Instructions for Completing Trust Company
Semi-Annual Report of Condition and Income

SECTION A: BALANCE SHEET

ASSETS

1. Cash - Report the amount of cash items in the process of collection, demand deposit balances, time and savings deposit balances and currency and coin held by the reporting company.

    1a. Report total mutual funds. Mutual funds are funds in which the amount of each unit changes daily with market fluctuations.

    1b. Report total money market mutual funds. Money market mutual funds are funds in which the value usually remains at $1 per unit and on which each investor is paid interest based on the return of the underlying collateral of the fund.

2. Investment Securities - Report the amount from SCHEDULE A1 - Column B, Line 5.

3. Corporate Stock - Report this item at the lower of cost or market value on the reporting date. This amount should be reflected net of any margin account which restricts the sale or transfer of the applicable securities.

    Include as Corporate stock:

    P All equity stock holdings issued by corporations and which are traded on a nationally known exchange and do not belong in a trading account. See glossary definition - Trading Account.

    P All preferred stock holdings issued by corporations and which are traded on a nationally known exchange and do not belong in a trading account. See glossary definition - Trading Account.

    Exclude from Corporate stock:

    P All equity stock holdings issued by corporations which are affiliates of the reporting company or over which the reporting company or its officers, directors, or shareholders exercise significant influence. Refer to glossary - Affiliates and - Subsidiaries. Report these on SCHEDULE A2 - OTHER ASSETS - Line 11.

    P All equity stock holdings issued by corporations which do not meet the glossary definition of affiliates and are not listed on a nationally recognized stock exchange. Report these on SCHEDULE A2 - OTHER ASSETS, Line 15.

    P All securities which are pledged on notes payable of the reporting company which restrict their sale or transfer or for which other conditions restrict the sale and collection of cash of the securities. Broker margin accounts should be netted from the value of the stock and do not make this exclusion applicable. Report these on SCHEDULE A2 - OTHER ASSETS, Line 15.

4. Trading account securities - Report the lower of cost or market value of all securities held in trading accounts. This amount should be net of any margin account which restricts sale of or transfer of the applicable securities. All securities which are pledged on notes payable of the reporting company which restrict the sale and collection of cash of the securities should be reported on SCHEDULE A2 - OTHER ASSETS, Line 15. Refer to glossary - Trading account.

5. Loans - Report the amount of loans outstanding (net of unearned income) less Allowance for Loan and Lease Losses.

6. Premises, furniture and fixtures, and other assets representing premises - Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures purchased directly or acquired by means of a capital lease. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on the Accelerated Cost Recovery System (ACRS) used for federal income tax purposes <u>if</u> the results would not be materially different from depreciation based on the assets estimated useful life.

   Do not deduct mortgages or other liens on such property. These must be reported in Line 13.

   <u>Include</u> as premises and fixed assets:

   P Premises that are actually owned and occupied (or to be occupied, if under construction).

   P Leasehold improvements, vaults, and fixed machinery and equipment.

   P Remodeling costs to existing premises.

   P Real estate acquired and intended to be used for future expansion.

   P Parking lots that are used by customers or employees.

   P Furniture, fixtures and movable equipment used in the operation of the company.

   P Automobiles, airplanes and other vehicles owned.

   P The amount of capital lease property, premises, furniture, fixtures and equipment.

7. Real estate owned other than premises - Report the book value (not to exceed fair value), less accumulated depreciation, if any, of all real estate other than bank premises actually owned by the company. Do not deduct mortgages or other liens on such property. These must be reported in Line 13.

8. Other assets - Report the total from SCHEDULE A2 - OTHER ASSETS, line 16.

9. TOTAL ASSETS - Report the sum of Lines 1 through 8.

LIABILITIES AND EQUITY CAPITAL

10. Accounts payable - Report the amount of accounts payable which have been invoiced or billed and are due and payable. If an invoice or billing has not been received this should be reflected in SCHEDULE A3 - OTHER LIABILITIES, Line 3. Funds owed to affiliates or unconsolidated subsidiaries should not be included. Refer to Glossary - Affiliates and Subsidiaries. Report these in SCHEDULE A3 - OTHER LIABILITIES, Line 1.

11. Accrued taxes - Report the amount of taxes accrued or owing but yet unpaid. These can include income taxes, real estate taxes, and social security taxes.

12. Accrued interest - Report the amount of interest owing but not yet paid whether due or billed on all interest bearing liabilities of the company.

13. Mortgage indebtedness - Report the principal amount due on all loans secured by real estate.

14. Other liabilities for borrowed money - Report the principal amount of all loans payable. Do not include loans payable secured by real estate. These should be included in Line 13.

15. Subordinated notes and debentures - Report the amount of notes or debentures that are subordinated to other formal debt obligations of the reporting company.

16. Other liabilities - Report the amount from SCHEDULE A3 - OTHER LIABILITIES, Line 7.

17. TOTAL LIABILITIES - Sum of Lines 10 through 16.

18. TOTAL EQUITY CAPITAL - Report the amount from SCHEDULE A4, CHANGES IN EQUITY CAPITAL, Column E, Line 11.

19. TOTAL LIABILITIES AND EQUITY CAPITAL - Sum of Lines 17 and 18. This item must equal Line 9.

SCHEDULE A1
INVESTMENT SECURITIES

1. U.S. Government Issues - Report the amortized cost of all U.S. Treasury obligations not held in trading accounts. (Column A - Market Value, Column B - Book Value)

2. U. S. Government Agency Obligations - Report the amortized cost of all U. S. Agency and corporation obligations not held in trading accounts. (Column A - Market Value, Column B - Book Value)

3. State, county and municipal obligations - Report the amortized cost of all securities issued by states and political subdivisions in the United States not held in trading accounts. (Column A - Market Value, Column B - Book Value)

4. Other bonds, notes and debentures - Report the amortized cost of all other bonds, notes and debentures not held in trading accounts. (Column A - Market Value, Column B - Book Value)

5. Total Investment Securities - Report the sum of lines 1 through 4. (Column A - Market Value, Column B - Book Value)

SCHEDULE A2
OTHER ASSETS

1. Accounts Receivable - Report the amount of collectible accounts receivable. Do not include receivables from affiliates or subsidiaries. Refer to glossary - Affiliate and Subsidiary. Receivables of doubtful quality should not be included.

2. Due from affiliates or subsidiaries, Net - Report the net amount of collectible accounts receivable or advances to affiliates or subsidiaries due on demand. Refer to glossary - Affiliate and - Subsidiary. If a subsidiary or affiliate has both a due to and due from account with the reporting company, these should be netted. After netting, if a credit balance exists, this should be reported in SCHEDULE A3 - OTHER LIABILITIES, Line 1. If a debit balance exists, it should be reported in this item. Receivables and advances of doubtful quality should not be included.

3. Interest earned or accrued but not collected - Report the amount of interest receivable on any loans, securities, or other interest yielding assets. On those loans or investments for which collection of interest is doubtful no accrued interest should be reflected and the loan should be placed on nonaccrual. The criteria for determining this is in Glossary - Nonaccrual of interest.

4. Prepaid expenses - Report the net amount of funds paid for prepayment of future services. These can include prepaid insurance policies, and maintenance contracts. The asset should be amortized in accordance with GAAP.

5. Cash items - Report the amount of funds represented by cash items not in process of collection. This can include checks, drafts, or other money instruments received by the reporting company which have not been deposited or otherwise placed with a financial institution for processing or collection.

6. Deferred tax assets - Report the net amount after offsetting deferred tax assets and deferred tax liabilities measured at the report date for a particular tax jurisdictions if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in SCHEDULE A3, OTHER LIABILITIES, Line 5. If the result for each tax jurisdiction is a net credit balance, enter a zero or the word "none" in this item. (A company may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.) See Glossary, Income Taxes, for definition of income tax.

7. Accrued interest on securities purchased - Report accrued interest purchased on securities that has not been paid.

8. Margin accounts - Report the current amount outstanding of margin accounts paced with brokers or others in connection with the purchase or sale of futures or forward contracts.

9. Purchased computer software - Report the net book value of computer software purchased (net of amortization).

10. Direct lease financing - Report the net book value of direct lease financing.

11. Investment in unconsolidated subsidiaries & associated companies. This represents the amount of the company's investments in the stock of all subsidiaries that have not been consolidated, as well as in associated companies, partnerships, and those joint ventures over which the reporting company exercises significant influence. Also include loans and advances to the relevant entity. Investments in the common stock of investees shall be reported using the equity method of accounting. Under the equity method, the carrying value of the company's investment in the common stock of an investee is originally recorded at cost but is adjusted periodically to record as income the company's proportionate share of the investees earnings or losses and decreased by the amount of any cash dividends received from the investee. Refer to glossary - subsidiaries.

12. Cash surrender value of life insurance policies - Report the cash value of life insurance policies (net of any loans). Do not report the face value.

13. Furniture and equipment rented to others - Report the net amount of furniture and equipment rented to others (net of depreciation).

14. Goodwill - Report the amount by which the fair market value of the assets and liabilities purchased exceeds the purchase price (net of amortization).

15. All other (itemize amounts over 25% of line 16) - Report the amount of all other assets(other than those in lines 1 through 6 above) which cannot be properly recorded in SECTION A, BALANCE SHEET, Lines 1 through 14.

16. Total other assets - Report the sum of lines 1 through 15.

SCHEDULE A3
OTHER LIABILITIES

1. Due to affiliates or subsidiaries - Report the net amount of funds due on demand to affiliates or subsidiaries. If a subsidiary or affiliate has both a due from and due to balance with the reporting company, the amount should be netted. After netting, if a debit balance exists, this should be reported on SCHEDULE A2 - OTHER ASSETS, Line 2. If a credit balance exists the amount should be reported in this item. Refer to Glossary - Affiliate and Subsidiary.

2. Dividends declared but not yet payable - Report the amount of dividends declared but not yet paid in cash or not yet due to be paid in cash.

3. Expenses accrued and unpaid - Report the amount of expenses accrued which have not been invoiced or otherwise billed and due. Expenses which have been invoiced or billed should be reported in SECTION A, BALANCE SHEET, Line 10.

4. Minority interest in consolidated subsidiaries - Report the amount necessary to reflect minority interests in a consolidated subsidiary in accordance with GAAP. Example: A 75% owned subsidiary has book capital of $100. Because ownership is in excess of 50%, this subsidiary must be consolidated. The balance sheets must be consolidated on a line-by-line basis with any intercompany accounts eliminated. To account for the 25% interest in the subsidiary not owned by the reporting company, a liability of $25 should be shown in this item.

5. Deferred income taxes - Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in SCHEDULE A2, OTHER ASSETS, Line 6. If the result for each tax jurisdiction is a net debit balance, enter a zero or the word "none" in this item. (A company may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.) See glossary for definition of income taxes.

6. All other - Report the amount of all other liabilities of the company that should not be reflected elsewhere within this report.

7. Total - Sum of SCHEDULE A3 - OTHER LIABILITIES, Lines 1 through 6. Must equal SECTION A, BALANCE SHEET, Line 16.

SCHEDULE A4
CHANGES IN EQUITY CAPITAL

1. Balance end of previous year

   A. Preferred stock (Par Value) - Report the amount reflected on the previous year end report taken from SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 11, Column A.

   B. Common stock (Par Value) - Report the amount reflected on the previous year end report taken from SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 11, Column B.

   C. Surplus - Report the amount reflected on the previous year end report taken from SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 11, Column C.

   D. Undivided profits and capital reserves - Report the amount reflected on the previous year end report taken from SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 11, Column D.

   Capital reserves are segregations of undivided profits and are not to be reported as liability accounts or as reductions of asset balances. Capital reserves may be established for such purposes as:

   P Reserve for undeclared stock dividends -- includes amounts set aside to provide for stock dividends (not cash dividends) not yet declared.

   P Reserve for undeclared cash dividends -- includes amounts set aside for cash dividends on common and preferred stock not yet declared. (Cash dividends declared but not yet payable should be included in SCHEDULE A3, OTHER LIABILITIES, Line 2.

   P Retirement account (for limited-life preferred stock or subordinated notes and debentures) - includes amounts allocated under the plan for retirement of limited-life preferred stock or subordinated notes and debentures contained in the bank's articles of association or in the agreement under which such stock or notes and debentures were issued.

   P Reserve for contingencies -- includes amounts set aside for unforeseen or indeterminate liabilities not otherwise reflected on the company's books and not covered by insurance. This reserve may include, for example, reserves set up to provide for possible losses which the company may sustain from lawsuits, the deductible amount under the company's blanket bond, defaults on obligations for which the bank is contingently liable, or other claims against the bank.

A reserve for contingencies represents a segregation of undivided profits. It should not include any element of known losses or of any probable losses the amount of which can be estimated with reasonable accuracy.

Exclude from capital reserves:

- P "Reserves" that reduce the related asset balances such as valuation allowances (e.g. allowance for loan and lease losses), reserves for depreciation, and reserves for bond premiums.

E. Total equity capital - Report the amount reflected on the previous year end report taken from SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 11, Column E.

2. Adjustments

A. Preferred stock - Report any adjustments to prior years total as reflected on the year end report on SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 1, Column A, from events which are attributable to the prior year and which should be properly reflected on the books of the prior year. These adjustments should be itemized individually on SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 1.

B. Common stock - Report any adjustments to prior years total as reflected on the year end report on SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 1, Column B, from events which are attributable to the prior year and which should be properly reflected on the books of the prior year. These adjustments should be itemized individually on SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 1.

C. Surplus - Report any adjustments to prior years total as reflected on the year end report on SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 1, Column C, from events which are attributable to the prior year and which should be properly reflected on the books of the prior year. These adjustments should be itemized individually on SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 1.

D. Undivided profits and capital reserves - Report any adjustments to prior years total as reflected on the year end report taken from SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 1, Column D, from events which are attributable to the prior year and which should be properly reflected on the books of the prior year. The prior years income tax adjustment should be reflected here. Refer to glossary - Income taxes. These adjustments should be itemized individually on SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 1.

E. Total equity capital - Report the total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 2, Columns A through D.

3. Adjusted balance end of previous year

A. Preferred stock - SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the amount taken from Line 1, Column A, plus or minus Line 2, Column A.

B. Common stock - SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the amount taken from Line 1, Column B, plus or minus Line 2, Column B.

C. Surplus - SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the amount taken from Line 1, Column C, plus or minus Line 2, Column C.

D. Undivided profits and capital reserves - SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the amount taken from Line 1, Column D, plus or minus Line 2, Column D.

E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the amount taken from Line 1, Column E, plus or minus line 2, Column E.

4. Net income (loss)

   A. Preferred stock - Report nothing in this column.

   B. Common stock - Report nothing in this column.

   C. Surplus - Report nothing in this column.

   D. Undivided profits and capital reserves - Report the amount from SECTION B - INCOME AND EXPENSES, Line 8. Record any changes in contingency or other capital reserves. Refer to instructions for SCHEDULE A4, CHANGES IN EQUITY CAPITAL, Line 1, Column D, for clarification on capital reserves.

   E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the sum of Line 4, Columns A through D.

5. Sale, conversion, acquisition, or retirement of capital net - For 5.A. reflect those transactions involving the reporting company's holding company or affiliates. For 5.B., reflect those transactions involving others.

   A. Preferred stock - Report any transactions which involve the sale, conversion, acquisition, or retirement of preferred stock. These transactions must be in accordance with statutory regulations and can include among other things capital stock redemption and treasury stock transactions.

   B. Common stock - Report any transactions which involve the sale, conversion, acquisition, or retirement of common stock. These transactions must be in accordance with statutory regulations and can include among other things capital stock redemption and treasury stock transactions.

   C. Surplus - Report any transactions which affect surplus. These transactions must be in accordance with statutory regulations and can include among other things capital stock redemption and treasury stock transactions.

   D. Undivided profits and capital reserves - Report any transactions which affect undivided profits. These transactions must be in accordance with statutory regulations and can include among other things capital stock redemption and treasury stock transactions.

   E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the sum of Line 5, Columns A through D.

6. Changes incident to mergers and absorptions, net

   A. Preferred stock - Reflect any changes that result from a merger or absorption in accordance with GAAP.

   B. Common stock - Reflect any changes that result from a merger or absorption in accordance with GAAP.

   C. Surplus -Reflect any changes that result from a merger or absorption in accordance with GAAP.

   D. Undivided profits and capital reserves - Reflect any changes that result from a merger or absorption in accordance with GAAP.

   E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the sum of Line 6, Columns A through D.

7. LESS: Cash dividends declared on common stock

   A. Preferred stock - Report nothing in this column.

   B. Common stock - Report nothing in this column.

   C. Surplus - Report nothing in this column.

D. Undivided profits and capital reserves - Report the amount of dividends on common stock declared by the Board of Directors of the reporting company regardless of whether they are actually yet paid.

E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 7, Columns A. through D.

8. LESS: Cash dividends declared on preferred stock

A. Preferred stock - Report nothing in this column.

B. Common stock - Report nothing in this column.

C. Surplus - Report nothing in this column.

D. Undivided profits and capital reserves - Report the amount of dividends declared on preferred stock by the Board of Directors of the reporting company regardless of whether they are actually paid yet.

E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the sum of Line 8, Columns A through D.

9. Stock dividends issued

A. Preferred stock - Report the changes necessary under GAAP to properly report stock dividends declared by the Board of Directors of the reporting company.

B. Common stock - Report the changes necessary under GAAP to properly report stock dividends declared by the Board of Directors of the reporting company.

C. Surplus - Report the changes necessary under GAAP to properly report stock dividends declared by the Board of Directors of the reporting company.

D. Undivided profits and capital reserves - Report the changes necessary under GAAP to properly report stock dividends declared by the Board of Directors of the reporting company.

E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Report the sum of Line 9, Columns A through D.

10. Other increases (decreases)

A. Preferred stock - Report any changes which do not belong elsewhere within this report. Itemize in SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 2.

B. Common stock - Report any changes which do not belong elsewhere within this report. Itemize in SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 2.

C. Surplus - Report any changes which do not belong elsewhere within this report. Itemize in SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 2.

D. Undivided profits and capital reserves - Report any changes which do not belong elsewhere within this report. Itemize in SECTION A4 - CHANGES IN EQUITY CAPITAL, Memoranda, Line 2.

E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 10, Columns A. through D.

11. Balance end of current period

A. Preferred stock - Report the amount from SECTION A4 - CHANGES IN EQUITY CAPITAL, Column A, Line 3, plus or minus Line 4 through Line 10.

B. Common stock - Report the amount from SECTION A4 - CHANGES IN EQUITY CAPITAL, Column B, Line 3, plus or minus Line 4 through Line 10.

C. Surplus - Report the amount from SECTION A4 - CHANGES IN EQUITY CAPITAL, Column C, Line 3, plus or minus Line 4 through Line 10.

D. Undivided profits and capital reserves - Report the amount from SECTION A4 - CHANGES IN EQUITY CAPITAL, Column D, Line 3, plus or minus Line 4 through Line 10.

E. Total equity capital - Total of SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 11, Columns A through D. This amount should be reported on SECTION A, BALANCE SHEET, Line 18.

SECTION B - INCOME AND EXPENSES

All amounts should be reflected on a calendar year-to-date basis January 1 through reporting date.

1. OPERATING INCOME

1a. Interest and fees on loans - Report all interest, fees, and similar charges levied against or associated with all assets reportable as loans in SECTION A, BALANCE SHEET, Line 5.

1b. Interest on balances with depository institutions - Report all income on assets reportable in SECTION A, BALANCE SHEET, Line 1. For those assets which are pledged on notes or have other restrictions on their sale which requires reporting in SCHEDULE A2, OTHER ASSETS, Line 16, the interest income should be reported.

1c. Interest on U.S. Treasury securities - Report all income on assets reportable on SCHEDULE A1, INVESTMENT SECURITIES, Line 1. Include accretion of discount on securities for the current period. Deduct current amortization of premiums on securities. Do not include gains or losses on the sale of securities prior to redemption. These should be included in SECTION B, INCOME AND EXPENSES, Line 4a. For those assets which are pledged on notes or have other restrictions on their sale which requires reporting in SCHEDULE A2, OTHER ASSETS, Line 15, the interest income should be reported.

1d. Interest on obligations of other U.S. Government agencies and corporations - Report all income on assets reportable on SCHEDULE A2, INVESTMENT SECURITIES, Line 2. Include accretion of discount on securities for the current period. Deduct current amortization of premiums on securities. Do not include gains or losses on the sale of securities prior to redemption. These should be included in SECTION B, INCOME AND EXPENSES, Line 4a. For those assets which are pledged on notes or have other restrictions on their sale which requires reporting in SCHEDULE A2, OTHER ASSETS, Line 15, the interest income should be reported.

1e. Interest on obligations of States and political subdivisions of the U.S. - Report all income on assets reportable on SCHEDULE A1, INVESTMENT SECURITIES, Line 3. Include accretion of discount on securities for the current period. Deduct current amortization of premiums on securities. Do not include gains or losses on the sale of securities prior to redemption. These should be included in SECTION B, INCOME AND EXPENSES, Line 4a. For those assets which are pledged on notes or have other restrictions on their sale which requires reporting in SCHEDULE A2, OTHER ASSETS, Line 15, the interest income should be reported.

1f. Interest on other bonds, notes, and debentures - Report all income on assets reportable on SCHEDULE A1, INVESTMENT SECURITIES, Line 4. Include accretion of discount on securities for the current period. Deduct current amortization of premiums on securities. Do not include gains or losses on the sale of securities prior to redemption. These should be included in SECTION B, INCOME AND EXPENSES, Line 4a. For those assets which are pledged on notes or have other restrictions on their sale which requires reporting in SCHEDULE A2, OTHER ASSETS, Line 15, the interest income should be reported.

1g. Dividends on corporate stock - Report dividends received on all stock reported on SECTION A, BALANCE SHEET, Line 3. For those shares of stock which are reportable in SCHEDULE A2, OTHER ASSETS, Line 15 because the shares are pledged or have other restrictions on their sale or are not traded on a nationally known exchange the dividends should be reported. Dividends received from shares of stock in unconsolidated subsidiaries or associated companies and reported on SCHEDULE A2, OTHER ASSETS, Line 11 should also be included.

1h. Income from lease financing - Report all income received from leases reported on SCHEDULE A2, OTHER ASSETS, Line 10.

1i. Income From Fiduciary Activities - Report the amount recorded in SECTION D - INCOME FROM FIDUCIARY ACTIVITIES, Line 5.

1j. Other service charges, commissions, and fees - Report the amount of all service charges, commissions, and fees not directly related to assets reportable in SECTION A, BALANCE SHEET, Line 5. These can include, but are not limited to, letter of credit fees, fees for providing sureties and performance or bid bonds, investment advisory fees when no fiduciary relationship exists, and document fees not related to lending or fiduciary activities.

1k. Other income - Report the amount from SCHEDULE B1, OTHER OPERATING INCOME, Line 8.

1l. TOTAL OPERATING INCOME - Sum of SECTION B - INCOME AND EXPENSES - Lines 1a through 1k.

2. OPERATING EXPENSES

2a. Salaries and wages - Report all salaries and wages paid to employees and officers of the reporting company.

2b. Employee benefits - Report expenses associated with all non cash benefits received by officers and employees. These include any reimbursements not directly related to business of the reporting company.

2c. Audits and examinations - Report the amount paid or accrued for audits and examinations from external sources only.

2d. Marketing - Report those amounts expended for marketing. These can include advertising and customer relations.

2e. Interest on other borrowed money - Report the interest expense associated with those liabilities reported on SECTION A, BALANCE SHEET, Lines 13 and 14.

2f. Interest on subordinated notes and debentures - Report the interest expense associated with those liabilities reported on SECTION A, BALANCE SHEET, Line 15.

2g. Occupancy expense(Net of Rental Income) - Report occupancy expenses associated with those assets reported on SECTION A, BALANCE SHEET, Line 6 representing company premises. Utilities, repairs, cleaning, and upkeep should be included. If the premises are rented then the rental expense should be reported. The building, furniture and fixtures, and equipment must be depreciated in accordance with statutory requirements or GAAP where no such statutory requirement exists. The amount reported should be net of rental income received from leasing portions of the premises or equipment to other persons or entities.

2h. Furniture and equipment expense - Report the expenses associated with furniture and equipment reported on SECTION A, BALANCE SHEET, Line 6. These assets should be depreciated in accordance with statutory requirements or GAAP where no such statutory requirement exists. Maintenance and repair expenses should be included.

2i. Provisions for possible loan losses - Report the expenses associated with accruals to provide for an adequate reserve for possible loan losses. Refer to Glossary - Reserve for possible loan losses.

2j. Other operating expenses - Report the amount from SCHEDULE B2, LINE 14 - OTHER OPERATING EXPENSES.

2k. TOTAL OPERATING EXPENSES - Sum of Lines 2a through 2j.

3. Income before income taxes and securities gains or losses - SECTION B - INCOME AND EXPENSES, Line 1l less Line 2K.

4. Securities gains (losses) - Report gains and losses associated with securities reportable on SCHEDULE A1, INVESTMENT SECURITIES, Line 5. Do not include gains or losses on securities held in a trading account.

5. Applicable income taxes - Report the amount of applicable income taxes. Refer to Glossary - Income taxes.

6. Net income - Line 3 plus or (minus) Lines 4 and 5.

7. Extraordinary items, Net of tax effect - Report those items reported on SECTION A4 - CHANGES IN EQUITY CAPITAL, Line 10, Column D, which qualify as extraordinary items net of any tax consequences applicable to them. Refer to Glossary - Extraordinary items.

8. NET OPERATING INCOME - Sum of Line 6, plus or minus Line 7.

SCHEDULE B1 - OTHER OPERATING INCOME

1. Investment advisory services(trust accounts) - Report the amount of income derived from providing investment advisory services for trust departments.

2. Investment advisory services(non-trust accounts) - Report the amount of income derived from providing investment advisory services to non-trust accounts.

3. Income from affiliates - Report the amount of income from SCHEDULE D1, Line 6.

4. Trading account, Net - Report the amount of income attributable to securities required to be reported in the trading account. This includes brokers fees, interest income, dividend income, discount accretion, premium amortization, and gains or losses on securities sold or marked to market. Refer to Glossary - Trading account.

5. Equity in net income of unconsolidated subsidiaries and associated companies - Report the undistributed earnings and losses associated with equity holdings of subsidiaries and associated companies in accordance with GAAP. Refer to Glossary - Subsidiary

6. Data Processing (non-affiliate) - Report the income derived from providing data processing services to non-affiliates.

7. All other(non-affiliate) - Report all other income which does not belong elsewhere on the income statement. All items comprising 25% or more of the total must be itemized.

8. TOTAL - Sum of Lines 1 through 7. This item must equal SECTION B - INCOME AND EXPENSES, Line 1k.

SCHEDULE B2 - OTHER OPERATING EXPENSES

1. Directors and committee fees - Report the amount of fees paid to directors and committee members.

2. Insurance - Report the amount of insurance premiums paid, except for premiums on insurance related to premises and equipment. Report those premiums in SECTION B - INCOME AND EXPENSES, Lines 2g or 2h, occupancy expense or furniture and equipment expense, respectively.

3. Legal fees - Report the amount of legal fees paid.

4. Losses on the sale of assets(excluding securities) - Report the amount of losses incurred on the sale of assets other than securities.

5. Amortization of intangible assets - Report the amortization expenses associated with amortization of intangible assets, such as goodwill.

6. Franchise taxes - Report the amount of franchise taxes paid.

7. Travel and entertainment - Report the amount of travel and entertainment expenses paid.

8. Broker/Dealer(non-affiliate) - Report the amount of fees paid to non-affiliated broker/dealers.

9. Investment Advisory Services(non-affiliate) - Report the amount of fees paid to non-affiliated investment advisory services.

10. Referral fees(non-affiliate) - Report the amount of fees paid for referrals from non-affiliated entities.

11. Data processing(non-affiliate) - Report the fees paid for data processing services to non-affiliated institutions.

12. Affiliate service(s) - Report the amount from SCHEDULE D2 - EXPENSES FOR SERVICES PROVIDED BY AFFILIATES, Line 7.

13. All other(non-affiliate) - Report all other non-affiliate expenses which do not belong elsewhere within the income/expense statement.

14. TOTAL OTHER OPERATING EXPENSES - Report the sum of lines 1 through 13.

SECTION C
REPORT OF TRUST ASSETS

Report in items 1 through 11 assets for those accounts over which the reporting company exercises investment discretion, as defined below. Include in the amounts reported assets subject to shared investment discretion, and any assets over which the reporting company exercises investment discretion that are being serviced by an investment advisor.

For purposes of this report, an institution exercises "investment discretion" with respect to an account if it, directly or indirectly:

P is authorized to determine which securities or other property shall be purchased or sold by or for an account, or

P makes recommendations as to what securities or other property shall be purchased or sold by or for an account even though some other person may have responsibility for investment decisions.

Report in items 14 and 15 assets and accounts over which the institution does not exercise investment discretion, including any such accounts that are being serviced by any investment advisor. Examples of such accounts would include custodial safekeeping, investment-directed employee benefit accounts and personal trusts or estates, escrow, and agency accounts for which purely ministerial acts are performed.

Each institution should report market value data, except as otherwise provided in these instructions. However, where market values are not readily available, such as in the case of miscellaneous type assets described below, book values (cost or inventory) may be reported. Market values used for this schedule should be as of (a) any one date within the last 60 days of the calendar year, or (b) as of the date of the most recent annual or periodic review of the various accounts.

Assets of collective investment funds should be reported in the appropriate asset line and account column of the schedule. To avoid duplication, the value of units of participation in collective investment funds should not be reported as assets of participating accounts. For ease of reporting, assets of accounts that are invested in a collective investment fund at the direction of an outside party should be included in the collective investment fund asset totals.

Where several institutions in the same affiliated group participate accounts in a collective investment fund maintained by one member of the affiliated group, each participating institution should report its proportionate share of the assets in the appropriate lines and columns on SECTION C - REPORT OF TRUST ASSETS.

To compute the proportionate share of assets, multiply the total market value of the various asset groupings in the collective investment fund by the percentage of units of participation held to total units outstanding.

Do not include in SECTION C - REPORT OF TRUST ASSETS the following:

P The face value of life insurance policies

P Assets of all corporate trusts, bond trusteeships, and corporate paying agency accounts, where the institution does, or does not, have investment discretion.

P Liabilities of accounts included (show only gross, not net, assets)

P Negative figures, other than overdrafts in Items 1 and 2

P Assets of custodial IRA and Keogh accounts administered solely by the commercial department.

P Units of participation in collective investment funds.

P Land Trusts.

Types of Accounts - Columnar Headings for Items 1 through 13

Column A - Employee Benefit Trusts - Include all such accounts (including IRA and Keogh trust accounts) where the institution exercises investment discretion in the capacity of trustee.

P Do not include IRA and Keogh custodial accounts administered solely by the company.

P "Master Trusts" should not be reported except where the reporting company has discretionary authority over identifiable assets of the trust, in which case only those assets should be reported.

Column B - Personal Trusts - Include all testamentary, inter-vivos, and other private trusts, including private foundations where appointed trustee. Where one or more assets of a discretionary trust are held pursuant to a mandatory retention clause or are subject to outside control, such assets may be excluded, but the remainder of the account assets must be reported.

Column C - Estates - Include accounts where the institution exercises investment discretion and acts in the following or similar capacities: executor, administrator, guardian, or conservator, even though such authority may be shared with others.

Column D - Employee Benefit Agencies - Accounts where the reporting company acts as an investment manager (and not as trustee), as defined in Section 3(38) of the Employee Retirement Income Security Act of 1974 (ERISA) should be reported in this column.

Column E - All other Agencies - Include such agency accounts where the reporting company exercises investment discretion. This includes agency accounts, including private foundations, with the exception of employee benefit agencies reported in Column D where the institution gives investment advice (whether or not the reporting company has actual custody of the assets), provided the reporting company is informed on a current basis of transactions in and securities held by such accounts.

Column F - Total - Report the sum of SECTION C - REPORT OF TRUST ASSETS, Column A through E.

Types of Assets - Descriptions for lines 1 through 17

1. Non-interest bearing deposits - Report non-interest bearing deposits of both principal and income cash. Normally these are demand deposits.

2. Interest bearing deposits - Report interest bearing savings and time deposits. To be included are NOW and Super NOW accounts, MMDA accounts, and certificates of deposit. Report interest bearing deposits of both principal and income cash.

3. U.S. Government and Agency Obligations - Report all securities and/or loans of the U.S. Government and U.S. Government corporations and agencies. Include certificates or other obligations, however named, that represent pass-through participations in pools of real estate loans when the participation instruments: 1) are issued by FHA approved mortgagee and guaranteed by the Government National Mortgage Association, or 2) are issued, insured, or guaranteed by a U.S. Government agency or corporation (i.e. the Federal Home Loan Mortgage Corporation's Mortgage Participation Certificates).

4. State, County, and Municipal Obligations - Report all short and long-term obligations of State and local governments, and political subdivisions of the United States. Include obligations of U.S. territories and insular possessions and their political subdivisions and all Federal income tax exempt obligations of authorities as local housing and industrial redevelopment authorities that derive their tax-exempt status from relationships with State or local governments. Tax-exempt money market mutual funds should be reported under the money market mutual fund category, Item 5.

5. Money market mutual funds - Report all holdings of open-end registered investment companies - mutual funds - which attempt to maintain net asset values at $1.00 per share. Tax-exempt money market mutual funds should also be reported here. Do not report holdings in deposit accounts, short-term collective investment funds, or master note arrangements.

6. Other Short-term Obligations - Report all short-term obligations (i.e. original maturities of less than 1 year, or 13 months in the case of the time portion of master notes). In addition to short-term notes, this would include such money market instruments as master note arrangements, commercial paper, bankers acceptances, securities repurchase agreements, and other short-term liquidity investments.

7. Other Notes and Bonds - Report all other bonds, notes (except personal notes) and debentures including insurance annuity contracts and obligations of foreign governments and corporations. Include also certificates or other obligations, however named, representing pass-through participations in pools of real estate loans when the participation instruments are issued by financial institutions and guaranteed in whole or in part by private guarantors.

8. Common and Preferred Stocks - Report all common and preferred equity holdings. Include common stocks of savings and loan associations and savings banks, and holdings of all open-end mutual funds and closed-end investment companies other than money market mutual funds.

9. Real Estate Mortgages - Report real estate mortgages, real estate contracts, land trust certificates, and ground rents. These assets may be reported at unpaid balance if that figure is a fair approximation of market value.

10. Real Estate - Report real estate, mineral interests, royalty interests, leaseholds, and other similar assets. Where current market values of real estate are not readily ascertainable, estimates based upon appraisals within the past 3 years may be used for this report. (It is permissible to estimate market values of mineral interests or whatever type of capitalizing annual income five times, when appropriate.)

11. Miscellaneous Assets - Personal notes, tangible personal property, and other miscellaneous assets not reported in any of the other categories.

12. Total Discretionary Assets - The sums of all asset categories reported under each type of account, e.g., the total of Items 1 through 11 in Column A should equal Item 12, Column A.

13. Total number of discretionary accounts - Report the number of discretionary accounts administered in each of the specified columns.

14. Total Non-discretionary assets - Report the total dollar value (market value or book value) of non-discretionary assets held in each of the specified columns.

Only non-discretionary assets of fiduciary-type accounts are to be reported on Schedule A. Non-fiduciary activities, such as securities safekeeping, non-fiduciary institutional securities safekeeping (for insurance companies, mutual funds, brokerage activities) etc., should not be reported, even if they are, organizationally, performed within the trust function.

Report assets of agency accounts, including custody, master custody, safekeeping, and escrow accounts in Column E, except for assets of non-discretionary employee benefit agencies which are reported in Column D. The assets of trustee IRA accounts where the IRA holders direct investments should be reported in Column A.

15. Total Number of Non-discretionary accounts - Report the total number of non-discretionary accounts that are administered in each of the specified columns. Report agency accounts, including custody, master custody, safekeeping, and escrow accounts in Column E, except for non-discretionary employee benefit agencies which are reported in Column D.

16. Total assets - The sums of line items 12 and 14 in Columns A through E.

17. Total Number of Accounts - The sums of line items 13 and 15 in Columns A through E.

18. MEMORANDA TOTAL LIABILITIES - Report total account liabilities (mortgages owed, notes payable, etc.) Columns A through E.

SCHEDULE C1
COLLECTIVE INVESTMENT FUNDS

This schedule must be completed by each institution administering one or more collective investment funds in a fiduciary capacity. For purposes of this report, the term "collective investment funds" includes common trust funds and pooled or group investment funds. This schedule is to be completed only by those reporting companies that operate their own funds. SECTION C, REPORT OF TRUST ASSETS, must also be completed in conjunction with this schedule.

A collective investment fund is a common trust fund or a pooled investment fund operated only by a bank, trust company, or savings and loan association. It is similar to a mutual fund, but is not available to the public - only to trust accounts administered by the financial institution. It is a means of diversifying investments and simplifying administration of individual accounts. A collective investment fund must be operated in accordance with a formal written plan, and must quality for tax exemption under either Section 584 of the Internal Revenue Code or Revenue Ruling 81-100.

Do not include in this schedule the following:

P Money market or mutual funds operated outside the reporting company.

P Variable amount ("master") notes

P Poolings of deposits in order to obtain higher interest rates.

P Listing of individual trust accounts, IRA and Keogh accounts, or their assets.

If one collective investment fund invests in another collective investment fund at the same reporting company, both funds should report the investment. The duplicate nature of such reporting is recognized. In such cases, the second collective investment fund should consider the first as one "participating account." For each collective investment fund listed, information should be stated as of the funds last valuation date, in no case less than quarterly.

Name of fund - Each reporting company should state the name of each collective investment fund under administration. The full legal name of the fund is not necessary. In the interest of brevity, do not include the name of the reporting company in the name of the fund. In some instances, several funds may be established under a single plan document. In these situations, each of the sub-funds established under the single trust document should be separately reported.

Column A - Classification - Each fund should be identified by the single two-digit code number from those shown on the schedule that best identifies the predominant type of account participating in the fund. Use only one two-digit code number for each collective investment fund.

Column B - Type of Fund - Each fund should be identified by the single two-digit code number from those shown on the schedule that best identifies the primary investment purpose of the fund as stated in the plan document. For example, if the investment purpose of the fund is to be met by investing in equity securities, and the fund is presently investing in money market instruments, the primary investment classification of the fund should be defined as Equity, Code 01. Use only one two-digit code number for each collective investment fund.

Column C - Total Assets - The total assets should be shown, at market value, as of the last valuation date which must be at least quarterly. Report all assets of each fund, not merely those of participating discretionary accounts. The amount shown should be determined after admissions and withdrawals are accomplished on the valuation date.

Column D - Number of participating Accounts - The number of participating accounts in each fund should be stated for the same valuation date as the total assets of the funds was determined. Report all participating accounts of each fund, not just participating

SCHEDULE C2
CORPORATE TRUST

Report the type and the volume of corporate trust and agency business conducted by the reporting company.

Care should be taken so that each issue is to be reported on no more than one line. In deciding which line to report the issue on, only the primary appointment should be reported. For example, when an institution serves as trustee of a bond issue, it normally also performs the functions of registrar (transfer agent) and interest/principal paying agent; in such a case, only the primary bond trusteeship appointment should be reported.

If two institutions are both co-trustees, both institutions should report the appropriate issue(s); the duplicate nature of such reporting is recognized.

1. Corporate Securities Trusteeship - Report the total principal amount (par value) of outstanding bonds, as well as the total number of corporate bond issues. Information on both registered issues should be reported. Corporate securities with different CUSIP numbers should be considered as separate bond issues for reporting purposes.

2. Tax-Exempt and Other Municipal Securities Trusteeships - Report the total principal amount (par value) of outstanding tax-exempt and other municipal bonds, as well as the total number of tax-exempt and other municipal issues. Information on both bearer and registered issues should be reported.

   As a general rule, tax-exempt and other municipal securities with different CUSIP numbers should be considered separate issues. However, serial bond issues (securities issued under a single indenture with various maturity dates scheduled at regular intervals until the entire issue is retired) should be considered as a single issue for reporting purposes.

3. Stock or Bond Transfer Agent or Registrar - Report the total number of equity and debt issues for which the institution acts as transfer agent or registrar. Those issues for which the institution acts in the dual capacity of transfer agent and registrar, or co-transfer agent and co-registrar, should be reported as a single issue.

4. Mutual Fund Transfer Agent or Registrar - Report the total number of mutual funds for which the institution is named as transfer agent. Each portfolio for which distinct shares are transferred should be reported as a separate mutual fund.

5. Separate Dividend and Interest/Coupon Paying Agent - Report the total number of stock or bond issues (in either bearer or registered form) for which the institution disburses interest or dividend payments. Such capacities are variously referred to as fiscal or dividend disbursing agencies.

6. All Other Corporate Agencies - Report the total number of issues of any type of corporate appointments, such as corporate escrow accounts, not falling into categories described in items 3 through 5.

7. Totals - Report the aggregate number of issues reported in items 1 through 6 and the aggregate dollar amount reported in Items 1 and 2.

SECTION D *(Confidential Information)*
FIDUCIARY INCOME

1. Gross Fees, Commissions and Other Fiduciary Income

    1a. Employee Benefit Trust Accounts - Report the amount of fee and other income from employee benefit trust accounts.

    1b.. Personal Trust and Estate Accounts - Report the amount of fee and other income generated from personal and estate trust activities.

    1c. Employee Benefit Agency Accounts - Report the amount of fee and other income generated from employee benefit agency accounts.

    1d. Other Agency Accounts - Report the amount of fee and other income generated from all other agency accounts.

    1e. Corporate Trust and Agency Accounts - Report the amount of fee and other income generated from corporate trust and agency accounts.

    1f. All Other Fiduciary Income - Report the amount of fiduciary fee and other income not reported in lines 1a through 1e.

    1g. Gross Fiduciary Income - Report the sum of lines 1a through 1f.

2. Settlements, Surcharges and Other Losses

    2a. Employee Benefit Trust Accounts(Discretionary) - Report the amount of settlements, surcharges and other losses associated with discretionary employee benefit trust accounts.

    2b. Personal Trust and Estate Accounts(Discretionary) - Report the amount of settlements, surcharges and other losses associated with discretionary personal trust and estate accounts.

    2c. Employee Benefit Agencies(Discretionary) - Report the amount of settlements, surcharges and other losses associated with discretionary employee benefit agencies.

    2d. Other Agency Accounts(Discretionary) - Report the amount of settlements, surcharges and other losses associated with other non-discretionary agency accounts.

    2e. Employee Benefit Trust Accounts(Non-Discretionary) - Report the amount of settlements, surcharges and other losses associated with non-discretionary employee benefit trust accounts.

    2f. Personal Trust and Estate Accounts(Non-Discretionary) - Report the amount of settlements, surcharges and other losses associated with non-discretionary personal trust and estate accounts.

    2g. Employee Benefit Agencies(Non-Discretionary) - Report the amount of settlements, surcharges and other losses associated with non-discretionary employee benefit agencies.

2h. Other Agency Accounts(Non-Discretionary) - Report the amount of settlements, surcharges and other losses associated with non-discretionary other agency accounts.

2i. Corporate Trust and Agency Accounts - Report the amount of settlements, surcharges and other losses associated with corporate trust and agency accounts.

2j. All Other Activities - Report the amount of settlements, surcharges and other losses associated with all other activities.

2k. Gross Settlements, Surcharges and Other Losses - Report the sum of lines 2a through 2j above.

3. Recoveries to Previously Reported Losses - Report the amount of any recoveries from previously reported losses.

4. Net Settlements, Surcharges and Other Losses - Report the sum of line 2k minus line 3.

5. Fiduciary Income(Loss) - Report the sum of line 1g minus line 4. If result is a net loss, enclose in parenthesis. Report this amount on line in SECTION B - INCOME AND EXPENSES - Line 1i.

Gross Settlements, Surcharges and Other Losses by Type.

6. Investment - Report gross investment settlements, surcharges and other losses.

7. Administrative - Report gross administrative settlements, surcharges and other losses.

8. Operational - Report gross operational settlements, surcharges and other losses.

9. Gross Settlements, Surcharges and Other Losses by Type - Report the sum of lines 6 through 8. Note that line 9 must equal line 2k.

SCHEDULE D1 - INCOME FOR SERVICES PROVIDED TO AFFILIATE(S)

1. Investment advisory services - Report the amount of income from affiliate(s) for investment advisory services rendered.

2. Referral fees - Report the amount of fees paid by affiliate(s) for referrals.

3. Asset management/custodial - Report the amount of fees paid by affiliate(s) for asset management and custodial services.

4. Data processing - Report the amount of fees paid by affiliate(s) for data processing services.

5. All other - Report the amount of fees paid by affiliate(s) for all other services not previously mentioned.

6. Total affiliate services - Report the sum of lines 1 through 5 above.

SCHEDULE D2 - EXPENSES FOR SERVICES PROVIDED BY AFFILIATE(S)

1. Broker/Dealer - Report the amount of fees paid to affiliate(s) for broker/dealer services.

2. Investment advisory services - Report the amount of fees paid to affiliate(s) for providing investment advisory services.

3. Referral fees - Report the amount of fees paid to affiliate(s) for providing referrals.

4. Asset management/custodial - Report the amount of fees paid to affiliate(s) for providing asset management and custodial services.

5. Data processing - Report the amount of fees paid to affiliate(s) for providing data processing services.

6. All other - Report the amount of fees paid to an affiliate(s) for providing all services other than those listed above.

7. Total affiliate services - Report the sum of lines 1 through 6 above.

MEMORANDA

Non-Fiduciary Advisory/Management Account - Report the number and amount of non-fiduciary advisory/management accounts.

GLOSSARY

Affiliate - Any company or entity (such as a partnership or Joint Venture) in which: 1) any entity or person who owns 25% or more of the reporting company also owns 25% or more; 2) the same entities or persons, in aggregate, who own 25% or more of the reporting company also own 25% or more; 3) a majority of the directors also serve as directors of the reporting company; or 4) in the case of a joint venture or partnership, the reporting company or its officers, directors, or shareholders exert significant influence by serving as managing or general partner.

Extraordinary items - Extraordinary items are material events and transactions that are 1) unusual and 2) infrequent. Both of those conditions must exist in order for an event or transaction to be reported as an extraordinary item. To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of the company. An event or transaction beyond management's control is not necessarily unusual. To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. The absence of a past occurrence does not automatically imply an event or transaction is infrequent. Only a limited number of events or transactions qualify for treatment as extraordinary items. Among these would be an uninsured loss to a natural disaster or an uninsured defalcation.

Income taxes - Applicable taxes in the year-end Report of Income shall be the sum of the following:

P Taxes currently paid or payable (or receivable) for the year determined from the companies federal income tax return for the year. Since the company's returns will not normally be prepared until after the year-end Reports of Condition and Income have been completed, the company must estimate the amount of current income tax liability (or receivable) that will ultimately be reported on its tax returns. Estimation of this liability (or receivable) may involve consultation with the bank's tax advisors, a review of the previous year's tax returns, the identification of significant expected differences between items of income and expense reflected on the Report of Income and on the tax returns, and the identification of expected tax credits.
and

P Deferred income tax expense or benefit measured as the change in the net deferred tax assets or liabilities for the period reported. Deferred tax liabilities and assets represent the amount by which taxes payable (or receivable) are expected to increase or decrease in the future as a result of "temporary differences" and net operating loss or tax credit carryforwards that exist at the reporting date.

The total amount of the company's applicable income taxes calculated on the tax return may differ from the estimate reported on the year-end tax Report of Income. An amendment to the bank's year-end and subsequent Reports of Condition and Income may be appropriate if the difference is significant. Minor adjustments should be handled as accrual adjustments to applicable income taxes in Reports of Condition and Income during the year which the differences are detected. The reporting of applicable income taxes in the Report of Condition and Income for report dates other than year-end is discussed below under "interim period applicable income taxes."

Temporary differences result when events are recognized in one period on the company's books but are recognized in another period on the bank's income tax return. These differences result in amounts of income or expense being reported in the Report of Condition and Income in one period but in another in the tax returns. There are two types of temporary differences. Deductible temporary differences reduce taxable income in future periods. Taxable temporary differences result in additional taxable income in future periods.

For example, depreciation can result in a taxable temporary difference if a company uses the straight-line method to determine the amount of depreciation expense to be reported in the Report of Income but uses an accelerated method for income tax purposes. In the early years, the accelerated method will typically result in larger depreciation than the book depreciation under the straight-line method. During this period, a taxable temporary difference originates. Tax depreciation will be less than book depreciation in the later years when the temporary difference reverses. Therefore, in any given year, there could be differences in the depreciation reported for tax purposes and for Report of Condition and Income purposes. Other taxable temporary differences include the undistributed earnings of unconsolidated subsidiaries and associated companies and amounts funded to pension plans which exceed the recorded expense.

Deferred tax assets should be calculated on the report date by applying the applicable tax rate to the company's total deductible temporary differences and operating loss carryforwards. A deferred tax asset shall also be recorded for the amount of tax credit carryforwards available to the bank. Based on the estimated realizability of the deferred tax asset, a valuation allowance should be established to reduce the recorded tax asset to the amount that is more likely than not to be realized. Consult with your accountant to determine what, if any, valuation allowance should be established.

Deferred tax liabilities should be calculated by applying the "applicable tax rate" to total taxable differences at the report date. Consult with your accountant or tax advisor to determine your applicable tax rate.

Operating loss carrybacks and carryforwards and tax credit carryforwards - When a company's deductions exceed its income for federal income tax purposes, it has sustained an operating loss. An operating loss that occurs in a year following periods when the bank had taxable income may be carried back to recover taxes previously paid. The tax effects of any loss carrybacks that are realizable through a refund of taxes previously paid is recognized in the year the loss occurs. In this situation, the applicable income taxes on the Report of Income will reflect a credit rather than an expense. Companies may carry back operating losses for three years.

Generally, an operating loss that occurs when loss carrybacks are not available (e.g. occurs in a year following periods of losses) becomes an operating loss carryforward. Companies may carry operating losses forward 15 years. Tax credit carryforwards are tax credits which cannot be used for tax purposes in the current year, but which can be carried forward to reduce taxes payable in a future period.

Deferred tax assets are recognized for operating loss and tax credit carryforwards just as they are for deductible temporary differences. As a result, a company can recognize the benefit of a net operating loss for tax purposes or a tax credit carryforward to the extent the company determines that a valuation allowance is not considered necessary (i.e., if the realization of the benefit is more likely than not).

Deferred tax assets and liabilities may be offset against each other for reporting purposes. A resulting debit balance shall be included in "Other Assets" and reported in SCHEDULE A2, Line 6. A resulting credit balance shall be included in "Other Liabilities" and reported in SCHEDULE A3, Line 5.

Interim period applicable income taxes - When preparing its year-to-date Report of Income as of the end of March, June, and September (interim periods) a company generally should determine its best estimate of its effective annual tax rate for the full year, including both the current and deferred portions. For further information, see FASB Statement 109, "Accounting for Income Taxes."

Nonaccrual of interest - Interest or discount should not accrue on 1) any asset which is maintained on a cash basis because of deterioration in financial position of the borrower, 2) any asset for which payment in full of interest or principal is not expected, or 3) any asset upon which principal or interest has been in default, per the contractual terms, for a period of 90 days or more unless it is both well secured and in the process of collection. A debt is well secured if it is secured 1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or 2) by the guaranty of a financially responsible party. A debt is in the process of collection if collection of the debt is proceeding in due course either through legal action, including judgment enforcement procedures, or, in appropriate circumstances through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status.

Related concern - any entity in which an officer, director, or employee owns or controls 25% or more or exerts significant influence over the operations of the entity.

Allowance for loan and lease losses - As of the end of each quarter, or more frequently if warranted, the management of a company must evaluate, subject to examiner review, the collectibility of the loans and make appropriate entries to bring the balance of the reserve for possible loan losses to a level adequate to absorb anticipated losses. Management must maintain reasonable records in support of their evaluations and entries. Additions to the reserve account resulting from such evaluations are to be made through charges or expense entries to the "Provision for possible loan losses" on the income statement. All loan losses will be charged directly to the reserve and all recoveries on previously charged off loans will be credited to the reserve. All transfers to the reserve shall be expensed through the income statement and in no case shall entries be made through the "Undivided profits" or other capital accounts for accruals to the reserve or loan losses or recoveries.

Subsidiaries - The treatment of subsidiaries within this report depends upon the degree of ownership held by the company.

> Majority-owned subsidiary - a subsidiary in which the reporting company directly or indirectly owns more than 50% of the outstanding voting stock. Majority-owned subsidiaries must be consolidated with the books of the reporting company in accordance with GAAP for purposes of this report.
>
> All other subsidiaries - These can include associated companies, partnerships, and joint ventures over which the reporting company exercises significant influence. A 20% ownership is presumed to carry significant influence unless the reporting company can demonstrate the contrary to the satisfaction of the regulatory authority.

Trading Account - For purposes of these reports, a trading account is a segregated account in which assets are held for resale by a company that regularly engages in trading activities. Companies that only occasionally hold securities or other assets for possible resale are not required to segregate such assets into a trading account on the Balance Sheet. Assets held in trading accounts are generally held for a short period of time. Trading accounts as defined may contain such assets as certificates of deposit, commercial paper, bankers acceptances, government securities, equity and preferred stock, other bonds, notes, and debentures, and gold and silver bullion, but only to the extent that such instruments were purchased with the intent to resell.