature and effects of any changes in estimates and assumptions referred to in item 4 which have a significant impact on interperiod comparability. (9-05 (b-2))

O. Financial Guarantees

When aggregate amounts guaranteed are material to consolidated equity or where there is a material effect on results of operations before income taxes, have the following disclosures been made: (SAB 60)

1. A general description of the type of obligations guaranteed (e.g., corporate, municipal general obligation, industrial revenue, etc.), the relative amount and range of maturity dates of each, and the degree of risk involved?

2. The amount of exposure with respect to the debts of others guaranteed at the date of each balance sheet presented including a discussion of how the participation by other parties and other factors that may reduce exposure are treated in determining the amount reported?
3. The manner in which the registrant recognizes revenue with respect to the guarantees?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
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</table>

4. The amount of unearned premiums as of the date of each balance sheet?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

5. Whether the registrant provides an allowance for losses by charges against income and, if so, the basis for the reserve and its amount at each balance sheet date?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

6. Any other information that may be necessary to adequately describe the nature and extent of the obligations guaranteed and the degree of risk related to the guarantees?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

P. Quarterly Information  

For registrants required to include selected quarterly financial data, have the following captions, at a minimum, been disclosed:  
(SAB Topic 6.G.)  

1. Interest Income?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

2. Provision for loan losses?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

3. Security gains or losses?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

4. Net income?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
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</table>

5. Earnings per share?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
</table>

Q. Foreign Debt Exchanges  

If the registrant is involved in a "Mexican Debt Exchange," have the following disclosures been considered:  
(SAB 75)  

1. Carrying value and terms of obligations exchanged?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

2. Face value, carrying value, market value and terms of securities received?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

3. The effect of the transaction on the allowance for loan losses and the provision for loan losses?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>
4. Annual interest income on the obligations exchanged and the annual interest income on the securities received?

Yes  No  N/A

R. Schedules

1. Schedule Number I refers to Rule 9-07 and Rule 12-05 (Note)

   a. Indebtedness to Related parties--[Filed in support of subcaption (9-03.15(4))--Indebtedness to directors, executive officers, and principal holders of equity securities of the registrant or any of its significant subsidiaries).

   (1). Note--Rule 12-05 provides instructions for the schedule, "Indebtedness of and to Related Parties." Portions of that schedule relating to "indebtedness of" related parties may be omitted because that information is required to be disclosed under Rule 9-03.7(c) of Regulation S-X.

2. Schedule Number II refers to Rule 9-07 and Rule 12-08:

   a. Guarantees of Securities of Other Issuers--[Filed with respect to any guarantees of securities of other issuers by the person for which the statement is being filed].
Illustrative Bank Financial Statements

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

Independent Auditor's Report

To the Board of Directors and Stockholders
Sample Bank
Sampletown, U.S.A.

We have audited the accompanying balance sheets of Sample Bank as of December 31, 19X2 and 19X1, and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Bank at December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

[Signature]

Office Town, U.S.A.
January 24, 19X3

Notice
At date of publication the AICPA had under consideration a proposal to revise the financial statement presentation by banks. The FASB also was considering a revision of cash flow data for banks.
### Sample Bank

**Balance Sheets**

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

(in thousands)

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks</td>
<td>$5,498</td>
<td>$5,425</td>
</tr>
<tr>
<td>Interest-bearing deposits in banks</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Federal funds sold and securities purchased under reverse repurchase agreements</td>
<td>2,100</td>
<td>—</td>
</tr>
<tr>
<td>Investment securities (approximate market value of $32,886, and $41,567, respectively)</td>
<td>37,695</td>
<td>43,528</td>
</tr>
<tr>
<td>Trading securities</td>
<td>4,640</td>
<td>5,915</td>
</tr>
<tr>
<td>Loans, less allowance for loan losses of $830, and $823, respectively</td>
<td>48,586</td>
<td>43,772</td>
</tr>
<tr>
<td>Investment in leveraged leases, net</td>
<td>1,897</td>
<td>1,113</td>
</tr>
<tr>
<td>Office buildings, equipment, and leasehold improvements, net</td>
<td>2,144</td>
<td>1,878</td>
</tr>
<tr>
<td>Customers’ acceptance liability</td>
<td>237</td>
<td>379</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>200</td>
<td>180</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,208</td>
<td>614</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$105,205</strong></td>
<td><strong>$103,804</strong></td>
</tr>
</tbody>
</table>

#### Liabilities and Stockholders’ Equity

**Deposits**

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>$19,427</td>
<td>$24,061</td>
</tr>
<tr>
<td>NOW accounts</td>
<td>7,107</td>
<td>—</td>
</tr>
<tr>
<td>Savings</td>
<td>30,135</td>
<td>33,449</td>
</tr>
<tr>
<td>Time, $100,000 and over</td>
<td>15,500</td>
<td>12,200</td>
</tr>
<tr>
<td>Other time</td>
<td>17,574</td>
<td>19,181</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td><strong>89,743</strong></td>
<td><strong>88,891</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal funds purchased and securities sold under repurchase agreements</td>
<td>2,279</td>
<td>2,558</td>
</tr>
<tr>
<td>Acceptances outstanding</td>
<td>237</td>
<td>379</td>
</tr>
<tr>
<td>Accrued interest and other liabilities</td>
<td>1,918</td>
<td>2,062</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>95,177</strong></td>
<td><strong>94,890</strong></td>
</tr>
</tbody>
</table>

#### Commitments and contingent liabilities

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stockholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, par value $10; 150,000 shares authorized and outstanding</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>4,500</td>
<td>4,500</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,028</td>
<td>2,914</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td><strong>10,028</strong></td>
<td><strong>8,914</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$105,205</strong></td>
<td><strong>$103,804</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Sample Bank
Statements of Income

Years Ended December 31, 19X2 and 19X1
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and fees on loans</td>
<td>$6,859</td>
<td>$5,527</td>
</tr>
<tr>
<td>Interest on investment securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>741</td>
<td>836</td>
</tr>
<tr>
<td>Obligations of other U.S. government agencies and corporations</td>
<td>186</td>
<td>268</td>
</tr>
<tr>
<td>Obligations of states and political subdivisions</td>
<td>1,248</td>
<td>1,256</td>
</tr>
<tr>
<td>Other securities</td>
<td>58</td>
<td>42</td>
</tr>
<tr>
<td>Interest on trading securities</td>
<td>221</td>
<td>241</td>
</tr>
<tr>
<td>Interest on federal funds sold and securities purchased under reverse repurchase agreements</td>
<td>332</td>
<td>105</td>
</tr>
<tr>
<td>Interest on deposits in banks</td>
<td>86</td>
<td>72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,731</td>
<td>8,347</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>6,446</td>
<td>5,340</td>
</tr>
<tr>
<td>Interest of federal funds purchased and securities sold under repurchase agreements</td>
<td>253</td>
<td>78</td>
</tr>
<tr>
<td>Interest on subordinated debentures</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,779</td>
<td>5,498</td>
</tr>
<tr>
<td>Net interest income</td>
<td>2,952</td>
<td>2,849</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>60</td>
<td>68</td>
</tr>
<tr>
<td><strong>Net interest income after provision for loan losses</strong></td>
<td>2,892</td>
<td>2,781</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust department</td>
<td>187</td>
<td>166</td>
</tr>
<tr>
<td>Service fees</td>
<td>106</td>
<td>103</td>
</tr>
<tr>
<td>Trading profits and commissions</td>
<td>174</td>
<td>67</td>
</tr>
<tr>
<td>Other</td>
<td>74</td>
<td>77</td>
</tr>
<tr>
<td>Investment security gains (losses)</td>
<td>131</td>
<td>(30)</td>
</tr>
<tr>
<td></td>
<td>672</td>
<td>383</td>
</tr>
<tr>
<td><strong>Other expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>727</td>
<td>718</td>
</tr>
<tr>
<td>Pensions and other employee benefits</td>
<td>153</td>
<td>130</td>
</tr>
<tr>
<td>Occupancy expenses, net</td>
<td>356</td>
<td>304</td>
</tr>
<tr>
<td>Other expenses</td>
<td>747</td>
<td>648</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,983</td>
<td>1,800</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>1,581</td>
<td>1,364</td>
</tr>
<tr>
<td>Applicable income taxes</td>
<td>146</td>
<td>33</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$1,435</td>
<td>$1,331</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Sample Bank
Statements of Changes in Stockholders' Equity

Years Ended December 31, 19X2 and 19X1
(in thousands, except share amounts)

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Capital</th>
<th>Retained</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Par Value</td>
<td>Surplus</td>
<td>Earnings</td>
</tr>
<tr>
<td>Balance, December 31, 19X0</td>
<td>150</td>
<td>$1,500</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>1,331</td>
</tr>
<tr>
<td>Cash dividends declared, $2.14 per share</td>
<td></td>
<td></td>
<td>(321)</td>
</tr>
<tr>
<td>Balance, December 31, 19X1</td>
<td>150</td>
<td>1,500</td>
<td>4,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>1,435</td>
</tr>
<tr>
<td>Cash dividends declared, $2.14 per share</td>
<td></td>
<td></td>
<td>(321)</td>
</tr>
<tr>
<td>Balance, December 31, 19X2</td>
<td>150</td>
<td>$1,500</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Sample Bank  
Statements of Cash Flows  
For the Years Ended December 31, 19X2 and 19X1  
Increase (decrease) in Cash and Equivalents  
(in thousands)

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>$8,531</td>
<td>$7,347</td>
</tr>
<tr>
<td>Fees and commissions received</td>
<td>1,200</td>
<td>1,000</td>
</tr>
<tr>
<td>Other income received</td>
<td>318</td>
<td>413</td>
</tr>
<tr>
<td>Financing revenue received under leases</td>
<td>223</td>
<td>122</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(7,013)</td>
<td>(5,408)</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(1,810)</td>
<td>(1,638)</td>
</tr>
<tr>
<td>Income taxes (paid) refunded</td>
<td>(56)</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,393</td>
<td>1,916</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of trading and investment securities</td>
<td>17,239</td>
<td>3,287</td>
</tr>
<tr>
<td>Purchase of trading and investment securities</td>
<td>(10,000)</td>
<td>(6,800)</td>
</tr>
<tr>
<td>Net increase in short-term installment receivables</td>
<td>(2,333)</td>
<td>(1,647)</td>
</tr>
<tr>
<td>Net increase in loans with maturities of 3 months or less</td>
<td>(5,000)</td>
<td>(4,614)</td>
</tr>
<tr>
<td>Principal collected on longer term loans</td>
<td>74,918</td>
<td>77,205</td>
</tr>
<tr>
<td>Longer term loans made to customers</td>
<td>(72,459)</td>
<td>(66,708)</td>
</tr>
<tr>
<td>Purchase of assets to be leased</td>
<td>(1,518)</td>
<td>—</td>
</tr>
<tr>
<td>Principal payments received under leases</td>
<td>300</td>
<td>142</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(439)</td>
<td>(807)</td>
</tr>
<tr>
<td>Other</td>
<td>(614)</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>94</td>
<td>142</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (increase) decrease in demand deposits, NOW and savings accounts</td>
<td>(2,448)</td>
<td>6,195</td>
</tr>
<tr>
<td>Proceeds from sales of certificates of deposit</td>
<td>13,300</td>
<td>18,708</td>
</tr>
<tr>
<td>Payments for maturing certificates of deposit</td>
<td>(10,000)</td>
<td>(24,607)</td>
</tr>
<tr>
<td>Net decrease in federal funds purchased and securities sold under repurchase agreements</td>
<td>(279)</td>
<td>(308)</td>
</tr>
<tr>
<td>Proceeds from issuance of nonrecourse debt for leveraged lease</td>
<td>434</td>
<td>500</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(321)</td>
<td>(321)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>686</td>
<td>167</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>2,173</td>
<td>2,225</td>
</tr>
<tr>
<td>Cash and due from banks and interest-bearing deposits at beginning of year</td>
<td>6,425</td>
<td>4,200</td>
</tr>
<tr>
<td>Cash and due from banks, interest-bearing deposits and federal funds sold at end of year</td>
<td>$8,598</td>
<td>$6,425</td>
</tr>
</tbody>
</table>

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

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.
Reconciliation of Net Income to Net Cash Provided by Operating Activities (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>1,435</td>
<td>1,331</td>
</tr>
<tr>
<td>Adjustments to reconcile net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>173</td>
<td>162</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>60</td>
<td>68</td>
</tr>
<tr>
<td>Provision for deferred taxes</td>
<td>90</td>
<td>(113)</td>
</tr>
<tr>
<td>(Gain) loss on sale of trading and investment securities</td>
<td>(131)</td>
<td>30</td>
</tr>
<tr>
<td>(Decrease) increase in accrued interest and other liabilities</td>
<td>(234)</td>
<td>438</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,393</td>
<td>1,916</td>
</tr>
</tbody>
</table>
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Investment securities.** Investment securities are stated at cost adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

**Trading securities.** Trading securities are carried at market value. Realized gains and losses on sales and unrealized changes in market values are included in other income.

**Loans and allowance for possible loan losses.** Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for loan losses. Unearned discount on installment loans is recognized as income over the terms of the loans by the interest method. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for possible loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay. Accrual of interest is discontinued on loans past due 90 days or more and collateral is inadequate to cover principal and interest or immediately if management believes, after considering economic and business conditions and collection efforts, that the borrowers' financial condition is such that collection is doubtful.

**Leveraged leases.** Income on leveraged leases is recognized by a method that yields a level rate of return on the lease investment.

**Other real estate.** Other real estate, acquired through partial or total satisfaction of loans, is carried at the lower of cost or fair market value. At the date of acquisition, losses are charged to the allowance for loan losses.

**Depreciation.** Office equipment and buildings are stated at cost less accumulated depreciation computed principally on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on the declining-balance method over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

**Pension plan.** The bank has a trusteed, noncontributory defined benefit retirement plan covering substantially all employees. Actuarially determined pension costs are charged to current operations. The funding policy is to pay at least the minimum amounts required by the Employee Retirement Income Security Act of 1974.

**Income taxes.** Deferred income taxes are reported for temporary differences between items of income or expense reported in the financial statements and those reported for income tax purposes. The differences relate principally to depreciation of office buildings and equipment, accretion of discounts on investment securities, provision for loan losses, and differences in method of recognizing income from leases. Investment tax credits on equipment leased to others are recognized over a period related to the recovery of the lease investment that gives rise to the credits.

**Investment Securities**

Carrying amounts and approximate market values of investment securities are summarized as follows.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 19X2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>$11,023</td>
</tr>
<tr>
<td>Obligations of other U.S. government agencies and corporations</td>
<td>2,493</td>
</tr>
<tr>
<td>Obligations of states and political subdivisions</td>
<td>23,279</td>
</tr>
<tr>
<td>Other securities</td>
<td>900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$37,695</strong></td>
</tr>
</tbody>
</table>
Carrying Amount

<table>
<thead>
<tr>
<th>Category</th>
<th>Carrying Amount</th>
<th>Approximate Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury securities</td>
<td>$14,674</td>
<td>$13,858</td>
</tr>
<tr>
<td>Obligations of other U.S. government agencies and corporations</td>
<td>4,690</td>
<td>4,540</td>
</tr>
<tr>
<td>Obligations of states and political subdivisions</td>
<td>23,364</td>
<td>22,442</td>
</tr>
<tr>
<td>Other securities</td>
<td>800</td>
<td>727</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$43,528</strong></td>
<td><strong>$41,567</strong></td>
</tr>
</tbody>
</table>

Investment securities with a carrying amount of $6,892 and $13,524 at December 31, 19X2 and 19X1, respectively, were pledged to secure public deposits and securities sold under agreements to repurchase and for other purposes required or permitted by law.

**Loans**

Major classifications of loans are as follows.

<table>
<thead>
<tr>
<th>Category</th>
<th>December 31, 19X2</th>
<th>December 31, 19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>$14,634</td>
<td>$11,823</td>
</tr>
<tr>
<td>Construction</td>
<td>4,200</td>
<td>4,223</td>
</tr>
<tr>
<td>Mortgage</td>
<td>10,346</td>
<td>10,482</td>
</tr>
<tr>
<td>Installment</td>
<td>22,222</td>
<td>19,889</td>
</tr>
<tr>
<td>Unearned discount</td>
<td>(1,986)</td>
<td>(1,822)</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>(830)</td>
<td>(823)</td>
</tr>
<tr>
<td>Loans, net</td>
<td><strong>$48,586</strong></td>
<td><strong>$43,772</strong></td>
</tr>
</tbody>
</table>

Loans on which the accrual of interest has been discontinued or reduced amounted to $373 and $596 at December 31, 19X2 and 19X1, respectively. If interest on those loans had been accrued, such income would have approximated $37 and $59 for 19X2 and 19X1, respectively. Interest income on those loans, which is recorded only when received, amounted to $9 and $18 for 19X2 and 19X1, respectively.

Changes in the allowance for loan losses were as follows.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$823</td>
<td>$819</td>
</tr>
<tr>
<td>Provision charged to operations</td>
<td>60</td>
<td>68</td>
</tr>
<tr>
<td>Loans charged off</td>
<td>(80)</td>
<td>(103)</td>
</tr>
<tr>
<td>Recoveries</td>
<td>27</td>
<td>39</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td><strong>$830</strong></td>
<td><strong>$823</strong></td>
</tr>
</tbody>
</table>

**Investment in Leveraged Leases**

Leveraged leases of equipment to customers comprise the following.

<table>
<thead>
<tr>
<th>December 31, 19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross rents receivable</td>
<td>$4,248</td>
</tr>
<tr>
<td>Nonrecourse debt</td>
<td>(1,219)</td>
</tr>
<tr>
<td>Net rentals receivable</td>
<td>3,029</td>
</tr>
<tr>
<td>Estimated residual value</td>
<td>222</td>
</tr>
<tr>
<td>Unearned income</td>
<td>(1,354)</td>
</tr>
<tr>
<td>Investment in leveraged leases</td>
<td><strong>$1,897</strong></td>
</tr>
</tbody>
</table>

Income on leveraged leases of $223 for 19X2 and $122 for 19X1 is included in interest and fees on loans.
Office Buildings, Equipment, and Leasehold Improvements

Major classifications of these assets are summarized as follows.

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
</tr>
<tr>
<td>Land</td>
<td>$ 535</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,417</td>
</tr>
<tr>
<td>Equipment</td>
<td>691</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>112</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,755</td>
</tr>
</tbody>
</table>

Accumulated depreciation and amortization

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
</tr>
<tr>
<td>(611)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,144</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense amounted to $173 in 19X2 and $162 in 19X1.

Income Taxes

The total income taxes in the statements of income are as follows.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
</tr>
<tr>
<td>Currently payable</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ 20</td>
</tr>
<tr>
<td>State</td>
<td>36</td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>85</td>
</tr>
<tr>
<td>State</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$146</td>
</tr>
</tbody>
</table>

Accumulated deferred income taxes of $1,102 and $1,012 at December 31, 19X2 and 19X1, respectively, are included in accrued interest and other liabilities.

Deferred income taxes according to the temporary differences which caused them were as follows.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
</tr>
<tr>
<td>Income on leases recognized under the finance method</td>
<td>$73</td>
</tr>
<tr>
<td>for financial statement purposes but recognized under the operating method for income tax purposes</td>
<td></td>
</tr>
<tr>
<td>Excess of provision for possible loan losses over deduction for federal income tax purposes</td>
<td>(3)</td>
</tr>
<tr>
<td>Accretion of discount on investment securities</td>
<td>6</td>
</tr>
<tr>
<td>Accelerated depreciation</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$90</td>
</tr>
</tbody>
</table>

The principal reasons for the difference in the effective tax rate and the federal statutory rate are as follows.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
</tr>
<tr>
<td>Statutory Federal income tax rate</td>
<td>40.0%</td>
</tr>
<tr>
<td>Effect on rate of:</td>
<td></td>
</tr>
<tr>
<td>Tax-exempt securities</td>
<td>(24.7)</td>
</tr>
<tr>
<td>Tax-exempt loan income</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Lease financing transactions</td>
<td>(2.0)</td>
</tr>
<tr>
<td>State and local taxes</td>
<td>3.0</td>
</tr>
<tr>
<td>Other</td>
<td>.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9.2%</td>
</tr>
</tbody>
</table>
Commitsments and Contingencies
Minimum lease payments at December 31, 19X2, under net noncancelable real property operating lease commitments for succeeding years are: $14,393 in 19X3; $13,539 in 19X4; $12,127 in 19X5; $10,933 in 19X6; $9,311 in 19X7 and $57,064 thereafter. Operating expenses include equipment and occupancy rentals of $21,146 in 19X2, and $18,658 in 19X1.

In the normal course of business, there are various commitments and contingent liabilities (such as guarantees, commitments to extend credit, letters of credit, lines of credit and liability for assets held in trust) which are properly not recorded in the financial statements. In the opinion of management, these do not represent unusual risks.

The following table summarizes the Bank’s significant commitments and contingent liabilities at December 31, 19X2 and 19X1:

<table>
<thead>
<tr>
<th>Commitments to extend credit</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standby letters of credit and similar arrangements</td>
<td>618</td>
<td>452</td>
</tr>
<tr>
<td>Other letters of credit</td>
<td>96</td>
<td>71</td>
</tr>
</tbody>
</table>

Standby letters of credit and similar arrangements guaranteeing the debt of municipalities and other entities in the event of default of principal and interest payments amounted to $73 and $74 (included in the table above) at December 31, 19X2 and 19X1, respectively.

The Bank is also subject to claims and lawsuits which arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Bank connection with such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Bank.

Funds Available for Dividends
The Bank is restricted under applicable laws in the payment of cash dividends. Such laws generally restrict cash dividend payments for the year 19X3 to the extent of the Bank’s earnings for 19X3 plus $4,406 of available earnings from prior years.

Loans to Related Parties
Loans to related parties include loans made to directors, executive officers and their associates, as defined.

The aggregate dollar amount of these loans was $964 and $1,462 at December 31, 19X2 and 19X1, respectively. During 19X2, $377 of new loans were made and repayments totaled $875.

Subordinated Debentures
Subordinated debentures consist of 8 percent notes due June 1, 19X5. The notes are subordinated to all other indebtedness of the bank, and they may be prepaid, in whole or part, at a premium of 1.833 percent to May 1, 19X3, and at reducing premiums thereafter. The terms also restrict incurrence of debt, mergers, and payment of cash dividends. As of December 31, 19X2, none of the restrictions effectively limit the bank’s operations.

Pension Plan
Pension costs were $39 in 19X2 and $27 in 19X1. The plan’s funded status at December 31, 19X2 follows:

Projected benefits obligation:
- Vested benefits: $960
- Nonvested benefits: 58
- Accumulated benefit obligation: 1,018
- Effect of projected future compensation levels: 450
  - Projected benefit obligation: 1,468
  - Plan’s assets at fair value, primarily stocks and bonds: 1,918
  - Funded status-plan assets in excess of projected benefit obligation: $450

Comprised of:
- Unrecognized net gains: $210
- Unrecognized net assets being recognized over 15 years: 401
- Less accrued pension liability on balance sheet: (161)
  - $450
The weighted average discount rate and the average assumed rate of compensation increase used in determining the present value of the projected benefit obligations were 8.5% and 6.0% respectively. The expected long-term rate of return on assets was 9.0%.

Net pension cost for 19X2 using a discount rate of 8.25%, an average assumed rate of compensation increases of 6%, and an expected long-term rate of return on assets of 9%, included the following components:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost-benefits earned during year</td>
<td>$16</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>11</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(6)</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>18</td>
</tr>
<tr>
<td>Net periodic pension cost</td>
<td>$39</td>
</tr>
</tbody>
</table>

The actuarial present value of accumulated benefits as of the pension plan year end was $85, including vested benefits of $77 based on an interest rate assumption of 9.0%.

In addition to pension benefits, retired employees are also provided with certain health care and life insurance benefits. Health care and life insurance benefits are made available to all active employees. The costs of these benefits are accrued based upon actuarial evaluations and are paid as premiums and claims are submitted. The total cost of such benefits for 19X2 was $13, which included coverage for 980 active employees and 141 retired employees. For 19X1, total costs were $12, which included coverage for 970 active employees and 111 retired employees.
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