

INSTRUCTIONS
SEMI-ANNUAL STATEMENT OF INCOME
OFR-U-56

OPERATING INCOME

- 1.(a) *Interest income and fees on loans:* Include all interest income, fees and similar charges levied against the agency's loans; acceptances; commercial paper purchased in the open market; drafts for which the agency has given deposit credit to customers; loan paper which has been rediscounted with other financial institutions; paper sold under repurchase agreement or pledged as collateral to secure bills payable; loan commitment fees and all yield-related fees on the agency's loans (when yield-related fees are collected in connection with a loan syndication or participation and passed through to another lender, only the reporting agency's proportional share of such fees should be reported in this line item). Include profits resulting from the sale of acceptances and commercial paper at discount rates other than those at which such paper was purchased; amortization of discounts received on real estate mortgage transactions; investigation and service charges; renewal and past-due charges; commitment fees; and fees charged for the execution of mortgages or agreements securing the agency's loans.

Deduct interest rebated to customers on loans paid before maturity; amortization of premiums on real estate mortgages or other loans; and losses resulting from the sale of acceptances and commercial paper at discount rates other than those at which such paper was purchased.

- 1.(b) *Interest income on balances with depository institutions:* Include interest income received or accrued on balances carried with domestic and foreign banks and other depository institutions in the United States.
- 1.(c) *Interest income on federal funds sold and securities purchased under agreements to resell:* Include gross interest income from federal funds and security resale transactions.
- 1.(d) *Interest income on securities:* Include interest income on all assets that are reported in the Report of Assets and Liabilities as securities; interest and dividends on securities that the agency has loaned, sold under repurchase agreement or pledged as security for deposits or bills payable; accretion of discount on securities; interest received at the sale of such securities if such interest has not been accrued on the agency's books; any discount received or accumulated; fees from commercial letters of credit and acceptances; and dividends on stock. Deduct amortization of premiums on securities. Premiums on securities should be amortized from the date of purchase to

first call date and to maturity if no call date is stated.

- 1.(e) *Service charge income*: Include non yield-related fees, such as mortgage servicing fees and syndication fees applicable to loans which are not assets of the agency; amounts charged depositors who maintain accounts with the agency or who fail to maintain specified minimum deposit balances; charges based on the number of checks drawn on and deposits made in deposit accounts; charges for checks drawn on "no-minimum balance" deposit accounts; commissions on the sale of insurance policies and the collection of premiums; charges for the collection of checks/notes/bills of exchange; charges for the collection of bills for public utilities and other firms; charges for the sale of bank drafts, the acceptance of bills of exchange, the purchase and sale of securities/acceptances/commercial paper for financial institutions and other customers; charges for the negotiation of loans for customers or correspondents; charges for the lending of securities owned by the agency; charges for the servicing of real estate mortgages or other loans held by others; percentage charges to merchants for handling credit card or charge sales when the agency does not carry the related loan accounts on its books; rental fees applicable to operating leases of furniture and equipment; data processing services; reimbursements received for services in redeeming United States savings bonds; fees received that are associated with the agency's handling of the U.S. Treasury's tax and loan account (including fees received in connection with the agency's issuance of interest-bearing accounts); and certain fee income associated with standby contracts.
- 1.(f) *Other operating income*: Include profits resulting from the sale of portfolio loans at rates other than those at which such paper was acquired; income from securities held in dealer trading accounts; amortized income from direct and leveraged financing leases; gross income from services rendered by the agency for any fiduciary activities;
- 1.(g) *Trading gains (losses) and fees from foreign exchange operations*: Include profits and losses relating to foreign exchange transactions of the agency. If the amount is a loss, enter in a parenthesis.
- 1.(h) *Gains (losses) and fees from other trading operations*: Include profits and losses relating to all other trading activity transactions of the agency. If the amount is a loss, enter in a parenthesis.
2. *Total Operating Income*: Total of items 1.(a) through 1.(h).

OPERATING EXPENSES

- 3.(a) *Interest expense on deposits:* Include interest expense paid or accrued to depositors of the agency.
- 3.(b) *Interest expense on federal funds purchased and securities sold under agreements to repurchase:* Include gross expense in connection with federal funds purchased, securities sold under agreements to repurchase, and sales of participations in pools of securities as shown in the Report of Assets and Liabilities.
- 3.(c) *Salary and employee benefit expense:* Include all compensation for personal services of all officers and employees, including dining room and cafeteria employees; houses and extra compensation; social security taxes; contributions to the agency's retirement/pension fund/profit sharing plans; the cost of temporary employees; all supplementary benefits (paid or accrued on behalf of the agency's employees) including life insurance premiums (net of dividends received), unemployment taxes, the net cost to the agency for employee dining rooms/restaurants/cafeterias; the cost of medical or health services; and any other fringe benefits of officers or employees.

Exclude building department officers and employees; amounts paid to legal, management and investment counsel for professional services if such counsel are not salaried officers of the agency; expenses relating to the testing training and education of officers and employees; the cost of contracted guards; the cost of bank newspapers and magazines; premiums on life insurance policies when the agency is beneficiary; and athletic activities when the purpose may be construed to be for agency or public relations.

- 3.(d) *Net occupancy expense:* This item is the difference between the agency's gross occupancy expenses less any rental income the agency receives for the use of any portion of its quarters not incidental to the agency's business activities.

Gross occupancy expense includes compensation of officers and employees who spend the major portion of their time working on bank building and related housekeeping functions, regardless of whether the agency has a "building department"; all supplementary benefits paid or accrued on behalf of building department personnel; normal and recurring depreciation or amortization charges applicable to the current period, whether representing direct reductions in the carrying value of the assets, including capital lease assets, or additions to accumulated depreciation or amortization accounts; ordinary repairs to agency premises and leasehold improvements and the cost of leasehold improvements not placed on the agency's books as an asset; all current expenses, not included above, connected with the use of agency premises, such as the cost of utilities, outside janitor services, janitor supplies, fire insurance and similar expenses; all operating lease rents paid on

agency premises and parking owed, including the portion of capital lease payments representing interest expense, but not such expense incurred on "real estate" other than agency premises; all property and other taxes, paid or accrued, relating to agency premises and leasehold improvements, including deficiency payments, net of all rebates, refunds or credits and adjusted for all over or under accruals; and any portion of capital lease payments representing executory costs such as insurance, maintenance and taxes.

Rental income includes all rental charges for use of buildings not incident to the use of the premises by the reporting agency and its consolidated subsidiaries. Include rental income received from short-term rentals of other bank facilities except safe deposit boxes.

- 3.(e) *Furniture and equipment expense:* Include normal and recurring depreciation or amortization charges applicable to the report period, whether representing direct reductions in the carrying value of the assets, including capital lease assets, or additions to accumulated depreciation or amortization accounts; all operating lease rents paid on office machines, including data processing equipment; ordinary repairs to furniture and office machines, including service costs; the cost of furniture and equipment not placed on the agency's books as an asset; the portion of capital lease payments representing interest expense and executory costs; and taxes on furniture and equipment.
- 3.(f) *Provision for loan loss:* Include an estimated amount sufficient to bring the balance in the "Allowance for possible loan losses" account to an adequate level to absorb expected loan losses based upon management's evaluation of the agency's loan portfolio.
- 3.(g) *Expense of other borrowed money:* Include all interest expense on other borrowed money.
- 3.(h) *Other operating expense:* Include losses resulting from the sale of portfolio loans at rates other than those at which such paper was acquired; athletic activities when the purpose may be construed to be for agency or public relations; amounts paid to legal, management and investment counsel for professional services if such counsel are not salaried officers of the agency; interest on demand notes issued to the U.S. Treasury; and interest on subordinated notes and debentures.
- 4. *Total Operating Expense:* Total of items 3.(a) through 3.(g).
- 5. *Net Operating Income:* Item 2 less item 4. If the amount is a loss, enter in parentheses.
- 6. *Income Tax On Net Operating Income:* Include the estimated amount of both current and deferred income taxes applicable

to item 5.

7. *Income Before Securities Gains/(Losses)*: Item 5 less item 6. If the amount is a loss, enter in parentheses.
8. *Gain/(Loss) On Securities*: Report the gross amount of all investment security gains and losses realized. Securities gains or losses arise from the sale, exchange, redemption or retirement of bonds, stocks and other investment securities at prices above or below book value. If the amount is a loss, enter in parentheses.
9. *Income Tax On Securities Gains/(Losses)*: Include the estimated amount of both current and deferred income taxes applicable to item 8. If the amount is a loss, enter in parentheses.
10. *Securities Gains/(Losses), Net Of Tax Effect*: Item 8 less item 9. If the amount is a loss, enter in parentheses.
11. *Income Before Extraordinary Items*: Item 7 less item 10. If the amount is a loss, enter in parentheses.
12. *Extraordinary Items*: Include the realized tax benefits of operating loss carryforwards (other than realized loss carryforward benefits of purchased subsidiaries which should be treated as an adjustment of the purchase price); material profits or losses from disposal of significant assets within two years after a pooling of interests business combination; material aggregate gains or losses from extinguishments of debt unrelated to sinking fund requirements; material aggregate gains on restructurings of troubled debt payables; and the material effects of any other events or transactions which are both unusual in nature and infrequent in their occurrence.
13. *Income Tax On Extraordinary Items*: Include the estimated amount of both current and deferred income taxes applicable to item 12.
14. *Extraordinary Items, Net Of Tax Effect*: Item 12 less item 13. If the amount is a loss, enter in parentheses.
15. *Net Income*: Item 11 less item 14. If the amount is a loss, enter in parentheses.

ALLOWANCE FOR POSSIBLE LOAN LOSSES

1. *Balance at the end of the previous year:* Include the ending balance as of the prior year-end in the agency's allowance for possible loan losses account.
2. *Recoveries credited to allowance:* Include recoveries of amounts previously charged-off against the allowance for possible loan losses.
3. *LESS: Losses charged to the allowance:* Include the amount of gross charge-offs on loans.
4. *Provision for possible loan losses:* Must equal item 3.(f) under Operating Expenses. If the amount is a negative, enter in parentheses.
5. *Foreign currency translation adjustments:* Include any increase or decrease resulting from the translation into dollars of any portion of the allowance for possible loan losses which is denominated in foreign currencies.
6. *Balance at the end of the current period:* Enter the total of item 1 plus or minus items 2 through 5. Item 6 should agree with the amount reflected in RAL Item 9b for the current reporting period.

OTHER OPERATING INCOME

Identify and itemize amounts included in Item 1.(f) that exceed 25 percent of the amount reflected in Item 1.(f).

OTHER OPERATING EXPENSE

Identify and itemize amounts included in Item 3.(g) that exceed 25 percent of the amount reflected in Item 3.(g).

EXTRAORDINARY ITEMS

Identify and itemize all amounts included in Item 12.

MEMORANDA

Indicate the total number of persons employed by the agency.