

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 69-41
February 18, 1969

To All State Member Banks
in the Eleventh Federal Reserve District:

Enclosed is a copy of "Announcement of Revision of Bank Condition Reports and Annual Reports of Income". The changes detailed in the Announcement will become effective with the first Report of Condition in 1969 and with the annual Report of Income for 1969.

The Announcement is essentially complete and self-explanatory; however, any questions that may arise may be directed to J. O. Russell, Chief Examiner, Federal Reserve Bank of Dallas, Dallas, Texas 75222.

Yours very truly,

P. E. Coldwell

President

Enclosure (1)

ANNOUNCEMENT OF REVISION OF
BANK CONDITION REPORTS AND
ANNUAL REPORTS OF INCOME



A Report of the Federal Bank Supervisory Agencies
- Office of the Comptroller of the Currency
- Federal Deposit Insurance Corporation
- Federal Reserve System

February 1969

SECTION I--INTRODUCTION

The revisions reflected in the following summary report and in the amended sample copies of official Reports of Condition and of Income are the final result of extensive and comprehensive review of the proposals of the Federal banking agencies which were originally circulated in August of last year. Revisions in the proposals reflect discussions with State bank supervisors and with banking organizations. They also reflect comments from many other groups and from individual bankers representing large and small State and national banks in all parts of the country. The changes detailed herein become effective with the first Report of Condition in 1969 and with the annual Report of Income for 1969.

This general statement of requirements for the revised Reports is being circulated now because preparations at some banks will be needed to meet the new instructions with respect to accounting standards. More detailed instruction booklets will be circulated to reporting banks by their respective bank supervisory agencies as soon as they become available. These detailed instructions, however, will not attempt to prescribe specific methodology with respect to accounting practices. Within the bounds of reasonableness, internal accounting methods remain the province and responsibility of individual banks. Established channels for exchange of information with supervisory authorities should be used for clarification of specific questions.

For the most part the changes outlined in this report relate to accounting standards and to the content of the face of the Report of Condition and to the full Report of Income. However, application of many

of the accounting standards will necessarily affect items in the detailed schedules on the back of the Report of Condition. Changes in the content of some items in these schedules are now under separate consideration. If adopted these would become effective with the June 1969 Report of Condition-- the first date for which the detailed schedules will be required.

Some broader changes not related to the content of the Reports or to accounting standards also have been adopted. The dates for required transmittal of the Report forms to the supervisory agencies have been changed and made uniform as between agencies. The Report of Income is to be forwarded within 30 days of the end of the report year. The submission date for Reports of Condition has now been made uniform among the three bank supervisory agencies. The domestic offices Reports are to be forwarded to the appropriate bank supervisory agencies within 10 calendar days following public announcement of the call date.

Some changes in publication procedures for quarterly Reports of Condition have been made to permit flexibility at "surprise" spring and fall call dates by allowing optional variations from the form used at mid-year and year-end call dates and to preclude disclosure of deposits held by a single foreign branch or other office.

The first revised Report of Income will include a supplemental report form for reconciliation of accounts for which special one-time adjustments have been made to conform to the new accounting standards. The supplemental report will show the effect on some balance sheet accounts resulting from consolidation of domestic subsidiaries, conversion to accrual accounting, from changes in tax accounting and from any other special adjustments.

SECTION II--ACCOUNTING PRINCIPLES

Accrual Accounting

Every insured commercial bank with total resources of \$50 million or more shall prepare its Report of Condition and Report of Income for periods after December 31, 1968, on the basis of accrual accounting. Where the results would not be significantly different a cash basis of reporting may be used for particular accounts.

Every insured commercial bank with total resources of \$25 million or more shall prepare its Report of Condition and Report of Income for periods after December 31, 1969, on the basis of accrual accounting. Where the results would not be significantly different a cash basis of reporting may be used for particular accounts.

Those insured commercial banks not subject to full accrual requirements shall prepare Reports of Condition and Reports of Income for periods after December 31, 1968, so that the instalment loan function is on the basis of accrual accounting, or alternatively, shall disclose, in a published memorandum item to its Report of Condition, the amount of un-earned income on instalment loans carried in the undivided profits or other capital accounts.

Trust department income may, at the option of the reporting bank, be reported on a cash basis.

Tax Accounting and Reporting

Beginning with annual Reports of Income for 1969, every insured commercial bank shall bring the reported provision for income taxes to a current basis, i.e., related to income and expense items reported for the

current year, and such taxes shall be allocated between current operating earnings and below-the-line profit and loss transactions.

The preferred handling in the 1969 Report of Income of the transition to the current accrual tax treatment for a bank now on a cash basis is to make a direct charge against capital (undivided profits account) for the taxes paid during the report year on the prior year's income, and to deduct estimated tax accruals for the report year from operating earnings and "below-the-line" items. Special provisions for a deferred application of capital reductions arising from the transitional double tax impact will be available. Total provisions for estimated income taxes accrued--distinguishing between Federal and State and local income taxes--are required to be reported in a Memoranda Section of the Report. Material adjustments to prior years' taxes are required to be reported as changes in capital accounts and in the Memoranda Section.

Reserves on Loans and Securities

Reserves against loans and securities, including the Reserve for Bad Debts accumulated pursuant to Internal Revenue Service rulings, will be included in a new section of the balance sheet following "Total liabilities" and preceding "Capital accounts" and Loans will be shown on a gross basis on the asset side of the balance sheet. Changes in the individual reserve accounts should be reconcilable with related amounts reported in year-end Reports of Income. Interim Reports of Condition shall be reported on the same basis and reflect current balances in such reserves.

The annual transfers to and from such reserves will be reflected in the appropriate accounts "below-the-line" on the Report of Income. The transfers between such accounts and capital accounts will be itemized in the section relating to "Changes in Capital Accounts" in Reports of Income.

Valuation of Fixed Assets

Fixed assets acquired after December 31, 1968, are to be carried in Reports of Condition on the basis of cost less depreciation. Any method of depreciation conforming to accepted accounting principles may be used. Use of a method other than that used for tax purposes would, of course, require allowance for the tax effect in Reports of Income. A restatement of existing fixed assets to a depreciated cost basis is not required but would be desirable in the interest of meaningful comparative reporting. In the event of restatement, any conflict with State statutory requirements or regulations will be resolved on an individual bank basis.

Accretion of Discount

Revised instructions for Condition and Income Reports encourage but do not require accretion of discount on investment securities purchased below par or face value. If accretion is adopted, the discount on securities should be accreted from date of purchase to maturity. Provision for deferred income taxes applicable to the amount accreted should be recognized and recorded. A memorandum item in Reports of Income has been added to show the total effect (before taxes) of accretion for banks following this practice.

Trading Account Securities

The caption, "Trading account securities," has been added to Reports of Condition. The account may be valued on the same basis as is used for tax purposes.

Net trading account income should be itemized as a subitem of "Other current operating revenue" in Reports of Income. The inset should show such income net of losses and certain incidental expenses.

Midyear and end-of-year Reports of Condition include an unpublished schedule showing the breakdown of trading account securities by type of security as they appear on the face of Reports of Condition.

The intention is to obtain the trading account segregation for banks that regularly deal in securities with other banks or with the public. Banks which conduct trading account activity to conform with paragraph 1.471-5 of the Internal Revenue Service regulations would ordinarily be expected to report such activity separately. Banks occasionally holding securities purchased for possible resale should not report an amount against this item but should include such securities in the appropriate security investment account.

Banks holding trading account securities may, at the option of the bank, distribute such holdings among the appropriate investment security accounts on the publishers copy of the Report of Condition used for the spring and fall call. Published midyear and year-end Reports must show the trading account holdings as a separate item.

Consolidation of Domestic Subsidiaries

The revised Condition and Income Reports require full consolidation of all majority-owned bank premises subsidiaries. In addition, other subsidiaries meeting either of the following tests of relative significance are required to be consolidated: any majority-owned subsidiary in which the bank's investment represents 5 per cent or more of the equity capital accounts of the parent bank; or any subsidiary whose gross operating revenues amount to 5 per cent or more of the gross operating revenues of the parent bank. As used herein, "investment" refers to the amount carried on

the books of the parent bank or the amount equivalent to the parent's proportionate share in the equity capital accounts of the majority-owned subsidiary, whichever is greater.

Majority-owned subsidiaries not meeting this significance test may be consolidated at the option of the reporting bank, provided a consistent consolidation policy is followed. When domestic commercial banks are subsidiaries of the reporting bank, the accounts should not be consolidated.

Consolidation of Foreign Branches, Edge Act Subsidiaries, and Foreign Subsidiaries

Each bank with foreign branches, Edge Act subsidiaries or "Agreement" subsidiaries shall publish a Report of Condition in which these international offices are consolidated with the bank's domestic operations. Significant foreign subsidiaries, including foreign bank subsidiaries, and significant (to the parent bank) subsidiaries of subsidiaries must also be consolidated. The same significance tests apply to foreign subsidiaries as to domestic subsidiaries. Majority-owned foreign subsidiaries not meeting these significance tests may be consolidated at the option of the reporting bank provided a consistent consolidation policy is followed. The published report will include only the items on the face of the Report. Total deposits held by such foreign offices are to be included in a single separate item on the face of the published Report (not shown on sample copy). These banks shall continue to submit a supplemental domestic offices only Report of Condition including the supporting schedules on the back of the report to the supervisory agencies for statistical and deposit insurance assessment purposes.

Special provisions for publication of consolidated domestic and foreign Reports of Condition on the spring and fall call dates have been adopted. Banks conducting such foreign operations may publish a fully consolidated Report as of the call date if this is feasible and the banks so desire. As a second option banks may publish a fully consolidated Report as of the end of the quarter, i.e., March 31 and September 30. Banks exercising the second option may publish the domestic Report with the quarterly consolidated Report even if this delays publication of the domestic Report.

Also, at all call dates when disclosure of deposits of a single foreign branch or other office would result, the publishers copy may combine deposits held in foreign offices in the appropriate categories with domestic offices.

Net earnings from foreign operations shall be itemized separately and included under the caption, "Other current operating revenue" in Reports of Income submitted to the supervisory authorities for statistical purposes. At the option of the reporting bank, line-by-line consolidation of income and expenses attributable to foreign offices may be made in Reports of Income prepared for other purposes.

Please read carefully "Instructions for the Preparation of Report of Condition"--Every item and schedule must be filled in. Printed items must not be amended. Amounts that cannot properly be included in the printed items must be entered under "Other assets" or "Other liabilities."

Consolidated Report of Condition of _____ (Legal title of bank)
 of _____, _____, _____, and Domestic Subsidiaries at the close of
 _____ (City) _____ (County) _____ (State) _____ (Zip Code)
 business on _____, 19____. State Bank No. _____
 Federal Reserve District No. _____

ASSETS	Dollars				Cts
1. Cash and due from banks (including \$ _____ unposted debits).....					1
2. U.S. Treasury securities.....					2
3. Securities of other U.S. Government agencies and corporations.....					3
4. Obligations of States and political subdivisions.....					4
5. Other securities (including \$ _____ corporate stocks).....					5
6. Trading account securities.....					6
7. Federal funds sold and securities purchased under agreements to resell.....					7
8. Other loans.....					8
9. Bank premises, furniture and fixtures, and other assets representing bank premises.....					9
10. Real estate owned other than bank premises.....					10
11. Investments in subsidiaries not consolidated.....					11
12. Customer's liability to this bank on acceptances outstanding.....					12
13. Other assets.....					13
14. TOTAL ASSETS.....					14
LIABILITIES					
15. Demand deposits of individuals, partnerships, and corporations.....					15
16. Time and savings deposits of individuals, partnerships, and corporations.....					16
17. Deposits of United States Government.....					17
18. Deposits of States and political subdivisions.....					18
19. Deposits of foreign governments and official institutions.....					19
20. Deposits of commercial banks.....					20
21. Certified and officers' checks, etc.					21
22. TOTAL DEPOSITS.....					22
(a) Total demand deposits.....	XXX	XXX	XXX	XX	(a)
(b) Total time and savings deposits.....	XXX	XXX	XXX	XX	(b)
23. Federal funds purchased and securities sold under agreements to repurchase.....					23
24. Other liabilities for borrowed money.....					24
25. Mortgage indebtedness.....					25
26. Acceptances executed by or for account of this bank and outstanding.....					26
27. Other liabilities.....					27
28. TOTAL LIABILITIES.....					28
29. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES.....					29
RESERVES ON LOANS AND SECURITIES					
30. Reserve for bad debt losses on loans (set up pursuant to IRS rulings).....					30
31. Other reserves on loans.....					31
32. Reserves on securities.....					32
33. TOTAL RESERVES ON LOANS AND SECURITIES.....					33
CAPITAL ACCOUNTS					
34. Capital notes and debentures.....					34
(specify interest rate and maturity of each issue outstanding on publishers copy)					
35. Equity capital, total (sum of Items 36 to 40 below).....					35
36. Preferred stock-total par value.....					36
(No. shares outstanding _____)					
37. Common stock-total par value.....					37
(No. shares authorized _____) (No. shares outstanding _____)					
38. Surplus.....					38
39. Undivided profits.....					39
40. Reserve for contingencies and other capital reserves.....					40
41. TOTAL CAPITAL ACCOUNTS (sum of Items 34 and 35 above).....					41
42. TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS (sum of Items 28, 29, 33, & 41 above).....					42
MEMORANDA					
1. Average of total deposits for the 15 calendar days ending with call date.....					1
2. Average of total loans for the 15 calendar days ending with call date.....					2
3. Unearned discount on instalment loans included in total capital accounts.....					3

I, _____, of the above-named bank do hereby declare that this Report of
 (Name and title of officer authorized to sign report)
 Condition (including the information below and the supporting schedules) is true to the best of my knowledge and belief.

 (Signature of officer authorized to sign report)

We, the undersigned directors, attest the correctness of this Report of Condition (including the information below and the supporting schedules) and declare that it has been examined by us and to the best of our knowledge and belief is true and correct.

NOTE--This report must be signed by an authorized officer, attested by not less than three directors (or by at least two if there are not more than three directors) other than the officer signing the report, and forwarded within 10 days after receipt of request.

 _____ Directors.

SECTION III--REPORT OF CONDITION

ASSETS

Item 1, "Cash and due from banks" (including \$ _____ unposted debits).

The item caption, as above, has been changed from the previous "Cash, balances with other banks, and cash items in process of collection," but no substantive change in content has been made. An inset item has been added to show the amount of "unposted debits" included in the total, if any. As defined in the current instruction booklet, "The term 'unposted debit' means a cash item in the bank's possession drawn on itself which has been paid or credited and is chargeable against, but has not been charged against, deposit liabilities at the close of business on the date as of which the Report of Condition is made." All banks which include "unposted debits" in Schedule D as Cash items in process of collection and in Item 1 on the face of the report, shall show the amount in the inset provided. Reasonable estimates or use of an experience basis are permitted. Banks reporting these items as insets in Schedule D on the back of the reports for FDIC assessment purposes shall use these amounts in the inset to Item 1 on the face of the Report.

Items 2, 3, 4, and 5 relating to investment securities.

Item 2, "U.S. Treasury securities" has been substituted for "United States Government obligations" and Item 3, "Securities of other U.S. Government agencies and corporations," has been substituted for "Securities of Federal agencies and corporations." This change in captions is intended to clarify the status of such holdings given

recent legal interpretations as to the implied Federal guarantee of most agency issues. The effect of the required reclassification, compared to previous practice, is limited to moving bank holdings of D.C. Stadium bonds, certain Merchant Marine issues, and debentures issued by the Federal Housing Administration, from "U.S. Government obligations" to "Securities of other U.S. Government agencies and corporations." Schedule B, which requires the reporting of securities included in these two categories by total par value of each issue, henceforth will be collected only once a year (as of June). Order of appearance of the investment security items was also changed for the purpose of clarification.

Item 6, "Trading account securities."

Securities held in the bank's trading accounts should be reported in a separate category from investment portfolio holdings. An unpublished memorandum schedule listing trading account securities by type of security according to the investment portfolio breakdown will be required on June and December call dates. The June Schedule B reports include only investment securities and exclude trading account securities.

Item 7, "Federal funds sold and securities purchased under agreements to resell."

No change from previous Report form.

Item 8, "Other loans."

The total of loans shown shall be reported gross on the face of the Report and Schedule A on the back. All reserves on loans, including the reserve for bad debts set up pursuant to Internal Revenue

Service rulings, will be included as balance sheet credits in a new section appearing between "Total liabilities" and "Capital accounts." As noted previously all transfers from and to such reserves must be reflected either in Item 6(b) and 7(b) of Reports of Income or itemized in "Changes in Capital Accounts"--if amounts are transferred directly from or to capital.

Item 9, "Bank premises, furniture and fixtures, and other assets representing bank premises," and Item 10, "Real estate owned other than bank premises."

These items are identical in content to comparable items in previous Reports. Substantial changes in totals reported, however, might result from consolidation of premises subsidiaries or restatement of fixed assets. Please refer to the previous discussion under Accounting Principles.

Item 11, "Investments in subsidiaries not consolidated."

This added caption to the face of the Report results from the new requirements for consolidation, discussed previously. In domestic offices Reports this item may include investments in majority-owned foreign subsidiaries and "insignificant" subsidiaries not consolidated.

Item 12, "Customers' liability to this bank on acceptances outstanding," and Item 13, "Other assets."

No change from comparable items in previous Reports. "Income earned or accrued but not collected" is included in "Other assets."

Item 14, "TOTAL ASSETS."

The only changes follow from required changes in treatment of reserves on loans and securities and from the consolidation requirements.

LIABILITIES

Items 15-22, "Deposit categories."

No change from the previous Reports or instructions.

"Total deposits in foreign offices."

The section on Accounting Principles discusses the special provisions for reporting deposits at foreign offices. This total will appear only on the publishers copy of the Report used by banks operating foreign branches, Edge Act, or other foreign subsidiaries.

Item 23, "Federal funds purchased and securities sold under agreements to repurchase."

No change from previous Reports.

Item 24, "Other liabilities for borrowed money."

No change from previous Reports.

Item 25, "Mortgage indebtedness."

Mortgage liabilities, now carried as an inset item in the "Other liabilities" account will be required to be reported separately. It should be noted that, with mandatory consolidation of bank premises subsidiaries, this item will be considerably more inclusive.

Item 26, "Acceptances executed by or for account of this bank and outstanding."

No change from previous Reports or instructions.

Item 27, "Other liabilities."

Mortgages payable have been removed from this account, as noted above. Accrued taxes and other accrued expenses are included in this account.

Item 28, "TOTAL LIABILITIES."

No change from previous Call Report form or instructions except as arises from consolidation of subsidiaries.

Item 29, "MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES."

This account has been added to the Report as a result of consolidation requirements.

RESERVES ON LOANS AND SECURITIES

This change in reporting requirements reflects a change in balance sheet classification of such reserves as discussed under "Accounting Principles."

Item 30, "Reserve for bad debt losses on loans (set up pursuant to Internal Revenue Service rulings)."

This item has been added to the face of the Report to reflect the fact that total loans are now to be reported on a gross basis on the asset side of the balance sheet. The total reported at the year end should agree with the corresponding total included in Section D of annual Reports of Income. All reserves carried under relevant IRS rulings for the accumulation of so-called "tax free" reserves against losses on loans should be included. As noted above under Accounting Principles all transfers to these reserves should be reconciled with amounts reported in the appropriate sections of Reports of Income.

Item 31, "Other reserves on loans."

These include all reserves on loans carried on the bank's books which are in excess of the allowable tax reserve for bad debts, Item 30 above. The amount of transfers to and from the account shall agree with amounts reported in the appropriate sections of annual Reports of Income.

Item 32, "Reserves on securities."

All reserves on securities carried on the books of the bank should be included in this item and should not be deducted from the investment security captions under assets. The transfers to and from the account shall be reflected in the appropriate sections of Reports of Income.

Item 33, "TOTAL RESERVES ON LOANS AND SECURITIES."

The sum of the three reserve items above.

CAPITAL ACCOUNTS

Items 34-40, "Capital accounts."

The publishers copy of the Report requires information pertaining to the interest rate, maturity, and the amount outstanding of each capital note and debenture issue. The only other changes are a realignment of the accounts and an added caption to show the total of equity capital.

MEMORANDA

Items 1 and 2 relating to 15-day averages of loans and deposits reflect no change from the previous Report or instructions.

Item 3, "Unearned discount on instalment loans included in capital accounts."

As noted above under Accounting Principles, this new memorandum item has been added to show the amount of unearned income included in capital accounts by those banks which have elected not to account for instalment loan income on the accrual basis.

Memoranda items relating to reserves on loans and on securities have been deleted since such reserves are now included in the balance sheet on the face of the Report.

CONSOLIDATED REPORT OF INCOME--CALENDAR YEAR 1969
(Including Domestic Subsidiaries)

(Legal title of bank)

(City) (County) (State) (F. R. District No.)

SECTION A.--SOURCES AND DISPOSITION OF INCOME		Dollars		Cts	
1. CURRENT OPERATING REVENUE:					
(a)	Interest and fees on loans.....				1 (a)
(b)	Income on Federal funds sold and securities purchased under agreements to resell.....				(b)
(c)	Interest and dividends on investments (exclude trading account income):				(c)
	1. U.S. Treasury securities.....				1
	2. Securities of other U.S. Government agencies and corporations.....				2
	3. Obligations of States and political subdivisions.....				3
	4. Other securities.....				4
(d)	Trust department income.....				(d)
(e)	Service charges on deposit accounts.....				(e)
(f)	Other service charges, collection and exchange charges, commissions, and fees.....				(f)
(g)	Other current operating revenue (itemize net income on trading account, net earnings from foreign branches and Edge Act subsidiaries and any other amount accounting for over 25 per cent of the total.).....				(g)
(h)	Total current operating revenue.....				(h)
2. CURRENT OPERATING EXPENSE:					
(a)	Salaries and wages of officers and employees (Number on payroll at the end of period _____).....				(a)
(b)	Pensions and other employee benefits.....				(b)
(c)	Interest on deposits.....				(c)
(d)	Expense of Federal funds purchased and securities sold under agreements to repurchase.....				(d)
(e)	Interest on other borrowed money.....				(e)
(f)	Interest on capital notes and debentures.....				(f)
(g)	Occupancy expense of bank premises, net. Gross occupancy expense \$ _____ Less rental income \$ _____				(g)
(h)	Furniture and equipment, depreciation, rental costs, servicing, etc.				(h)
(i)	Other current operating expenses (itemize amounts over 25 per cent of the total).....				(i)
(j)	Total current operating expense.....				(j)
3. CURRENT OPERATING EARNINGS (Item 1(h) minus Item 2(j)).....					
4. INCOME TAXES APPLICABLE TO CURRENT OPERATING EARNINGS.....					
5. NET CURRENT OPERATING EARNINGS (Item 3 minus Item 4) LESS \$ _____					
MINORITY INTEREST.....					
6. OTHER ADDITIONS:					
		(1) Gross		(2) Net of Tax Effect	
		Dollars	Cts	Dollars	Cts
(a)	Net profits on securities sold or redeemed.....				
(b)	Transfers from reserves.....				
(c)	Loan recoveries.....				
(d)	All other (itemize large amounts).....				
(e)	Total additions.....				
7. OTHER DEDUCTIONS:					
(a)	Net losses on securities sold.....				(a)
(b)	Transfers to reserves.....				(b)
(c)	Charge-offs on loans.....				(c)
(d)	All other (itemize large amounts).....				(d)
(e)	Total deductions.....				(e)
8. NET ADDITION OR DEDUCTION (Item 6(e) minus Item 7(e) of column 2)					
LESS \$ _____ MINORITY INTEREST.....					
9. TRANSFERRED TO UNDIVIDED PROFITS (Item 5 plus Item 8).....					

SECTION B--CHANGES IN CAPITAL ACCOUNTS DURING 1969		Dollars				Cts.
1. TRANSFERRED TO UNDIVIDED PROFITS (Item 9 from face side).....						1
2. OTHER INCREASES IN CAPITAL ACCOUNTS:						2
(a) Common stock (par value) sold (excluding \$_____ common stock dividends issued).....						(a)
(b) Common stock (par value) issued incident to mergers, etc.						(b)
(c) Preferred stock or capital notes and debentures sold (par or face value).....						(c)
(d) Premium on new capital stock sold.....						(d)
(e) Addition to surplus, undivided profits and reserves incident to mergers, etc.						(e)
(f) All other increases in capital accounts (itemize).....						(f)
(g) Total other increases in capital accounts.....						(g)
3. OTHER DECREASES IN CAPITAL ACCOUNTS:						3
(a) Cash dividends declared on common stock.....						(a)
(b) Cash dividends declared on preferred stock.....						(b)
(c) Preferred stock or capital notes and debentures retired (par or face value).....						(c)
(d) Premium paid on preferred stock retired.....						(d)
(e) Reduction in surplus, undivided profits and reserves incident to mergers, etc.						(e)
(f) All other decreases in capital accounts (itemize).....						(f)
(g) Total other decreases in capital accounts.....						(g)
4. NET CHANGE IN TOTAL CAPITAL ACCOUNTS.....						4
(Item 1 plus 2(g) minus Item 3(g); indicate net decrease by minus sign or in red. This must agree with the net change at Item 7 of Section C.)						

SECTION C--CAPITAL ACCOUNTS AT END OF PRECEDING AND CURRENT YEAR		December 31, 1968				December 31, 1969				
The items in this section must agree with the corresponding items in the Condition Reports rendered as of the same dates. The items in the first column must agree with the corresponding items for the same date in the preceding Report of Income.										
1. Capital notes and debentures.....										1
2. Preferred stock.....										2
3. Common stock.....										3
4. Surplus.....										4
5. Undivided profits.....										5
6. Reserve for contingencies and other capital reserves.....										6
7. Total capital accounts (net change of \$_____ during the period must agree with Item 4 of Section B).....										7

SECTION D--RESERVE FOR BAD DEBTS AND OTHER RESERVES		Reserve for bad debt losses and other reserves on loans				Reserves on securities				
		Reserve set up pursuant to Internal Revenue Service Rulings		Other reserves on loans						
1. Balance December 31, 1968.....										1
2. Additions due to mergers and absorptions.....										2
3. Recoveries credited to these reserves.....										3
4. Transfers to these reserves (included in Item 7(b) of Section A).....										4
5. Total (Sum of Items 1, 2, 3, and 4).....										5
6. Losses charged to these reserves.....										6
7. Transfers from these reserves (included in Item 6(b) of Section A).....										7
8. Balance December 31, 1969 (Must agree with corresponding items in Condition Reports rendered as of the same date)										8

MEMORANDA

1. Total provision for Federal, State and local income taxes for current year (Must agree with Item 4 plus the difference between columns 1 and 2 at Item 6(e) less the difference between columns 1 and 2 at Item 7(e)).....										1
(a) Provision for Federal income taxes.....\$_____										(a)
(b) Provision for State and local income taxes.....\$_____										(b)
2. Recoveries of previous years' income taxes reflected in Item 2(f) of Section B.....										2
3. Payments reflecting adjustments to previous year taxes included in Item 3(f) of Section B.....										3
4. Total amount of accretion of discount on securities reflected in income Items 1(c)1 to 1(c)4.....										4
5. If this bank merged or consolidated with any banks during this period, list the banks (Figures should reflect full year operations for these banks).....										5
						XXX	XXX	XXX	XX	

I, _____ of the above-named bank, hereby certify that the foregoing (Name of officer authorized to sign report) (Title) statement is true, to the best of my knowledge and belief.

(Date)

(Signature of officer authorized to sign report)

SECTION IV--REPORT OF INCOME

CURRENT OPERATING REVENUE:

Item 1(a), "Interest and fees on loans."

All interest, fees, and other charges related to the handling of loan accounts carried in bank loan portfolios are to be included in this item. In addition, all commitment fees received on loans, regardless of whether the loan has been made, are included. Income from Federal funds and security resale transactions will be excluded and shown separately in Item 1(b). The separate item for service charges and fees on loans has been eliminated and these amounts included either in this item or in Item 1(f) below.

Item 1(b), "Income from Federal funds sold and securities purchased under agreements to resell."

Gross revenue from these transactions, previously included in "Interest on loans" by State banks and "Other current earnings" by national banks will be included in this new item.

Item 1(c), "Interest and dividends on investments (exclude trading account income)":

A new categorization for reporting income on investments follows the corresponding asset reclassification for Reports of Condition. This change requires the addition of two new interest income categories: Interest on "Securities of other U.S. Government agencies and corporations," and interest on "Obligations of States and political subdivisions." Interest on securities held in dealer trading accounts will be excluded from these items and reported separately as an inset to "Other current operating revenue."

Item 1(d), "Trust department income," and Item 1(e), "Service charges on deposit accounts."

No changes from previous Report or instructions.

Item 1(f), "Other service charges, collection and exchange charges, commissions, and fees."

Only minor changes from the previous Report have been made. As noted above, except for commitment fees, the distinction between service charges on loans and "Other service charges" should be based on whether the bank carried the related loan account. Percentage charges to merchants for handling charge sales are "Other service charges" when the bank does not carry the loan accounts on its books. Equipment rental fees previously netted against equipment expense should be included in this item.

Item 1(g), "Other current operating revenue (itemize all amounts over 25 per cent of total, net earnings from foreign branches and subsidiaries, and net income on trading account)."

Changes in this item are noted above with respect to the inclusion of trading account income, and to the reclassification (by national banks) of income on Federal funds and security resale transactions. Net trading account income includes interest and profits and losses on trading account securities, revaluation adjustments, and incidental income and expenses related to the purchase and sale of such securities. Other expenses such as salaries, commissions, or interest on borrowed money should not be included. Also, certain types of regular recurring operating recoveries should now be shown against this item rather than "below-the-line" as in the previous Report. Regular recurring operating credits such as net tellers' overages, forgery recoveries, recoveries on payment of checks over stop payment orders, and similar transactions should be reported in this item.

Item 1(h), "Total current operating revenue."

No change from the previous Report except for revenue from the consolidation of domestic subsidiaries and from reclassification of certain types of recurring operating recoveries and equipment rental fees as noted above.

CURRENT OPERATING EXPENSE:

Item 2(a), "Salaries and wages of officers and of employees (number on payroll at the end of period)."

The separate compensation items for officers and employees in the previous Report have been combined. Except as noted under 2(b) below with respect to certain optional profit sharing plans, this consolidated item follows instructions for the previous report and will comprise the same types of compensation as reported for income tax purposes in Form W2. A single inset item for the total number of officers and employees is to be reported.

Item 2(b), "Pensions and other employee benefits."

For the most part, this item is the same as the corresponding item in the previous Report and includes the expense of all compensation and fringe benefits of officers and employees not included in Item 2(a) above. An exception has been made for expenditures under those profit sharing plans which give officers or employees an option as to the portion to be received as current compensation or to be held or invested by the bank. The total of these costs should be included in this item. Except for this difference the item is unchanged from the previous Report and instructions.

The item for directors' fees previously reported separately has been eliminated and such fees included in "Other current operating expenses."

Item 2(c), "Interest on deposits."

No change from the previous Report or instructions.

Item 2(d), "Expense of Federal funds purchased and securities sold under agreements to repurchase."

Gross expenses from these transactions, previously included in "Interest on borrowed money" by State banks and "Other current operating expenses" by national banks will be reported separately in this new item.

Item 2(e), "Interest on other borrowed money."

No change from previous Report except as noted under 2(d) above with respect to expenses of Federal funds and security resale transactions.

Item 2(f), "Interest on capital notes and debentures."

This new item has been added to recognize separately the interest cost of borrowed long-term subordinated funds. Previously such expense was included with dividends following "net income after taxes."

Item 2(g), "Occupancy expense of bank premises, net."

Except for the effects of consolidation of building subsidiaries, the content of this item will be the same as in the previous report but collection of the detailed Section E "Occupancy expense of bank premises" underlying this item has been eliminated. Instead, two inset items "Gross occupancy expense" and "Less rental income" have been added to support the extended net occupancy expense figure. The content of this item will be affected substantially by the required inclusion of income and expenses of bank premises subsidiaries.

Item 2(h), "Furniture and equipment, depreciation, rental costs, servicing, etc."

This expense item will be reported gross rather than net of equipment rental fees as previously. The revenue item previously netted should be included in the appropriate revenue item noted above.

Item 2(i), "Other current operating expenses (itemize amounts over 25 per cent of the total)."

Changes from the present Report arise from reclassification of directors' fees and of expenses of Federal funds and security repurchase transactions (for national banks) as noted above, and from inclusion of certain operating losses discussed herein. Certain types of regular recurring operating losses and charge-offs should be shown against this item rather than "below-the-line" as in the previous Report. Regular recurring operating losses such as tellers' shortages, forgery losses, losses on payment of checks over stop payment orders, and similar transactions should be reported in this item.

Item 2(j), "Total current operating expense."

Changes from the previous Report result from consolidation of expenses of domestic subsidiaries, and from reclassification of certain recurring operating losses, of interest on capital notes and debentures, and of income from equipment rentals as noted above.

Item 3, "CURRENT OPERATING EARNINGS."

This item will appear as in the previous Report. Changes arise from consolidation of revenue and expenses of domestic subsidiaries and from reclassification of recurring operating losses and recoveries and interest on capital notes and debentures as noted above.

Item 4, "INCOME TAXES APPLICABLE TO CURRENT OPERATING EARNINGS."

The change in treatment in this area is discussed in some detail under Accounting Principles. Usually this amount will be determined by application of the bank's ordinary corporate income tax rate to the amount shown at Item 3 above after deduction of tax exempt income and adjustment for non-deductible expenses, if any. Because of time limitations for submission, the amount may be estimated. The amount will differ from the total annual provision for income taxes by the tax effect related to non-operating transactions shown as the difference between columns (1) and (2) in Items 6 and 7.

Item 5, "NET CURRENT OPERATING EARNINGS (LESS \$ MINORITY INTEREST)!"

A new item in the revised Report representing net operating earnings after deduction of the estimated amount of income taxes applicable thereto shown at Item 4 above. An inset item showing the after tax minority interest in net current earnings of subsidiaries has also been included. The inset amount should be deducted in determining the extended total.

Item 6, "OTHER ADDITIONS":

Item 6(a), "Net profits on securities sold or redeemed."

In the revised Report the net results of profits and losses on securities realized at the time of sale or redemption will be reported in a single item rather than gross profits and gross losses in separate items as in the previous report. Thus, if the net result of all profits and losses on sales and redemptions of securities for the year was a gain the amount should be reported against this item and no amount

against Item 7(a). This net amount should be reflected in the first column. The second column should show these results net of the tax effect. Ordinarily, column 2 would be less than column 1 by the amount of capital gains or other taxes applicable thereto.

Item 6(b), "Transfers from reserves."

This item combines transfers from reserves on loans and on securities which were shown separately in the previous Report. The section on changes in reserves on the back of the Report continues to require separate reporting of transfers from reserves for bad debts, other reserves on loans, and reserves on securities.

Item 6(c), "Loan recoveries."

No change from the previous Report. Only recoveries not credited to reserves on loans should be included.

Item 6(d), "All other (itemize large amounts)."

This item will now include recoveries on security write-offs not charged to reserves on securities shown separately in the previous Report. The item will now exclude the types of current operating recoveries noted under Item 1(g) above.

Item 6(e), "Total additions."

No change from the previous Report except with respect to the types of current operating recoveries included under "Other current operating revenue" as noted above, and the required reporting net of tax effect.

Item 7, "OTHER DEDUCTIONS":

Item 7(a), "Net losses on securities sold."

The revised Report requires reporting of the net results of profits and losses on securities realized at the time of sale or redemption in a single item rather than gross profits and gross losses in separate items as in the previous Report. Thus, an amount should be reported in this item if the net result of all profit and loss on sales and redemptions of securities for the year was a loss and no amount should be reported under Item 6(a). This amount should be reflected in the first column. Ordinarily, the tax effect would be a reduction in the net loss, applicable at the bank's ordinary corporate income tax rate, and the amount in the second column would be less than the amount in the first column by the amount of such reduction.

Item 7(b), "Transfers to reserves."

This item will combine transfers to reserves on loans and on securities which were shown separately in the previous Report. Separate classification of transfers to reserves for bad debts, other reserves on loans, and reserves on securities continues to be required in the section relating to changes in such reserves.

Item 7(c), "Charge-offs on loans."

No change from the previous Report. Only losses not charged to reserves on loans should be included.

Item 7(d), "All other (itemize large amounts)."

This item will include losses and charge-offs on securities prior to sale or redemption not charged to reserves on securities. The item will

exclude the types of current operating losses and charge-offs listed under expense Item 2(i) above.

Item 7(e), "Total deductions."

Except for the change in classification of current operating losses and charge-offs noted above, and the required reporting net of tax effect, there has been no change from the previous Report.

The two-column presentation for these "below-the-line" or "non-operating" items included under Item 6 and Item 7 will set forth the results of such transactions gross (column 1) as in the previous report and net of the estimated tax effect of such transactions (column 2). Ordinarily, normal tax application to "Other additions" and "Other deductions" items should be made. Net security profits, for example, would have application of the capital gains tax rate, if the securities were held for more than six months. The tax reduction from net losses on securities sold would usually have application at the ordinary corporate income tax rate.

The amount transferred to the "Reserve for bad debts" would usually have an ordinary corporate income tax reduction rate applied. The tax effects reported "below-the-line" when combined with income taxes applicable to operating earnings will equal the total income tax expense computed for the current year reported in the new Memoranda Section.

Reasonable estimates of the tax effect are permitted. Procedural guidelines issued by accounting committees of various banking associations should prove helpful in making such estimates.

The items reflecting the total provision for income taxes and the breakdown between State and Federal income taxes has been eliminated from the face of the Report and a separate Memoranda item has been added to secure details on income taxes.

Item 8, "NET ADDITION OR DEDUCTION (LESS \$ _____ MINORITY INTEREST)."

A new caption has been added to the revised Report to reflect the net after tax results of all non-operating or "below-the-line" transactions. An inset has been added to show the after tax adjustment representing the minority interest in subsidiaries.

Item 9, "TRANSFERRED TO UNDIVIDED PROFITS."

The net income caption from previous Reports has been retitled. The total is carried to Section B, "Changes in Capital Accounts." The schedule for dividends on capital has been eliminated from the face of the Report. Items have been added to the section on "Changes in Capital Accounts" to show total dividends declared during the year on common stock and on preferred stock. "Interest on capital notes and debentures" previously included with dividends has been included as a current operating expense as noted above.

SECTION B--CHANGES IN CAPITAL ACCOUNTS DURING THE YEAR

This section is essentially the same as the corresponding section in the previous Report. As noted above, items for dividends declared on common stock and on preferred stock have been added. Provision has also been made, as noted in this report under Accounting Principles, for reporting the effects on capital accounts arising from the initial application of tax and other accrual accounting adjustments, and adjustments to prior years' taxes, under "All other decreases" or "All other increases." The last line represents the total change in capital during the year and should agree with the change indicated in Section C and in the capital accounts in the Condition Reports for the end of the previous year and the current year.

SECTION C--CAPITAL ACCOUNTS AT END OF PRECEDING AND CURRENT YEAR

No changes from the previous Report except that a separate line has been added to show capital notes and debentures outstanding separately from preferred stock outstanding. As noted above all changes in capital accounts during the year (except transfers from one account in capital to another) should be reflected in Section B. The totals agree with corresponding totals in Reports of Condition submitted as of the same dates.

SECTION D--RESERVE FOR BAD DEBTS AND OTHER RESERVES

No change from the previous Report. Transfers to and from such reserves should agree with the corresponding amounts reported under "Other additions," and "Other deductions" in the appropriate sections of Reports of Income and the beginning and ending balances should agree with the corresponding totals in the Reports of Condition as of the same dates.

SECTION E--OCCUPANCY EXPENSE

This schedule has been eliminated and replaced by two inset items in the current operating expense section in the Report of Income as noted above.

MEMORANDA

As described above and in the discussion of Accounting Principles under tax accounting, this section has been added to obtain information related to the total income tax expense reported. Items require an indication of (1) total provision for current income taxes, (2) provision for current State and local taxes, (3) provision for Federal income taxes, and (4)

significant adjustments of prior years' income taxes, if any, which are included in Section B "Changed in Capital Accounts." Minor adjustments to prior years' income taxes should be absorbed in the current year income tax expense. An additional item provides for reporting the before tax effect of accretion of discount on securities included in current operating revenue on the face of the Report.