INTRODUCTION

The Uniform Commercial Bank Report of Examination was approved by the Federal Financial Institutions Examination Council and mandated for use by the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency in their examinations of commercial banks. The report is also available for use by state banking departments in their examinations of state-chartered institutions.

Certain report pages are mandatory for all full-scope bank examination reports prepared by Federal Reserve examiners. Some of these pages are required as the result of the four federal banking and thrift regulatory agencies' approval of a uniform interagency report of examination. These pages address the examiner's conclusions and provide information on capital, asset quality, management, earnings, liquidity, and sensitivity to market risk (CAMELS). Headings on specific report pages for the examiner's assessment of specific CAMELS components provide a series of considerations for the examiner to address in the evaluation of each component. The Federal Reserve has supplemented the interagency report by mandating the use of additional report pages and by designating a third group of pages as optional for Federal Reserve purposes. This section will provide the examiner with guidance on both when to include certain report pages in the report and how to prepare required and optional report pages. Instructions for optional pages describe situations that warrant their inclusion in full-scope Federal Reserve reports.

FEDERAL RESERVE SYSTEM REPORT INSTRUCTIONS

The following instructions provide general guidance to the examiner in evaluating certain aspects of a bank's operations and in completing the report; they are not intended to constitute a technical manual on conducting examinations and completing reports, nor are they designed to set forth all of the factors, considerations, and issues that examiners must address and evaluate when they conduct examinations. In addition, these instructions are not intended to address legal and compliance questions; rather, examiners should consult appropriate laws, regulations, and examiner guidelines. Questions on completing the report that are not covered by these instructions should be referred to Reserve Bank management or Board staff.

Instructions for specific pages follow in the order recommended for their inclusion in full-scope examination reports. The header at the top of each section of instructions indicates whether the report page is mandatory or optional.

The interagency instructions and report-page formats do not provide for the use of peer-group data for analytical purposes. The Federal Reserve System advocates the use of peer-group data for financial analysis. Examiners should routinely consider using peer information in report narratives or in charts and tables within narratives to support their conclusions. Comparisons to subsets of the national peer group may also be meaningful. If the examiner uses other than national UBPR peer information for comparison purposes, the substitute peer group should be clearly identified.

General Instructions for Financial Information

The following terms are used on many report pages containing financial information. Guidance on the requirements and options available for each term is provided here.

Examination Date (or Exam Date). The date of the financial data used for the examination activity or the ending date of the period reviewed. If the date of the asset-quality review is different from the exam date, any required use of ''exam date'' in connection with asset quality should refer to the date of the asset-quality review.

Period Ended. No specific timeframe is designated. These columns reflect information for a time period deemed most appropriate by the examiner to support conclusions presented in the Report of Examination. For comparative purposes, this column may reflect financial data from the same period of the prior year as the examination date, the prior quarter, or the most recent year-end.

The examiner-in-charge is responsible for selecting dates deemed most appropriate to present the examination findings. All amounts should be consistent with instructions for the Consolidated Report of Condition and Income (call report). If call report amendments have been made, the amended numbers should appear. If a bank's management has made any significant misclassifications that have caused examiners to amend any financial statements, the examiners' numbers should be shown in the report and used to calculate any ratios used in the report. Columns titled "Period Ended" should usually detail previous year-end information. However, the examiner may substitute different dates, such as those of the previous examination, when desired. Ratios should generally be computed according to the instructions in the User's Guide to the Uniform Bank Performance Report. Care should be taken in computing all ratios to ensure that ratios are accurate and consistent throughout the report.

Federal Reserve Examination Report Page List

The following table lists the Federal Reserve's report pages in the order in which they would usually appear, along with a notation of whether their inclusion in the report is mandatory or optional.

Mandatory/ Optional	*Report Page Title*
	OPEN SECTION
Mandatory	Table of Contents
Mandatory	Scope
Mandatory	Matters Requiring Board Attention
Mandatory	Examination Conclusions and Comments
Optional*	Compliance with Enforcement Actions
Mandatory	Comparative Statements of Financial Condition
Mandatory	Capital Adequacy
Mandatory	Capital Calculations
Mandatory	Asset Quality
Mandatory	Summary of Items Subject to Adverse Classification/Summary of Items Listed as Special Mention
Mandatory	Loans and Lease-Financing Receivables/Past-Due and Nonaccrual Loans and Leases
Mandatory	Management/Administration
Mandatory	Violations of Laws and Regulations
Mandatory	Earnings
Mandatory	Analysis of Earnings
Mandatory	Liquidity/Asset Liability Management
Mandatory	Sensitivity to Market Risk
Optional	Other Matters
Optional	Concentrations
Optional*	Items Subject to Adverse Classification
Optional*	Items Listed for Special Mention
Optional	Assets with Credit-Data or Collateral-Documentation Exceptions
Mandatory	Signature of Directors
	CONFIDENTIAL SECTION
Mandatory	Directors
Mandatory	Executive Officers
Mandatory	Management and Control
Mandatory	Ratings and General Information

* Some optional pages are mandatory if the circumstances relevant to the page apply. For example, "Compliance with Enforcement Actions" is mandatory if the bank is subject to corrective action. Optional pages to list classified and special-mention assets are mandatory if items are classified or special mentioned.

These pages may be augmented with supplemental information as needed or required by the Federal Reserve System. Additional supporting schedules and visual aids (for example, graphs and charts) may also be included in the report to communicate and support the examiner's findings.

Sample Report Pages

This section includes samples of most of the report pages. Because each Reserve Bank may use different methods for preparing the report, differences in typographic styles may exist between the pages presented here and those at any particular Reserve Bank.

Several report pages are blank except for the title, allowing the examiner almost total discretion in choosing how to present the information. Samples of these report pages are not included although instructions for their use are. Report pages for which samples are not included are identified below:

- Scope
- Matters Requiring Board Attention

- Compliance with Enforcement Actions
- Violations of Laws and Regulations
- Other Matters
- Concentrations

Combined Reports

Reserve Banks may issue a combined report for a bank holding company and its lead state member bank subsidiary when (1) a bank holding company's lead bank subsidiary is a state member bank and (2) the holding company's board formally approves the release of a combined report to its lead state member bank subsidiary. In cases where the company has more than one state member bank, separate examination reports should be prepared for all other state member bank subsidiaries. At a minimum, a combined report will contain all examination report pages required by SR-93-71, "Final Interagency Examination Report Instructions," as well as information on the parent company, its subsidiaries, and the consolidated organization.

The Reserve Bank should send a letter to a qualified holding company that explains its option of receiving a combined report. If the holding company's board wishes to receive a combined report, it should formally approve the release of the combined report to its lead state member bank subsidiary by board resolution.

REPORT PAGE INSTRUCTIONS

Table of Contents (Mandatory)

The table of contents indicates the pages included in full-scope reports. All mandatory pages are to be included in each full-scope Federal Reserve bank examination report. Optional pages will be added to the report as necessary in the order outlined herein, followed by the mandatory Signature of Directors page. Additional supplemental pages to support examiner findings may also be added to the report at the examiner's discretion.

Page numbers are included only for the sake of completeness. The actual page-numbering system used may vary among Reserve Banks.

Scope (Mandatory)

The Scope page is used to list areas reviewed during the examination and describes the extent of those reviews. The examiner should generally address the following:

- the date of examination (commencement and conclusion)
- the type of examination (full-scope, targeted, joint, concurrent, combined (bank holding company and bank))
- the agency or agencies conducting the examination
- areas reviewed and analyzed (If the examination is targeted, the examiner should identify specific areas reviewed.)
- the percentage and type of loans reviewed
- a confirmation that examination results were discussed with the organization and a list of those attending the meeting
- identification of the bank's peer group
- if necessary, recognition that the bank is operating under a formal or informal supervisory action (If so, state that the provisions of the action were reviewed and compliance was assessed.)

Matters Requiring Board Attention (Mandatory)

The Matters Requiring Board Attention page is used to inform the bank's board of directors of the most significant issues identified during the examination. It should summarize the most important examination/inspection findings. The Matters Requiring Board Attention page is intended to complement the complete Report of Examination findings prepared for use by bank management and directors. This page is to focus on identified problems, rather than on strengths of the organization, and present them succinctly and unmistakably clearly. In all cases, the types of actions to be taken by the directors and management to address these problems should be specifically noted. Institutions rated 4 or 5 are to be told they are problem institutions that warrant special supervisory attention. Institutions rated 3 are to be informed that their condition is not satisfactory, that they are subject to more-than-normal supervision, and that they may become problems if their weaknesses are not addressed adequately.

This page should also discuss significant weaknesses in 1- or 2-rated institutions. In institutions where no specific matters are identified as requiring board attention, this page should provide a brief summary of the institution's condition. In all cases, this page should contain a concluding statement reminding the directorate of its responsibility to review the entire Report of Examination and instructing each director to sign the Signature of Directors page.

Examination Conclusions and Comments (Mandatory)

The report page should list the composite rating for the current examination and for the two previous examinations at the top of the page. In addition to the composite ratings, the numeric ratings of the six components will be disclosed for examinations beginning after January 1, 1997. This listing should be followed by the uniform definition of the assigned composite rating. The uniform definitions of the component ratings assigned need not be included in reports; however, they should be made available to bank management and directors upon request.

This report page should summarize examination findings, particularly those of significance. The examiner should also provide an overview of the bank's financial condition. The examiner's major recommendations and management's plans for corrective actions should also be covered on this page in appropriate detail, with references to additional supporting information elsewhere in the report. The examiner's comments should also elaborate on the matters requiring board attention listed on the preceding page. All comments should be presented in order of importance. The comments should be primarily on an exception basis, describing areas of the bank's operations and aspects of its financial condition that display weaknesses, deficiencies, or vulnerability. This does not preclude the examiner from recognizing positive actions taken by management; however, laudatory or conclusive remarks and endorsements of specific management actions should be avoided.

Significant recommendations presented elsewhere in the report should be mentioned on this page. Significant violations should also be discussed briefly on this page and in greater detail on the Violations of Laws and Regulations page; less serious violations should be noted and reference made to the violations page. Compliance with any enforcement actions should be briefly discussed on this page (per SR-82-8) and state that details are provided on the Compliance with Enforcement Actions page.

The Examination Conclusions and Comments page and the Matters Requiring Board Attention page should not be duplicative and should be easily integrated if the issuance of a Director's Summary of Examination Findings proves necessary.

Compliance with Enforcement Actions (Optional)

The Compliance with Enforcement Actions page will be used if the bank is under any type of supervisory action or has ratified board resolutions at the request of the Federal Reserve or state banking authority. In all cases, the type and date of the action or resolutions and parties to the action should be listed. In addition, the examiner should generally list each provision requiring action and provide a comment addressing compliance with that provision. Specifically, the examiner should comment on how the bank accomplished compliance or the reason why the bank is not in compliance with a particular provision. These comments should be made at the examination when supervisory actions are initiated and at all subsequent examinations until the action is removed.

Comparative Statements of Financial Condition (Mandatory)

The left column titled "Exam Date" should coincide with the Consolidated Report of Condition for the period used—generally, the most recent quarter-end. If call report amendments have been made, the amended numbers should appear on this page. If a bank's management has made any significant misclassifications that have caused examiners to amend any financial statements, the examiner's numbers should appear on this page. The right column titled "Period Ended" should usually detail previous year-end information. However, the examiner may substitute a different date, such as a previous examination, when desired. All amounts listed in either column should conform to Consolidated Report of Condition instructions. This page also should reflect FASB 115 ''Accounting for Certain Investments in Debt and Equity Securities'' adjustments to capital. These adjustments are made according to Consolidated Report of Condition and Income instructions and are reflected on the line item ''common equity capital.''

Capital Adequacy (Mandatory)

Capital is assessed at each full-scope examination. Consideration is specifically given to risk identified within the bank, equity maintenance, and any growth the bank might be experiencing.

The bank's capital ratios should be presented as indicated on the report page. FASB 115 adjustments are not to be reflected in capital ratios. However, the effect of FASB 115 on stockholders' equity, if material, should be discussed in the narrative. In cases when the condition of the bank has changed significantly since the last quarter-end (for example, an equity offering) and/or when examination findings have a material impact on conclusions regarding capital adequacy, the examiner should reflect these changes and findings in these ratios. When adjustments are made, the examiner should identify the date of the new capital calculation (presumably subsequent to quarter-end). In any event, when examination findings result in a change in a bank's prompt-corrective-action designation, the ratios provided must be adjusted. The Capital Category line refers to the prompt-corrective-action (PCA) capital designation as described in the Federal Deposit Insurance Corporation Improvement Act. Report comments need to clearly convey that this designation is not the sole criterion for determining capital adequacy. If the bank is subject to restrictions under a PCA directive issued by the Board of Governors, a discussion of the directive's requirements and the related capital-restoration plan are to be included.

The examiner should consider the volume of classified assets and any meaningful asset-quality trends. It is appropriate to address capital ratios adjusted for significant examination classifications in the narrative to emphasize the impact of examination classifications on any valuation reserves and the impact of deficiencies in valuation reserves on the bank's capital adequacy.

The assessment of capital growth should include consideration of growth from various capital sources, including retained earnings and potential new capital-stock issues, and should be compared to growth in total assets, asset mix, market risk, concentration risk, risks associated with nontraditional activities, interest-rate risk, and off-balance-sheet risks. Risk-based capital guidelines factor in changes in balance-sheet composition and exposure to potential risk via growth of off-balance-sheet activities. Although the guidelines give consideration to the above, examiners still must exercise considerable judgment to evaluate all factors necessary to make an accurate assessment of capital adequacy.

The bank's capital plan should also be reviewed. The content, degree of formality, sophistication, and form of plan will vary with banks of different sizes and complexity. However, each bank should be monitoring its capital position in relation to the required guideline ratios and risk. In addition, consideration should be given to the bank's ability to obtain additional outside capital, including support provided by a parent holding company. Also, the bank's dividend history and plans should be considered in relationship to regulatory guidelines and anticipated profitability.

Capital Calculations (Mandatory)

The Capital Calculations page should be prepared using information as of the same date as the exam date shown on the Comparative Statements of Financial Condition page. When the condition of the bank has changed significantly since the exam date (for example, an equity offering) or when examination findings materially affect conclusions regarding capital adequacy, the examiner should reflect these changes and findings in the capital calculation. When adjustments are made, the examiner should identify the date of the new capital calculation. In any event, when examination findings result in a change in a bank's prompt-corrective-action designation, the capital calculations provided must be adjusted. Characteristics of any capital elements that are unusual or significant may require an explanation on the Capital Adequacy page, as may any limitations with regard to risk-based capital guidelines.

Ineligible intangibles to be deducted from tier 1 capital should include such items as ineligible purchased credit-card relationships (PCCRs) and mortgage-servicing rights, while the Other Adjustments line should include such items as disallowed deferred-tax assets. Under the risk-weighted assets calculations section, the examiner should ensure that requested data are calculated in accordance with risk-based capital guidelines. All items deducted from capital noted above should also be deducted from the risk-weighted assets calculation. FASB 115 adjustments are not to be reflected on this page. Adjusted average total assets is average total assets for the most recent quarter less all goodwill and other disallowed intangibles.

Asset Quality (Mandatory)

Federal Reserve examiners should specifically address the following areas on the Asset Quality page. If all conditions are satisfactory, a brief statement that addresses each factor and summarizes the examiner's conclusions will suffice.

- Assess (1) the quality of assets, including their level, distribution, severity, and the trend of problem, classified, past-due, nonaccrual, restructured, and renegotiated loans not in compliance with modified terms for both on- and off-balance-sheet transactions; (2) the existence of asset concentrations; (3) the adequacy of loan policies and loan-administration, credit documentation, or lending practices; (4) the adequacy of workout procedures for problem credits; (5) the adequacy of the allowance for loan and lease losses; and (6) the adequacy of the bank's internal loan-review and grading systems, including significant differences between internal loan grades and examination classifications.
- Assess (1) the quality of investment securities and (2) the adequacy of investment policies.
- Comment on any off-balance-sheet items, such as unfunded commitments, credit derivatives, commercial and standby letters of credit, and lines of credit, with respect to (1) their volume in relation to total assets, capital, or other appropriate balance-sheet categories; (2) the risks inherent in the activity; and (3) the adequacy of management and control of off-balance-sheet risks.
- Comment on the quality of management with respect to the lending function and management's awareness of problem loans. Examiners should also address the causes of existing credit problems and remedial actions agreed to by management for correction of deficiencies.
- Assess the adequacy of internal controls and management information systems.

Although the mandatory interagency Asset Quality page does not provide for a weighted-asset classification to capital ratio, the Federal Reserve System relies heavily on this measure of asset quality. Therefore, this page should include a line for the ratio of weighted classifications to tier 1 capital and for the allowance for loan losses without limitation. The sample page included in this manual contains a line for this ratio.

Assets listed for special mention should not be included in the classifications total, nor should they be referred to as adversely classified in the narrative. Although classified and special-mentioned asset totals should not be commingled, those two categories will display and possibly share underwriting, documentation, or other weaknesses or characteristics to be reported by the examiner.

The examiner should consider the total of other transfer risk problems, if significant, and briefly discuss the volume and trend of such credits. The examiner should specifically assess whether there are concentrations of credit in any particular economic sectors, the extent that problem credits may be centered in these sectors, and concentrations of transfer risk warranting special comment. Examiners should also address the loan-loss reserve methodology and the adequacy of the allowance for loan and lease losses. Examiners should comment on the quality of investment securities and trading-account activities and address credit risk associated with off-balance-sheet items.

Examiners should assess the adequacy of policies and procedures relating to loans, investments, and off-balance-sheet activities. Also, examiners should address policies and procedures regarding financial futures and foreign-exchange trading.

When assessing loan policies, loan administration, and lending practices, consideration should be given to internal loan approval, internal review and monitoring, and grading systems and control procedures; the organization and completeness of the credit files; collateral administration and evaluation procedures; collection procedures; procedures for renewing or extending loans and placing loans on nonaccrual status; the accrual and capitalization of past-due interest and prepaid interest; and any other unfavorable practice that may result in or from poor asset quality.

Deficiencies relating to the lack of written policies in any critical area should be noted in discussing management's adherence to policies on the Management/Administration page. Also, if excessive management turnover, weaknesses in middle management, or inadequate internal promulgation of policies affects adherence to or implementation of policies, these areas should also be addressed under Management/ Administration.

Examination ratios in this section are to be derived from information obtained during the current and two most recent on-site examinations. The examiner may include in the narrative additional ratios, if necessary, to highlight a particular financial factor. Reserve Banks that are engaged in alternate examination programs with state banking departments should use classified asset totals from state reports in completing and analyzing the trend in asset-quality data on this page.

For the Asset Quality page, the tier 1 capital numbers to be used should come from the Capital Adequacy and Capital Calculations pages. However, the examiner may substitute a different date when desired. The total adversely classified assets numbers and total assets numbers should be relevant to the date of the asset-quality review. This will reflect information for the period deemed most appropriate by the examiner-in-charge.

Capital is based on the guideline definition of tier 1 capital. Weighted and total classifications are to be compared with tier 1 capital plus the allowance for loan losses, both for purposes of this page and for the asset-quality rating under the CAMELS rating system. Total adversely classified items includes total adversely classified assets plus classified off-balance-sheet items, while total adversely classified assets does not include classified off-balance-sheet items. The past-due and nonaccrual ratio should be consistent with the information contained in the past-due and nonaccrual schedule on the Loans and Lease-Financing Receivables/ Past-Due and Nonaccrual Loans and Leases page.

Summary of Items Subject to Adverse Classification/Summary of Items Listed as Special Mention (Mandatory)

Summary of Items Subject to Adverse Classification

The Summary of Items Subject to Adverse Classification page summarizes items classified by the examiner as of the examination date (for this page, considered the date relevant to the asset-quality review). Total classifications are also presented for the previous examination. Reserve Banks that are engaged in alternate examination programs should provide totals contained in the previous examination report prepared by the state when applicable. The examiner should also consider creating a schedule on the Asset Quality page to detail classifications from additional prior examinations if meaningful trend information is noted. The examiner should also present in the report narrative classifications trends for certain asset categories if the analysis is meaningful.

The report format does not contain provisions for other transfer risk problems or value-impaired assets. For examination of banks engaged in international lending, Reserve Bank examiners should provide additional information to include categories for other transfer risk problems and value-impaired assets. The format for this page will also require adjustments for U.S. addressees and non-U.S. addressees.

For banks with foreign activity, the distinction between U.S. and non-U.S. addressees follows the definition set forth in the instructions for the Consolidated Report of Condition: whether a customer is U.S. or non-U.S. is determined by the customer's principal address, that is, by its domicile. A U.S. address would be in the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. Non-U.S. addressees include all other geographic areas.

The examiner should list in the appropriate category the amounts of all credits classified due to transfer risk. The value of credits shown as value-impaired should be computed after deducting any allocated transfer risk reserve established against an asset. In determining total classified assets, examiners should arrive at a net assets classified due to country risk. Examiners should identify any credits classified due to transfer risk which have received the same or more severe classification due to credit risk and are listed above in the summary of classified items due to credit risk. The sum of such assets should be listed in the appropriate column and then deducted to arrive at net assets classified due to country risk. For the purpose of this page, any credits classified as value-impaired for transfer risk purposes should not be included in the summary of credits classified due to credit risk, unless the credits are classified loss.

For the purpose of arriving at total classified assets, add the amount classified due to credit risk to net assets classified due to transfer risk for each category. When computing weighted classifications, the residual portion of any value-impaired assets should be assigned the same weight as substandard classifications. However, the residual exposure still remains value-impaired for examination and classification purposes. Value-impaired assets held in the trading account should also be included in total classified assets, but should not be considered classified assets when computing weighted classifications.

Summary of Items Listed as Special Mention

The Summary of Items Listed as Special Mention page presents the total of assets listed for special mention. The summary includes special-mention totals for the current and one previous examination. Assets listed for special mention are not included when computing classification ratios. Reserve Banks that are engaged in alternate examination programs should rely on the previous state examination's special-mention total when applicable.

Loans and Lease-Financing Receivables/ Past-Due and Nonaccrual Loans and Leases (Mandatory)

The examiner has the flexibility to use the same or different dates for the Loans and Lease-Financing Receivables and the Past-Due and Nonaccrual Loans and Leases schedules. The Loans and Lease-Financing Receivables schedule will usually be as of the most recent quarter-end. The Past-Due and Nonaccrual Loans and Leases schedule will usually be as of the asset-quality review date. Based on examination findings, the examiner-in-charge should determine if other "as of" dates best reflect the condition of the institution. For example, the Loans and Lease-Financing Receivables schedule may be presented as of the asset-quality review date if the examiner identifies significant changes since the last quarter-end that need to be incorporated.

The format of the Loans and Lease-Financing Receivables schedule is similar to that used in the Consolidated Report of Condition. The definitions of the loan categories as contained in the Instructions for the Consolidated Report of Condition should be used in completing the schedule. For examinations of banks engaged in international lending, Reserve Bank examiners should adjust the format of this schedule for U.S. addressees and non-U.S. addressees.

For examinations of banks engaged in international lending, Reserve Bank examiners should adjust the format of the Past-Due and Nonaccrual Loans and Leases schedule for U.S. addressees and non-U.S. addressees. The definitions of past-due and nonaccrual loans and leases as contained in the Instructions for the Consolidated Report of Condition should be used in completing this schedule, unless the bank's policy is more conservative, in which case the bank's definition may be used. If so, or if state law requires the bank to apply different definitions, the examiner should discuss the bank's policy or state law in the Comments section following the past-due and nonaccrual schedule. The Memorandum section should include the amount of restructured loans and leases included in the totals. Relevant issues pertaining to past-due and nonaccrual loans and leases should be briefly discussed in the Comments section. More significant issues should be discussed on the Asset Quality page.

Management/Administration (Mandatory)

The report-page heading states that management is evaluated against all factors necessary to operate the institution in a safe and sound manner and in accordance with acceptable practices. Consideration is given to technical competence, leadership, and administrative ability; compliance with regulations and statutes; ability to plan and respond to changing circumstances; effectiveness of management information systems; tendencies toward self-dealing; demonstrated willingness to serve the legitimate banking needs of the community; and management depth and succession. In addition, consideration is given to the extent that management is affected by or susceptible to dominant influence or concentration of authority.

In preparation for making report comments, examiners should consider the following:

- the adequacy of supervision by the board of directors, including its role in establishing policies and its responsiveness to recommendations from auditors and supervisory authorities
- compliance with supervisory agreements
- compliance with banking laws and regulations
- management's timeliness in recognizing and resolving problems
- the adequacy of the institution's policies necessary to operate the bank in a safe and sound manner and in compliance with applicable statutes and regulations (Examiners should review the mechanism for formulating, approving, reviewing, and updating policies; determine if the policies are in writing and are properly communicated to all appropriate personnel; and determine if all policies are followed.)
- management's adherence to policies as established by the board of directors
- management information systems and controls used to monitor and control risks throughout the bank and ensure compliance with established policies, statutes, and regulations (Examiners should also address the adequacy of the overall internal accounting-control system and the audit function employed by the bank. Deficiencies in internal accounting-control systems and the audit function should be discussed in detail.)
- the adequacy and effectiveness of the planning function, including planning and budgeting and the role of management in each process
- the business strategy and policies and procedures for avoiding conflicts of interest
- significant findings and conclusions noted in specialty examinations (for example, trust, EDP, CRA, and consumer) conducted since the previous full-scope commercial examination
- management depth and succession
- the extent that the board of directors and management are affected by or susceptible to dominant influence or concentration of authority
- demonstrated willingness to serve the legitimate banking needs of the community

While topics in this section may appear to overlap with other areas of the report, the discussion in this section should focus on the role of the bank's directors, the bank's internal administration, management supervision and policy development, and management's adherence to operating policies and procedures. This section should not repeat financial assessments set forth elsewhere in the report.

Violations of Laws and Regulations (Mandatory)

The Violations of Laws and Regulations page should be included in every Federal Reserve examination; if there are no apparent violations, write "None." When violations of federal or state banking laws and regulations are found, they should be listed in detail on this page. Violations of the Bank Secrecy Act should also be listed on this page in detail.

The format for listing violations should be consistent. A heading for each violation listed should name the applicable regulation and section and provide a brief description of what the law covers. This should be followed by a brief description of the requirements of the regulation or statute and a discussion of how or why the violation occurred. The examiner should describe any plans or recommendations for correction. If a review of the Bank Secrecy Act is conducted separately, or as part of another examination, a statement to this fact should be included on the Other Matters page.

Earnings (Mandatory)

The exam-date column on the Earnings page should be prepared using information as of the same date as the exam date shown on the Comparative Statements of Financial Condition page. Ratios required on this page are available in the UBPR or may be calculated from the Consolidated Report of Condition and Income or the bank's records.

On this page, the examiner should address, at a minimum, the following:

- the level of earnings, including trends and stability
- the quality of earnings (for example, strength of the net interest margin, the amount of non-interest income and expense, reliance on unusual or nonrecurring gains or losses, and adequacy of provisions for loan losses)
- plans for correcting any earnings deficiencies
- the bank's budget and expense controls, such as management's earnings projections with regard to reasonableness of assumptions, actual results versus projections, and reasons for significant differences between projected and actual earnings
- the vulnerability of the bank's earnings to interest-rate and other risks (However, full discussion should be in the Liquidity/Asset Liability Management section of the report).
- the ability to provide for adequate capital through retained earnings

When assessing the quality of net income, the examiner should also consider the amount of interest accrued but not collected and other areas for possible overstatement of income. This amount may be reflected in other assets as income earned or not collected, or in the loan account as capitalized interest (interest added to the loan balance). The examiner should also consider the composition, reasonableness, and extent of management's control over operating expenses.

Analysis of Earnings (Mandatory)

The exam-date columns on the Analysis of Earnings page should be prepared using information as of the same date as the exam date shown on the Comparative Statements of Financial Condition page. The different sections of this page are described below:

Comparative Statement of Income (Institution Only or Consolidated)

Indicate whether this section is for the institution only or is consolidated. For the line item Other Increases/Decreases, reflect the period-to-period change in FASB 115 adjustments (gains/losses on available-for-sale securities).

Reconcilement of Allowance for Loan and Lease Losses

Information for reconcilement of the allowance for loan and lease losses is available from bank records or call reports. The December 31 Consolidated Report of Income for all banks includes a reconcilement of this account on Schedule RI-B.

Other Component Ratios and Trends

Ratios for this section can be obtained from information in the Consolidated Reports of Condition and Income, the most recent UBPR, or bank records. The ratio Nonperforming/ALLL refers to noncurrent loans/ALLL as represented in the UBPR.

Liquidity/Asset Liability Management (Mandatory)

The Liquidity/Asset Liability Management page addresses both overall bank liquidity and balance-sheet interest-rate sensitivity. Liquidity refers to the ability to meet maturing obligations and commitments and incorporates considerations such as availability of funding and the degree of reliance on volatile or concentrated funding sources. Interest sensitivity considers the overall matching of rate sensitivities of assets and liabilities and the responsiveness of asset yields, interest expense, and interest margins to changes in market interest rates.

The examiner should consider the level and/or percentages of core and/or volatile deposits, including the composition and stability of deposits. In particular, the level of volatile deposits should be closely scrutinized, and the examiner should consider if the bank must pay premium rates to attract those funds. Volatile deposits are generally composed of certificates of deposit greater than $100,000 and brokered deposits. Report comments should thoroughly discuss the bank's use of brokered deposits and evaluate the compliance of brokered deposit activity with regulatory guidelines. Report comments should also consider deposit and other liability concentrations and the extent of the bank's reliance on those concentrations. The examiner should also consider vulnerability of the institution's funding to adverse publicity and lowered credit ratings.

The report should consider the level and types of liquid assets. These assets include cash and due from banks, U.S. government and agency securities, federal funds sold, and securities purchased under agreements to resell. Liquid assets should be maintained at a sufficient level to cover maturing obligations and allow extended commitments to be fulfilled. The level of temporary investments (federal funds sold, securities purchased under agreement to resell, interest-bearing bank balances, trading-account assets, and debt securities with remaining maturities or earliest pricing opportunities of one year or less) should also be considered. The examiner should also keep in mind the percentage of the bank's securities that are pledged against liabilities and be mindful of whether they are available for sale, as well as any market appreciation or depreciation in the investment portfolio.

To further analyze liquidity, a history of the bank's borrowings, such as federal funds purchased and repurchase agreements, and excess funds sold since the previous examination should be considered. Also, consideration should be given to the bank's ability to obtain borrowings from outside sources, should that be consistent with the bank's funding strategy.

The examiner needs to consider the bank's interest-rate risk exposure. The examiner should assess how the bank is monitoring exposure, any weaknesses inherent in the bank's system, and management's plans to correct any inappropriately mismatched positions. The volume and impact of any derivative contracts should also be considered.

Examiners should assess the adequacy and reasonableness of the bank's policies regarding liquidity, interest-rate risk, and funding, as well as management's compliance with those policies. The examiner should also consider augmenting the discussion of the organization's liquidity and asset/liability management with gap information or other meaningful financial data presented in supporting schedules.

Sensitivity to Market Risk (Mandatory)

This section reflects the degree to which changes in interest rates, foreign-exchange rates, commodity prices, or equity prices can affect a bank's earnings or economic capital. When evaluating, the examiner should consider management's ability to identify, measure, monitor, and control market risk; the bank's size and the nature and complexity of its activities; and the adequacy of the bank's capital and earnings in relation to its level of market-risk exposure.

For many banks, the primary source of market risk arises from nontrading position and their sensitivity to changes in interest rates. In some larger banks, foreign operations can be a significant source of market risk. For some banks, trading activities are a major source of market risk. To analyze a bank's market risk, an assessment of the following evaluation factors should be made:

- the sensitivity of the bank's earnings or the economic value of its capital to adverse changes in interest rates, foreign-exchange rates, commodity prices, or equity prices
- the ability of management to identify, measure, monitor, and control exposure to market risk given the bank's size, complexity, and risk profile
- the nature and complexity of interest-rate risk exposure arising from nontrading positions
- where appropriate, the nature and complexity of market-risk exposure arising from trading and foreign operations

Other Matters (Optional)

Examiners should use the Other Matters report page to discuss other significant issues that have not been mentioned elsewhere in the report or significant matters mentioned elsewhere that require further explanation, such as the type, scope, and volume of any new activity in which the bank is engaged. Examiners should use this report page to make comments on the following specific areas if issues or concerns are noted:

- accounting, audit, and internal controls
- affiliate relationships
- criminal referral procedures
- emergency preparedness
- financial recordkeeping and reporting regulations
- insurance
- investment in bank premises
- litigation

- security and controls against external crimes
- payments system risk
- nontraditional banking activities (for example, mortgage warehousing or data processing services)
- supervisory reporting
- nondeposit investment products

Other examination matters may also warrant comments on this report page.

Concentrations (Optional)

The Concentrations page is to be used only when concentrations are noted. A brief paragraph at the beginning of the page should be included to inform the reader that the listing is generally for informational purposes and does not necessarily represent criticism unless otherwise specifically stated. This paragraph should also mention that a concentration includes obligations, direct or indirect, of the same or affiliated interests that represent 25 percent or more of the bank's capital structure. The reader should also be informed that, for the purposes of this page, the capital structure is defined as tier 1 capital plus the allowance for loan and lease losses.

When determining and calculating concentrations, the amount of loan commitments and other off-balance-sheet risk items should be considered. The listing should include all types of loans, overdrafts, cash items, suspense resources, securities, leases, acceptances, advances, letters of credit, and all other items due to the bank, as well as loans endorsed, guaranteed, or cosigned by related individuals and their related interests.

Concentrations by industry, transfer risk, product line, type of collateral, and others are detailed where appropriate. The listing also includes amounts due from depository institutions, federal funds sold, and other assets where payment is dependent on one financial institution or affiliated group and the total represents 25 percent or more of the bank's capital structure. Treasury securities, obligations of U.S. government agencies and corporations, and any assets collateralized by these items are not included in the listing. The requirements of Regulation F should also be considered as they relate to concentrations involving correspondent banks.

Items Subject to Adverse Classification (Optional)

The Items Subject to Adverse Classification page is to be included in the report if any items are subject to adverse classification. The page should include all assets that are classified but should not include assets listed for special mention. However, for examinations of banks that are involved in international lending, Reserve Banks should develop supporting pages to address exposures warranting special comment, other transfer risk problems, and value-impaired credits. This page should be used by examiners for the individual write-ups for assets subject to classification, including any off-balance-sheet items. It should also be used to list assets subject to classification that do not require write-ups. Assets specially mentioned should be included on the page titled Items Listed for Special Mention.

Requirements for loan write-ups presented on this page are found in section 2060, "Classification of Credits." Examiners should rely on the definitions of substandard, doubtful, and loss, as defined in this section, when classifying assets.

Items Listed for Special Mention (Optional)

The Items Listed for Special Mention page is to be used if any items are listed for special mention. Any assets so listed should meet the definition of special mention found in the "Classification of Credits" section of this manual. Specially mentioned assets must be written up if they exceed the loan review cutoff amount and if the bank's management disagrees with the examiner's findings with regard to the asset. Specially mentioned assets are not to be referred to as "criticized assets." Write-up guidelines for specially mentioned assets are the same as those for classified assets enumerated in the "Classification of Credits" section of this manual.

Assets with Credit-Data or Collateral-Documentation Exceptions (Optional)

The Assets with Credit-Data or Collateral-Documentation Exceptions page should be included in the report if a significant volume of documentation exceptions is noted. If credit-data or collateral-documentation exceptions are significant, this page should support a discussion of credit-documentation practices on the Asset Quality page. In addition to the six common documentation exceptions listed, the page heading provides space to list other exceptions noted at a particular examination.

Examiners should refrain from listing in this section any loans that bank management has elected to identify as exempt from certain documentation requirements under the ‘‘Interagency Policy Statement on Documentation of Loans to Small and Medium-Sized Businesses and Farms’’ (policy statement) or any other applicable guidelines. The policy statement is intended to eliminate unnecessary documentation on small and medium-sized business and farm loans for institutions that are highly rated and that are well or adequately capitalized. Under the provisions of the policy statement, these institutions are allowed to identify, within certain limits, an ‘‘exempt portion’’ of their small and medium-sized business and farm-loan portfolios that examiners are to evaluate solely on performance and are exempt from examiner criticism of documentation.

Signature of Directors (Mandatory)

The Signature of Directors page is to be signed by the directors of the bank upon receipt of the completed report and retained in the bank’s records for review by examiners during subsequent examinations.

Confidential Section—Directors (Mandatory)

The Confidential Section—Directors should list all bank directors in alphabetical order. If the bank elects advisory directors, they should be listed alphabetically under a separate heading.

Information requested in the report-page header should be supplied for each director. Specific instructions for certain requested information is as follows:

- Under meetings missed, include all meetings a director has not attended between the previous (FRB or state) and current examination. If a director was elected since the previous examination, only list the number of meetings that he or she missed since the date of election.
- Under fees paid to each director, indicate whether the compensation is based on attendance.
- Under occupation or principal business affiliation, use concise and descriptive designations (for example, farmer, grocer, commercial real estate development).

For banks with active board committees, a code or legend for all committees should be prepared, indicating committee memberships for each director.

Confidential Section—Executive Officers (Mandatory)

The Confidential Section—Executive Officers page employs the Regulation O definition of executive officers, but other significant officers may be included at the discretion of the examiner. Information requested by the report page should be supplied.

Additional individuals to be reported may include persons without official designation that exercise considerable influence or executive officers excluded from the Regulation O definition by board resolution who actually maintain a high level of responsibility. Officers should be listed in order of title or position of responsibility, with dominant individuals shown first. Specific instructions for this requested information is as follows:

- Examples of areas of responsibility include administration, policy formulation, lending, operations, or branch manager.
- Salary should indicate the current annual salary, and bonus should show total bonuses for the previous year.

If executive officers receive any other pertinent forms of compensation beyond their listed salary and bonus (such as commission-based pay, employment contracts, stock options, unusually large benefit programs, or affiliated bank salaries and fees), these should be discussed in a narrative format below the listing of executive officers or on a separate page.

Confidential Section—Management and Control (Mandatory)

The examiner should respond to each listed question on the Confidential Section—Management and Control page. The following instructions are keyed to respective question numbers:

1—Generally, the examiner's assessment of management should be fully discussed in the open section of the report; however, this question provides a forum to discuss any supervisory matter regarding management that clearly requires confidential treatment.

2—Each principal shareholder's ability and willingness to offer support to a weakened bank should be assessed. Any other potential forms of support, such as a parent company, other affiliate, or third party desiring to acquire this bank should also be identified. The possibility or likelihood of forthcoming support should also be addressed.

3(a)—Each major shareholder of the bank should be listed, with footnotes for any indirect control, such as control over spousal or family trust shares. Finally, any special control arrangements, such as buy-sell agreements or control-group structures, should be noted.

3(b)—The degree of control or influence exercised by any one individual or group of individuals should be discussed and include an indication of whether this influence has been positive or detrimental to the bank.

3(c)—In addition to any abusive practices that should be discussed here, such as self-dealing, any other problems, such as incompetent management or other relevant factors, should be addressed.

3(d)—The volume of insider borrowings and the impact of those transactions on the bank should be commented on. If the bank is using the Regulation O small-bank exception regarding aggregate insider borrowings, it should be noted, including the presence of the required board resolution sanctioning that level.

4—Any filing of a criminal referral form or any bond claim relating to insiders should be commented on. The report question also requires the examiner to explain why legal authorities have not been informed of possible criminal activity.

Confidential Section—Ratings and General Information (Mandatory)

The examiner should respond to each listed question on the Confidential Section—Ratings and General Information page. The following instructions are keyed to the respective question numbers:

2—Items for possible discussion include the bank's trade area, major employers or primary industries, the area's economic condition and trend, and the bank's ability to operate satisfactorily within this environment. Other discussion topics could include competition, expansion plans, and strategic direction.

5—Individuals with EIC responsibilities should be listed, with primary work areas shown for all other examiners (that is, loans or operations). For joint examinations, the agency for non-FRB examiners should be listed. If an examiner was in training and required significant assistance, that person should be designated as a trainee.

COMMERCIAL BANK REPORT OF EXAMINATION

______________	______________	______________
NAME OF BANK	STREET	CITY
______________	______________	______________
COUNTY	STATE	ZIP CODE
_________ JOINT	_________ CONCURRENT	_________ INDEPENDENT

TABLE OF CONTENTS

Dollar amounts are in thousands unless otherwise indicated.
* Mandatory
** Optional pages, per interagency guidelines, become mandatory if the material is appropriate.

EXAMINATION CONCLUSIONS AND COMMENTS

Uniform Financial Institutions Rating System

	Current Exam	*Prior Exam*	*Prior Exam*
Exam date:			
Composite rating:			
Component ratings:			
Capital			
Asset Quality			
Management			
Earnings			
Liquidity			
Sensitivity to Market Risk			

Examiner-in-Charge ____________________

Additional Sign-Off ____________________

COMPARATIVE STATEMENTS OF FINANCIAL CONDITION
(Institution only or consolidated)

(Amounts reported in thousands)

	Exam Date	Period Ended
ASSETS		
Total loans and leases		
Less: allowance for loan and lease losses		
Loans and leases (net)		
Interest-bearing balances		
Federal funds sold		
Securities purchased under agreements to resell		
Trading-account assets		
Securities		
Total earning assets		
Cash and non-interest-bearing balances		
Premises and fixed assets		
Other real estate owned		
Intangibles		
Other assets		
Total assets		
LIABILITIES		
Deposits		
Federal funds purchased		
Securities sold under agreements to repurchase		
Other borrowed money		
Other liabilities		
Subordinated notes and debentures		
Total liabilities		
EQUITY CAPITAL		
Perpetual preferred stock		
Common equity capital		
Other equity capital		
Total equity capital		
Total liabilities and capital		
OFF-BALANCE-SHEET ITEMS		
Unused loan commitments		
Letters of credit		
Interest-rate contracts		
Other off-balance-sheet items		

CAPITAL ADEQUACY

Capital adequacy is evaluated in relation to supervisory guidelines, the nature and extent of risks to the organization, and the ability of management to address these risks. Consideration is given to the level and quality of capital and the overall financial condition of the bank; the nature, trend, and volume of problem assets and the adequacy of the allowance for loan and lease losses and other valuation reserves; risk exposures presented by off-balance-sheet activities; the quality and strength of earnings; balance-sheet composition, including the nature and amount of intangible assets, market risk, concentration risk, and nontraditional activity risk; growth experiences, plans, and prospects; the reasonableness of dividends; access to capital markets and other appropriate sources of financial assistance; and the ability of management to address emerging needs for additional capital.

Component Rating X

CAPITAL RATIOS AND TRENDS

Ratio	*Exam Date*	*Period Ended*	*Period Ended*
Total risk-based capital/ risk-weighted assets	%	%	%
Tier 1 risk-based capital/ risk-weighted assets	%	%	%
Tier 1 leverage capital/ average total assets	%	%	%
Tangible equity capital/ average total assets	%	%	%
Capital category			

CAPITAL CALCULATIONS

	$(000's)	*Date*
Tier 1 Capital		
Common stock		
Surplus		
Undivided profits and capital reserves		
Foreign-currency-translation adjustments		
Noncumulative perpetual preferred stock and surplus		
Minority interests		
Subtotal: tier 1 capital elements		
Less:		
Ineligible intangibles		
Other adjustments		
Tier 1 capital		
Tier 2 Capital		
Allowance for loan and lease losses*		
Mandatory convertible debt		
Agricultural loss deferral		
Cumulative perpetual preferred stock		
Subordinated debt		
Other		
Tier 2 capital (not to exceed 100% of tier 1 capital)		
Total Capital		
Tier 1 plus tier 2 capital		
Less: deductions		
Total capital		
Risk-Weighted Assets Calculation		
Risk-weighted balance-sheet assets		
Risk-weighted off-balance-sheet items		
Less: risk-weighted amounts deducted from capital		
Gross risk-weighted assets		
Less: excess ALLL and ATRR		
Total risk-weighted assets		
Adjusted average total assets		

* Limited to a maximum of 1.25 percent of gross risk-weighted assets.

ASSET QUALITY

Asset quality is evaluated in relation to the level, distribution, severity, and trend of problem, classified, delinquent, nonaccrual, nonperforming, and restructured assets, both on- and off-balance-sheet; the adequacy of the allowance for loan and lease losses and other valuation reserves; the demonstrated ability to identify, administer, and collect problem assets; the diversification and quality of loan and investment portfolios; the adequacy of loan and investment policies, procedures, and practices; the extent of securities underwriting activities and exposure to counterparties in trading activities; credit risk arising from or reduced by off-balance-sheet transactions; asset concentrations; the volume and nature of documentation exceptions; and the effectiveness of credit-administration procedures, underwriting standards, risk-identification practices, controls, and management information systems.

Component Rating X

ASSET-QUALITY RATIOS AND TRENDS

Ratio	*Exam Date*	*Prior Exam*	*Prior Exam*
Total adversely classified items/ tier 1 capital + allowance	%	%	%
Total adversely classified assets/ total assets	%	%	%
Past-due and nonaccrual loans and leases/ gross loans and leases	%	%	%
Weighted adversely classified items/ tier 1 capital + allowance	%	%	%

SUMMARY OF ITEMS SUBJECT TO ADVERSE CLASSIFICATION/
SUMMARY OF ITEMS LISTED AS SPECIAL MENTION

	Adversely Classified			
Asset Category	*Substandard*	*Doubtful*	*Loss*	*Total*
Loans/leases				
Securities				
Other real estate owned				
Other assets				
Totals at this exam (MM/DD/YY)				
Totals at prior exam (MM/DD/YY)				

SUMMARY OF ITEMS LISTED AS SPECIAL MENTION

	Exam Date	*Prior Exam*
Loans/leases		

LOANS AND LEASE-FINANCING RECEIVABLES

Date ______

Category	*Amount*	*Percent*
Real estate loans		
Installment loans		
Credit card and related plans		
Commercial loans		
All other loans and leases		
Gross loans and leases		

PAST-DUE AND NONACCRUAL LOANS AND LEASES

Date ______

Category	*Past Due 30 through 89 Days*	*Past Due 90 Days or More*	*Total Past-Due and Accruing*	*Percent*	*Non-accrual*	*Percent*
Real estate loans						
Installment loans						
Credit card and related plans						
Commercial and all other loans						
Totals						
MEMORANDUM						
"Restructured" loans and leases included in the above totals:						

COMMENTS

MANAGEMENT/ADMINISTRATION

Management and the board of directors are evaluated against all factors necessary to operate the institution in a safe and sound manner and their ability to identify, measure, monitor, and control the risks of the institution's activities. Consideration is given to the level and quality of oversight and support provided by management and the board; compliance with regulations and statutes; the ability to plan for and respond to risks that may arise from changing business conditions or initiation of new products or services; the accuracy, timeliness, and effectiveness of management information and risk-monitoring systems; the adequacy of and compliance with internal policies and controls; the adequacy of audit and internal control systems; the responsiveness to recommendations from auditors and supervisory authorities; the reasonableness of compensation policies and avoidance of self-dealing; a demonstrated understanding and willingness to serve the legitimate banking needs of the community; management depth and succession; the extent that management is affected by or susceptible to dominant influence or concentration of authority; and the overall performance of the institution and its risk profile.

Component Rating X

EARNINGS

Quality and quantity of earnings are evaluated in relation to the ability to provide for adequate capital through retained earnings; level, trend, and stability of earnings; quality and sources of earnings; level of expenses in relation to operations; vulnerability of earnings to market-risk exposures; adequacy of provisions to the allowance for loan and lease losses and other valuation reserves; reliance on unusual or nonrecurring gains or losses; contribution of extraordinary items, securities transactions, and tax effects to net income; and adequacy of budgeting systems, forecasting processes, and management information systems.

Component Rating X

COMPONENT RATIOS AND TRENDS

Ratio	*Exam Date*	*Period Ended*	*Period Ended*
Net income (after tax)/average assets	%	%	%
Net operating income (after tax)/ average assets	%	%	%

ANALYSIS OF EARNINGS

Comparative Statement of Income (Institution Only or Consolidated)

	Exam Date	*Period Ended*
Interest income		
Interest expense		
Net interest income		
Non-interest income		
Total non-interest expense		
Provision for loan & lease losses		
Provision for allocated transfer risk		
Securities gains (losses)		
Net operating income (pre-tax)		
Applicable income taxes		
Net operating income (after-tax)		
Extraordinary credits (charges), net		
Net income		
Other increases/decreases		
Cash dividends		
Net change in equity accounts		

Reconcilement of Allowance for Loan and Lease Losses

	Exam Date	*Period Ended*
Beginning balance		
Gross loan and lease losses		
Recoveries		
Provision for loan and lease losses		
Other increases (decreases)		
Ending balance		

Other Component Ratios and Trends

Ratio	*Exam Date*	*Period Ended*	*Period Ended*
Net interest income (TE)/average earning assets			
Total non-interest expense/average assets			
Net income/average total equity			
Net losses/average total loans and leases			
Earnings coverage of net losses (X)			
ALLL/total loans and leases			
Nonperforming/ALLL			

LIQUIDITY/ASSET LIABILITY MANAGEMENT

Liquidity and asset/liability management is evaluated in relation to the trend and stability of deposits; degree and reliance on short-term, volatile sources of funds, including any undue reliance on borrowings or brokered deposits to fund longer-term assets; availability of assets readily convertible to cash without undue loss; availability to securitize and sell certain pools of assets; access to money markets and other sources of funding; adequacy of liquidity sources and ability to meet liquidity needs; effectiveness of liquidity policies and practices, funds-management strategies, management information systems, and contingency-funding plans; capability of management to properly identify, measure, monitor, and control liquidity; and level of diversification of funding sources, both on- and off-balance-sheet.

Component Rating X

SENSITIVITY TO MARKET RISK

Sensitivity to market risk reflects the degree to which changes in interest rates, foreign-exchange rates, commodity prices, or equity prices can adversely affect earnings or the economic value of capital; the ability of management to identify, measure, monitor, and control exposures to market risk given the bank's size, complexity, and risk profile; the nature and complexity of interest-rate risk arising from nontrading positions; and, where appropriate, the nature and complexity of interest-rate risk arising from trading and foreign operations.

Component Rating X

ITEMS SUBJECT TO ADVERSE CLASSIFICATION

Includes assets and off-balance-sheet items which are detailed in the following categories:

Substandard Assets—A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful Assets—An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss Assets—An asset classified loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

	Category		
Amounts, Description, and Comments	*Substandard*	*Doubtful*	*Loss*

ITEMS LISTED FOR SPECIAL MENTION

Includes assets that are detailed as follows:

Special-Mention Assets—A special-mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special-mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Description	*Amount*

ASSETS WITH CREDIT-DATA OR COLLATERAL-DOCUMENTATION EXCEPTIONS

Includes assets with technical defects not corrected during the examination for which deficiency the appropriate number or description is noted in the Deficiency column.

1—Appraisal	5—Insurance
2—Title Search or Legal Opinion	6—Collateral Assignment
3—Borrowing Authorization	7—
4—Recordation	8—

Name or Description	*Amount*	*Date of Most Recent Financial Statement*	*Deficiency Number(s) or Description*

SIGNATURE OF DIRECTORS

We, the undersigned directors of ______________________________, have personally reviewed the contents of the report of examination dated ___________________________ .

Signature of Directors	*Date*

NOTE: This form should remain attached to the Report of Examination and be retained in the institution's file for review during subsequent examinations. The signature of committee members will suffice only if the committee includes outside directors and a resolution has been passed by the full board delegating the review to such committee.

CONFIDENTIAL SECTION
DIRECTORS

Name	*	*Year of Birth*	*Year Elected to Board*	*Occupation or Principal Business Affiliation*

* Number of meetings missed of a total of ________ held since the previous examination.

Regular schedule of directors' meetings:

Fee paid each director:

CONFIDENTIAL SECTION
EXECUTIVE OFFICERS

Name and Title	*Area of Responsi-bility*	*Year of Birth*	*Years with Bank*	*Years in Present Position*	*Compen-sation (Bonus)*

CONFIDENTIAL SECTION
MANAGEMENT AND CONTROL

1. DISCUSS ANY OTHER RELEVANT MATTERS REGARDING THE BANK'S MANAGEMENT NOT PREVIOUSLY ADDRESSED.

2. IF THE BANK IS IN A WEAKENED OR EXTENDED CONDITION, WHAT AID MAY BE EXPECTED FROM SHAREHOLDERS OR OTHERS?

3. (A) LIST EACH MAJOR SHAREHOLDER (5 PERCENT OR MORE) OF THE BANK AND THE RESPECTIVE PERCENTAGE OF OWNERSHIP. WHEN THE MAJOR SHAREHOLDER IS A BANK HOLDING COMPANY, LIST ITS MAJOR SHAREHOLDERS AND THE PERCENT CONTROLLED.

Shareholders	*Percentage Owned*

   (B) COMMENT ON THE EXTENT TO WHICH A PARTICULAR DIRECTOR(S), SHAREHOLDER(S), OR EXECUTIVE OFFICER(S) CONTROLS OR DOMINATES THE BANK'S POLICIES AND OPERATIONS.

   (C) COMMENT ON ANY ADVERSE EFFECTS OF INSIDERS ON OPERATING POLICIES, PROCEDURES, OR OVERALL FINANCIAL CONDITION OF THE BANK.

   (D) PROVIDE THE AGGREGATE AMOUNT OF BORROWINGS BY DIRECTORS, EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, AND THEIR RELATED INTERESTS (AS DEFINED IN REGULATION O). DESCRIBE ANY MATERIAL LOANS OR OTHER TRANSACTIONS BETWEEN THE BANK AND ITS EXECUTIVE OFFICERS, DIRECTORS, OR ITS DIRECT OR INDIRECT PRINCIPAL SHAREHOLDER(S) AND THEIR INTEREST(S), AND ASSESS THE IMPACT OF THE TRANSACTIONS ON THE BANK. (AN INTEREST WOULD INCLUDE ANY HOLDING COMPANY AFFILIATE OR OUTSIDE BUSINESS INTEREST OR A BANK OR HOLDING COMPANY INSIDER IN WHICH 25 PERCENT OR MORE IS CONTROLLED.)

4. HAS ANY DIRECTOR, OFFICER, OR EMPLOYEE ALLEGEDLY EMBEZZLED, ABSTRACTED, OR OTHERWISE CRIMINALLY MISUSED THE FUNDS OF THE BANK SINCE THE PREVIOUS EXAMINATION? IF SO, HAVE PROPER AUTHORITIES BEEN NOTIFIED? IF PROPER AUTHORITIES HAVE NOT BEEN NOTIFIED, EXPLAIN WHY.

CONFIDENTIAL SECTION
RATING AND GENERAL INFORMATION

1. STATE THE BANK'S RATING AT THIS EXAMINATION AND THE DATE OF AND RATING AT THE LAST EXAMINATION. BRIEFLY DISCUSS THE RATIONALE FOR THE RATING AND REASONS FOR ANY DEPARTURES FROM FEDERAL RESERVE IMPLEMENTING GUIDELINES WITH RESPECT TO THE CAMELS COMPONENT RATINGS AND THE COMPOSITE RATING.

2. DISCUSS PROSPECTS OF THE BANK.

3. WAS A MEETING HELD WITH THE FULL BOARD OF DIRECTORS TO DISCUSS MATTERS SUBJECT TO CRITICISM? IF NOT, GIVE NAMES OF DIRECTORS AND OFFICERS WITH WHOM THE BANK'S CONDITION WAS DISCUSSED.

4. PROVIDE THE COMPOSITE RATINGS AND DATES OF THE MOST RECENT BANK SPECIALTY EXAMINATIONS (EDP, TRUST, CONSUMER, CRA) AND BANK HOLDING COMPANY INSPECTION, IF APPLICABLE. IF ANY SPECIALTY EXAMINATION OR INSPECTION RESULTED IN A PROBLEM RATING, DISCUSS ANY ADVERSE IMPACT OF THOSE PARTICULAR WEAKNESSES ON THE OVERALL SAFETY AND SOUNDNESS OF THE BANK.

Bank Specialty Examinations	Date	Rating

5. INDICATE THE NUMBER OF FEDERAL RESERVE EXAMINER DAYS TO COMPLETE THE PRE-EXAMINATION, ON-SITE, AND POST-EXAMINATION WORK.

Name	On Premises	Off Premises

Examiner

This section deals specifically with System-wide Federal Reserve policies, practices, and procedures relating to the examination of domestic and international banking departments of state-chartered commercial banks that are members of the Federal Reserve System. The Federal Reserve also has certain supervisory and oversight responsibilities in other areas of banking, both domestic and international, for which it has developed specialized examination procedures, conducts on-site examinations, and completes separate examination reports. These areas are not covered in depth in this manual; Federal Reserve policies and examination procedures relating to each of them are covered in either separate manuals or supervisory letters (SR-letters) issued by the Federal Reserve Board.

BANK HOLDING COMPANIES

The Federal Reserve has the sole regulatory responsibility for supervising bank holding companies. These organizations control commercial banks that hold most of the insured commercial banking assets in the United States. Substantially all bank holding companies are subject to on-site inspection by the Federal Reserve System. The frequency and scope of inspections are determined by the composite rating, size, amount of debt, and complexity of the organization. Inspections cover both financial and managerial factors and include analysis at the parent, bank, nonbank, and consolidated levels.

INTERNATIONAL

Overseas Operations of U.S. Banking Organizations

Under provisions of the Federal Reserve Act and the Board's Regulation K, member banks may establish branches in foreign countries subject to, in most cases, the Board's prior approval. Examinations of the overseas operations of state member banks are generally conducted at the banking organization's head office in the United States, where the ultimate responsibility for the overseas facilities lies. To verify and supplement the results of the head-office examinations, on-site reviews of important overseas operations are performed at least every three years.

Edge Act and Agreement Corporations

Under sections 25 and 25A of the Federal Reserve Act, Edge Act and agreement corporations may engage in international banking and foreign financial transactions, and the Federal Reserve is responsible for conducting specialty examinations of these entities and their branches. Edge corporations are chartered by the Board to conduct an international banking business. Agreement corporations are state-chartered companies that enter into an agreement with the Board to limit their operations to international banking. These corporations, which are usually subsidiaries of member banks, provide their owner organizations with additional powers in two areas: (1) they may conduct a deposit and loan business in states other than that of the parent, provided that the business is strictly related to international transactions, and (2) they have somewhat broader foreign-investment powers than member banks, being able to invest in foreign financial organizations, such as finance companies and leasing companies, as well as in foreign banks.

U.S. Activities of Foreign Banking Organizations

During the 1970s and 1980s, foreign entities rapidly expanded their operations in the United States; today, they are a significant element in the U.S. banking system. Although the Federal Reserve previously had significant authority over foreign banking organizations (FBOs), its role was enhanced by the Foreign Bank Supervision Enhancement Act of 1991 (FBSEA). The Federal Reserve has broad oversight authority for the supervision and regulation of FBOs that engage in banking in the United States through branches, agencies, commercial lending companies, and subsidiary banks. In fulfilling this responsibility, the Federal Reserve conducts its own examinations and may also use reports of other agencies. FBSEA also requires Federal Reserve approval for establishment of new FBO offices in the United States, and it gives the

Federal Reserve the authority to terminate such offices.

ELECTRONIC DATA PROCESSING ACTIVITIES

The Federal Reserve is responsible for conducting examinations of electronic data processing (EDP) centers that provide EDP services to state member banks, FBOs, and Edge Act corporations. Section 3 of the Bank Service Corporation Act (12 USC 1863, redesignated as the Bank Service Company Act) generally authorizes bank service companies to perform significant clerical, bookkeeping, or accounting functions, such as demand-deposit accounting and loan processing. Section 7 of the Bank Service Company Act (12 USC 1867) empowers the appropriate federal regulatory agency to examine banking services and operations regardless of whether these services are performed on or off the premises of a particular financial institution. When a financial institution contracts with an external company to provide data processing services, the data processing company's activities that pertain to financial institutions are subject to examination. Larger companies that operate in more than one regulatory district or region are examined pursuant to the Multiregional Data Processing Servicer (MDPS) examination program. EDP examinations, whether of independent processing companies or a state member bank's own EDP functions, are operational in nature and focus on evaluations of internal controls and audit effectiveness. EDP examiners have specialized training that enables them to assess the performance of each data center in four critical functions: audit, management, systems development and programming, and computer operations.

TRUST DEPARTMENTS AND TRUST COMPANIES

The Federal Reserve examines trust departments of state member banks, trust companies that are members of the Federal Reserve System, and certain nondepository trust company subsidiaries of bank holding companies. These examinations determine whether the trust functions are conducted in accordance with applicable fiduciary principles and with other appropriate laws and regulations.

To supplement the supervision of the increasing number of nondepository trust companies that are subsidiaries of bank holding companies, the Federal Reserve has instituted a program of examinations for those trust companies not supervised by any other federal banking agency. In addition, a program of limited inspections of state member banks, bank holding companies, and Edge Act corporations that conduct foreign fiduciary activities has been instituted.

While the Federal Reserve's *Trust Examination Manual* and its *Transfer Agent Manual* provide detailed coverage of those specialized areas, there are activities sometimes viewed as ''trust'' matters that are not found solely in the bank's trust department. For example, this manual covers recordkeeping and confirmation rules applicable to customer-accommodation services, reporting and inquiry requirements under the Lost and Stolen Securities Program, the registration of transfer agents, employee benefit trusts, and international fiduciary activities.

To engage in providing trust or fiduciary services, a bank must have proper authorization under state or federal law. Under the laws of most states, this requires a specific approval of the state financial supervision agency. Similarly, pursuant to the Board's Regulation H section 208.3(d)(2), the Board's permission must be obtained before changing the general character of a bank's business.

TRANSFER-AGENT ACTIVITIES

Transfer agents countersign and monitor the issuance of securities, register transfers of securities, and exchange or convert securities. Federal Reserve examiners conduct separate examinations of and complete separate reports for the transfer-agency activities of those state member banks and bank holding companies that are registered with the Board of Governors as transfer agents.

MUNICIPAL SECURITIES DEALERS, GOVERNMENT SECURITIES DEALERS, AND CLEARING AGENCIES

As a result of the Securities Act Amendments of 1975, the Board is responsible for supervising state member banks and bank holding companies that act as municipal securities dealers or clearing agencies. Federal Reserve examiners conduct separate examinations of and complete separate reports for both of these activities. A bank, a separate department or division of a bank, or a bank holding company is required to register as a municipal securities dealer if it ‘‘engages in the business’’ of buying and selling municipal securities for its own account other than in a fiduciary capacity. Examiners should refer to SR-86-40 for examination procedures and report forms on municipal securities dealers.

The Government Securities Act of 1986 (GSA) gave the Federal Reserve responsibility for examining the government securities activities of a state member bank, foreign bank, state branch or state agency of a foreign bank, or commercial lending company owned or controlled by a foreign bank. The GSA requires all government securities brokers or dealers that were previously unregistered to register with the Securities and Exchange Commission. Brokers and dealers receive specialized examinations to determine compliance with the GSA. For banks with a lower level of government securities activities, compliance with the GSA is determined as part of the commercial examination. Examination procedures for the GSA are contained in SR-87-37 and several subsequent letters.

A clearing agency acts as a custodian of securities for the settlement of securities transactions by bookkeeping entries. Examiners should refer to the *Trust Examination Manual* for examination procedures for clearing agencies that are members of the Federal Reserve System.

CONSUMER EXAMINATIONS

Some banking laws, such as the Truth in Lending Act and the Truth in Savings Act, require banks to disclose information that helps consumers evaluate product options open to them. Other laws (for example, the Community Reinvestment Act and the Equal Credit Opportunity Act) require banks to help meet the credit needs in their communities and promote the availability of credit to all creditworthy applicants. Finally, laws such as the Fair Credit Reporting Act and the Fair Debt Collection Act provide consumer safeguards for the extension, collection, and reporting of consumer credit. At the Federal Reserve, specialized examiners conduct examinations to determine banks’ compliance with these laws and their implementing regulations.