

SCHEDULE SO — CONSOLIDATED STATEMENT OF OPERATIONS

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Complete this Statement of Operations, Schedule SO, on a consolidated basis from the savings association downward. Do not consolidate your holding company. You should apply generally accepted accounting principles (GAAP) unless we specifically state otherwise in these instructions. Report net income or loss allocable to minority shareholders on SO491, Other Noninterest Income.

Report income and expense for the quarter ending on the report date, regardless of your fiscal year end. Do not report data in Schedule SO on a year-to-date basis. Note that GAAP requires the accrual basis of accounting.

When you correct errors made in prior periods within the current calendar year, you should report them in the same data field in which you would have reported them on the original report. However, you should not report them in the same data field if the adjustment distorts yields for the quarter or results in negative numbers in fields that do not permit negatives. Where the latter would occur, you should include the adjustments in Other Noninterest Income, SO490, or Other Noninterest Expense, SO580. Generally, you may file amendments only within 50 days of the report date. For further information on correcting prior period errors, see Item 5 in the General Instructions.

Interest Income

SO11: TOTAL

The EFS software will compute this line as the sum of SO110 through SO170.

SO110: DEPOSITS AND INVESTMENT SECURITIES

Report interest and dividends earned on the deposits and investment securities reported on SC110 through SC185.

Include:

1. The gross income earned on all deposits and investment securities including those used as collateral under agreements to resell.
2. The net amount of yield adjustments made to interest and dividend income on deposits and investment securities.

Do not include:

1. Interest and dividends on assets reported on SC690, Other Assets. Report this interest and dividends on SO491, Other Noninterest Income.
2. Uncollected interest recorded solely to track interest due after a loan is placed in nonaccrual status. Report the interest net of its write-off.
3. Adjustments to reverse uncollected interest accrued in prior periods. Report the adjustments on SO321, Net Provision for Losses On Interest-Bearing Assets.

SO120: MORTGAGE POOL SECURITIES

Report interest earned on mortgage pool securities you reported on SC210 and SC215, Mortgage Pool Securities, including amortization of premiums and discounts.

Do not include:

1. Interest accruals if collection was not probable at the time the interest was accrued. Place securities on which the collection of interest is not probable in a nonaccrual status.
2. Adjustments to reverse uncollected interest that the savings association accrued in prior periods. Report these adjustments on SO321, Net Provision for Losses On Interest-Bearing Assets.
3. Adjustments to discounts and premiums, other than normal amortization. Report these adjustments on SO430 or SO467.

SO140: MORTGAGE LOANS

Report interest earned, including amortization of yield adjustments, on mortgage loans that you reported on SC230 through SC265. If you have bought or sold a participating interest in mortgage loans, report only the interest applicable to the portion of the loans owned. If you have purchased mortgage loans or participating interests in mortgage loans on a net-yield basis, report the net interest earned.

If you assume a liability to a third party in connection with a wrap-around mortgage loan where the assumed liability is reported on SC760, Other Borrowings, report the gross interest income and charge the interest incurred on the assumed liability to expense on SO260, Interest Expense on Other Borrowed Money.

Do not include:

1. Interest accruals if collection was not probable at the time of accrual. Place loans on which the collection of interest is not probable in a nonaccrual status.
2. Adjustments to reverse uncollected interest that you accrued in prior periods. Report these adjustments on SO321, Net Provision for Losses On Interest-Bearing Assets.
3. Adjustments to discounts and premiums, other than normal amortization. Report these adjustments on SO430 or SO475.

NONMORTGAGE LOANS:

Report the contractual interest earned and the net yield adjustments on nonmortgage loans.

Do not Include:

1. Interest accruals if collection was not probable at the time of accrual. Place loans on which the collection of interest is not probable in a nonaccrual status.
2. Adjustments to reverse uncollected interest accrued in prior periods. Report these adjustments on SO321 (Net Provision for Losses On Interest-Bearing Assets).

SO160: Commercial Loans and Leases

Report the net interest earned, including any yield adjustments, on commercial nonmortgage loans that you reported on SC300 through SC306, Secured and Unsecured Commercial Loans and Financing Leases.

SO170: Consumer Loans and Leases

Report the net interest earned, including any yield adjustments, on nonmortgage loans that you reported on SC310 through SC345, Consumer Loans: Open and Closed-End. Include with yield adjustments the amortization of credit card fees.

INTEREST EXPENSE**SO21: TOTAL**

The EFS software will automatically compute this line as the sum of SO215, SO266, and SO230 through SO260, less SO271.

SO215: DEPOSITS

Report the sum of the following:

1. All interest expense on deposits that you reported on SC710, Deposits.

2. The amortization of yield adjustments that you reported on SC715, Unamortized Yield Adjustments, less the amount for penalties charged to depositors for early withdrawals.

Do not include:

Interest on escrow accounts that you reported on SC783, Escrows. Report the interest on escrow accounts on SO266, Interest on Escrows.

SO266: ESCROWS

Report interest paid on all escrow accounts that you reported on SC783, Escrows.

SO230: ADVANCES FROM FHLBANK

Report interest expense and the amortization of any related yield adjustments on FHLBank advances that you reported on SC720, Advances from FHLBank.

SO240: SUBORDINATED DEBENTURES (INCLUDING MANDATORY CONVERTIBLE SECURITIES)

Report interest expense and the amortization of yield adjustments on all subordinated debentures and mandatory convertible securities that you issued and that you reported on SC735, Subordinated Debentures (Including Mandatory Convertible Securities).

Include:

1. The amortization of issuance costs, premiums, and discounts.
2. A deduction for interest earned on FSLIC notes related to subordinated debt issued to FSLIC Resolution Fund.

SO250: MORTGAGE COLLATERALIZED SECURITIES ISSUED

Report interest expense and amortization of yield adjustments on all mortgage collateralized securities that you issued and that you reported on SC740 and SC745, Mortgage Collateralized Securities.

SO260: OTHER BORROWED MONEY

Report interest expense and amortization of yield adjustments on borrowings not included above.

Include interest on:

1. SC730, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase.
2. SC760, Other Borrowings.

Report the gross amount of interest that you pay on securities sold under agreements to repurchase and loans sold with recourse accounted for as financings. Do not reduce the amount of interest that you paid for such securities or loans by the amount of interest income you received on the securities and loans sold under such agreements.

SO271: CAPITALIZED INTEREST

Report all capitalized interest costs in accordance with FASB Statement No. 34, *Capitalization of Interest Costs*. Do not use an interest rate that exceeds the weighted average rate for total interest-bearing deposits and other liabilities. Capitalized interest will be deducted from interest expense. Therefore, report this as a positive number even though it will always be a credit balance.

SO311: NET INTEREST INCOME (EXPENSE) BEFORE PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

The EFS software will automatically compute this line as SO11 less SO21.

SO321: NET PROVISION FOR LOSSES ON INTEREST-BEARING ASSETS

Report the provision for losses on all interest-bearing assets. Report credit balances as negative.

For a discussion on how to calculate provision for losses, refer to the general instructions for Schedule VA.

Do not report adjustments to valuation allowances as prior period expenses. Report adjustments to valuation allowances as an expense in the period in which you determined the amount of the loss even if the loss actually occurred in a prior period.

Include:

Losses you recognized in marking loans to fair value at the time of foreclosure or in-substance foreclosure.

Do not include:

1. Adjustments to available-for-sale securities for unrealized gains or losses in accordance with FASB Statement No. 115. Report the adjustments on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities.
2. Adjustments to trading assets. Report on SO485, Net Income (Loss) from Trading Assets (Realized and Unrealized).
3. Recoveries of valuation allowances at the time of sale. Include these in the gain or loss on the sale.
4. Provisions for losses on noninterest-bearing assets. Report the provision for losses on SO570, Net Provision for Losses on Non-interest-bearing Assets.

**SO331: NET INTEREST INCOME (EXPENSE) AFTER
PROVISION FOR LOSSES ON INTEREST-BEARING
ASSETS**

The EFS software will automatically compute this line as SO311 less SO321.

NONINTEREST INCOME

Do not include material adjustments to income from prior calendar years; refer to page 3 of the General Instructions for procedures to correct prior periods.

SO40: TOTAL

The EFS software will compute this line as the sum of SO410 through SO491.

SO410: MORTGAGE LOAN SERVICING FEES

Include:

1. Fees earned from servicing mortgage loans for others.
2. Impairment losses on servicing assets reported on SC642.

Do not include:

Servicing fees for nonmortgage loans. Report the servicing fees on nonmortgage loans on SO420, Other Fees and Charges.

Report the difference between the net interest retained from mortgage loan servicing and the amortization or other write-down of mortgage servicing assets. Do not deduct servicing expenses.

SO420: OTHER FEES AND CHARGES

Report all fees and charges not reported on SO410.

Include:

1. Loan servicing fee income on nonmortgage loans, including credit card servicing income.
2. Trust fee income.
3. Loan charges such as prepayment fees, late charges, and assumption fees.
4. Amortization of commitment fees when it is unlikely that the borrower will exercise the commitment.
5. Brokerage fee income.
6. Annuity fee income.
7. Insurance premiums, fees, and commissions.
8. Transaction account fees.
9. Credit enhancement fees.
10. All other fees not reported on SO410.

Do not include:

Amortization of loan fees. Report amortization of loan fees as a yield adjustment to interest income.

NET INCOME (LOSS) FROM:

Report net income or loss on the categories below. Enter a loss as negative.

SO430: Sale of Assets Held for Sale and Available-for-Sale Securities**Include:**

1. Profit or loss from the disposition of assets held for sale.
2. Profit or loss from the disposition of available-for-sale securities pursuant to FASB Statement No. 115.

When you sell securities classified as available-for-sale pursuant to FASB Statement No. 115, reverse the amount of the unrealized gain or loss previously recorded on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities, and report the entire difference between amortized cost and net sales proceeds in earnings.

Because you recognize in income the lower-of-cost-or-market adjustments to assets held for sale as they occur, when you sell the assets, you recognize the difference between the recorded value and the net sales proceeds.

Do not include:

1. Gains or losses on trading assets. Report on SO485.
2. Lower-of-cost-or-market adjustments to assets held for sale. Report these adjustments on SO465.

SO461: Operations and Sale of Repossessed Assets**Include:**

1. Net income or loss from repossessed assets reported on SC40, Repossessed Assets. Report direct expenses on repossessed assets, even if there is no income.
2. Gains and losses from the sale of repossessed assets reported on SC40, Repossessed Assets.

Do not include:

1. Adjustments to valuation allowances established on REO. Report these adjustments on SO570, Net Provision for Losses on Noninterest-Bearing Assets.
2. Write-downs taken when marking foreclosed assets to fair value at time of foreclosure. Report these write-downs on SO321, Net Provision for Losses on Interest-bearing Assets.

SO465: LOCOM Adjustments Made to Assets Held for Sale

Report adjustments to assets held for sale to value them at the lower-of-cost-or-market. The amounts reported here should directly adjust the asset and should not be established as a valuation allowance.

Do not include:

1. Any unrealized gains or losses on available-for-sale securities recorded pursuant to FASB Statement No. 115. Report these unrealized gains or losses only as a separate component of equity capital on SC860.
2. Profit or loss on the sale of assets held for sale. Report the profit or loss on SO430.
3. Operating income and expense from mortgage banking activities. Report in the appropriate income or expense category.

SO467: Sale of Securities Held-to-Maturity**Include:**

1. Gains and losses from the sale or other disposition of mortgage pool securities that you reported on SC210 and SC215, Mortgage Pool Securities, and that were held-to-maturity.
2. Gains and losses from the sale or other disposition of securities that you reported on SC130 through SC185, Cash, Deposits and Investment Securities, and that were held-to-maturity.

Do not include:

1. Gains and losses from the sale of securities held in a trading portfolio. Report these gains or losses on SO485.
2. Gains and losses from the sale of available-for-sale securities. Report these gains and losses on SO430.

SO475: Sale of Loans Held for Investment

Report gains and losses from the sale or other disposition of mortgage and nonmortgage loans that you reported on SC230 through SC265 and SC300 through SC345.

Do not include:

1. Gains and losses from the sale of loans and securities in a trading portfolio. Report these gains and losses on SO485;
2. Gains and losses from the sale of loans held for sale. Report these gains and losses on SO430.
3. Recoveries of losses previously written off. Report on VA140, Recoveries.

SO477: Sale of Other Assets Held for Investment

Report gains and losses from the sale or other disposition of any assets that you did not report on SO430 through SO475 or SO485.

Include:

1. Gains and losses from the sale of real estate held for investment reported on SC45, Real Estate Held for Investment, that you may account for as current income in accordance with FASB Statement No. 66, *Accounting for Sales of Real Estate*.
2. Gains and losses from the sale of a branch operation or a portion thereof, such as deposits.
3. Gains and losses from the sale of loan servicing rights when sold separately from the loan.
4. Gains and losses from the sale of subsidiaries.

SO485: Trading Assets (Realized and Unrealized)

Include:

1. Realized gains and losses on trading assets.
2. Changes in unrealized gains and losses on trading assets.

SO491: Other Noninterest Income

Report the total of all noninterest income that you did not include on SO410 through SO485. You can find a list of the types of income to include under **Memo: Detail of Other Noninterest Income** below.

Do not include:

1. Loan servicing fees. Report these fees on SO410 or SO420, as appropriate;
2. Trust fee income. Report this income on SO420.
3. Other fees. Report these fees on SO420.

Memo: Detail of Other Noninterest Income

SO493, 494: Reserved for FHLBank Dividends

These data fields are reserved for cash and stock dividends on FHLBank stock. The code in SO493 will always be code 01, which represents FHLBank dividends. The amount in SO494 will always represent the amount of FHLBank dividends included in SO491.

SO495, 497 and SO496 and 498:

Report the two largest items comprising the amount reported on SO491, excluding dividends on FHLBank stock. Codes best describing these items should be selected from the list below and reported on SO495 and 497. You must complete this detail if you reported an amount on SO491.

Because SO491 may consist of both positive and negative amounts – for example, net income or loss from leasing operations, you should report the two amounts that have the greatest impact on the total, regardless of their sign. Therefore, when selecting the two largest amounts comprising the amount reported on SO491, disregard the sign of the number. However, although you should disregard the sign when you **select** the two largest numbers; you should use the correct sign when you **report** the amount.

SO495 and 497: Codes

- 02 Interest income from income tax refunds.
- 03 Interest income from margin accounts.
- 04 Net income or loss from leasing or subleasing space in the association's office quarters, future office quarters, and parking lots.
- 05 Net income or loss from real estate held for investment.
- 06 Net income or loss from investments in unconsolidated subordinate organizations and pass-through investments, accounted for using the equity method, after the elimination of intercompany profits.

- 07 Net income or loss from leased property.
- 08 Net income or loss allocable to minority shareholders.
- 09 Net income from data processing equipment leased or services provided to others.
- 10 Dividends from subordinate organizations reported on SC50 and accounted for by the cost method.
- 11 Adjustments to prior periods.
- 12 Income received on real estate acquired through foreclosure or deed in lieu of foreclosure on VA or FHA loans pending conveyance to the insuring agency.
- 13 Amortization of negative goodwill reported on SC796.
- 14 Income from interest-only strip receivables and certain other instruments reported on SC655.
- 15 Income from corporate-owned life insurance
Report adjustments to cash surrender value of corporate-owned life insurance that you reported in other assets under code 24 or code 25.
- 99 Other. **(Use this code only for an item not identified above.)**

SO496 and 498: Amounts

Report the dollar amounts corresponding to the codes reported on SO493, 495 and 497.

NONINTEREST EXPENSE

Do not include material adjustments to expenses from prior calendar years; refer to page 3 of the General Instructions for procedures to correct prior periods.

SO51: TOTAL

The EFS software will compute this line as the sum of SO510 through SO580.

SO510: ALL PERSONNEL COMPENSATION AND EXPENSE

Report gross salaries, wages, bonuses, and other compensation and expenses of officers, directors and employees, whether employed full- or part-time.

Include:

1. The cost of temporary help and employment contractors.
2. Fringe benefits such as the employer's share of payroll taxes, insurance premiums, lunchroom expenses, tuition fees, uniforms, parking, and other such benefits.
3. Bonuses and awards.
4. Employer contributions to pension and retirement funds and ESOP plans.
5. Pensions paid directly by you.
6. Lump-sum pension contributions.
7. Payments related to past services, such as severance pay.
8. Directors' fees.
9. Travel and other expenses for directors, officers, and employees.

Do not include:

Allowances for privately owned automobiles used in connection with your business, or any depreciation and other noninterest expense incurred on leased automobiles. Report these figures on SO530.

SO520: LEGAL EXPENSE

Report all legal fees and retainers, including accruals and amortization.

Do not include material legal settlements; most settlement payments should be reported on SO580.

SO530: OFFICE OCCUPANCY AND EQUIPMENT EXPENSE

Include:

1. Depreciation and other expenses of association-owned space, capital leases, furniture and fixtures, automobiles and equipment reported on SC55, Office Premises and Equipment.
2. Amortization of leasehold improvements.
3. Rent, net of the amortization of deferred gain on a sale/leaseback.
4. Uncapitalized equipment purchases.
5. Taxes, assessments, and insurance premiums on office premises, equipment, and land for future use.
6. Rental costs, maintenance contracts, and expenses on office furniture, machines, and data processing equipment.
7. Accounting servicing fees paid to a data center.

If a portion of office premises and equipment is leased to others, allocate related expenses to SO491, Other Noninterest Income. When actual data are not available, a reasonable, consistent, and documented estimate is acceptable.

SO540: MARKETING AND OTHER PROFESSIONAL SERVICES

Include:

1. Advertising, production, agency fees, and direct mail.
2. Marketing research, including consultants.
3. Public relations, including consultants, seminars, or customer magazines.
4. Sales training by consultants.
5. Public accountants' fees.
6. Management services.
7. Consulting fees for economic surveys.
8. Other special advisory services.

Do not include:

1. Legal fees; report on SO520.
2. Data processing fees; report on SO530.
3. Supervisory examination fees; report on SO580.
4. Deposit promotions, giveaways, premiums, and commissions that are capitalized. Report amortization on SO215, Interest Expense on Deposits.

SO550: LOAN SERVICING FEES

Report fees paid to others to service mortgage and nonmortgage loans.

Include:

1. Fees for servicing loans owned by you.
2. Fees for servicing loans owned by others where you own the servicing rights.

Do not include:

1. Amortization of purchased loan servicing rights. Deduct the amortization from SO410, Mortgage Loan Servicing Fee Income.
2. Servicing fees for loans acquired on a net yield basis. Deduct the servicing fees from related interest income.

SO560: AMORTIZATION OF GOODWILL

Report amortization of SC660, Goodwill and Other Intangible Assets.

Include amortization of:

1. Goodwill, an unidentifiable intangible asset, recorded pursuant to APB No. 16 or FASB Statement No. 141.
2. The unidentifiable intangible asset recorded pursuant to FASB Statement No. 72.
3. Core deposit premium, an identifiable intangible asset.
4. Other identifiable intangible assets.

Also, include impairment write-downs on goodwill and other intangible assets.

Do not include amortization of Servicing assets; report this on SO410.

Upon adoption of FASB Statement No. 142 in 2002, goodwill recorded pursuant to APB No. 16 or FASB Statement No. 141 will no longer be amortized. However, this unidentifiable intangible asset will continue to be subject to impairment write-downs. The exact adoption date of FASB Statement No. 142 in 2002 will depend on your fiscal year-end.

SO570: NET PROVISION FOR LOSSES ON NON-INTEREST-BEARING ASSETS

Report the provision for losses on all non-interest-bearing assets. Report credit balances as negative.

Refer to the general instructions for Schedule VA for a discussion of how to properly calculate provision for losses. Report adjustments to valuation allowances as an expense in the period in which you determine the amount of the loss even if that loss actually occurred in a prior period.

Include adjustments to valuation allowances on:

1. Real estate owned.
2. Real estate held for investment.
3. Subordinate organizations.
4. Other assets.

Do not include:

1. Recoveries of valuation allowances at the time of sale. Include these recoveries in the gain or loss on the sale.
2. Provisions for losses on interest-bearing assets. Report the losses on SO321, Net Provision for Losses on Interest-bearing Assets.
3. Direct charge-offs of servicing assets. Report the direct charge-offs on SO410, Mortgage Loan Servicing Fees.
4. Losses recognized in marking foreclosed assets to fair value at the time of foreclosure or in-substance foreclosure. Report these as losses on loans on SO321, Net Provision for Losses on Interest-bearing Assets.

SO580: OTHER NONINTEREST EXPENSE

Report the total of all noninterest expense not included on SO510 through SO570. A list of the types of expense you should include appears below in the memo items detailing other noninterest expense.

Memo: Detail of Other Noninterest Expense

Report the three largest items comprising the amount you reported on SO580. Select codes best describing these items from the list below and report the codes on SO581, 583, and 585. Report the corresponding amounts on SO582, 584, and 586. You must complete this detail if an amount is reported on SO580.

If SO580 consists of both positive and negative amounts, you should report the three amounts that have the greatest impact on the total, regardless of their sign. Therefore, when selecting the three largest amounts comprising the amount reported on SO580, disregard the sign of the number. However, although you should disregard the sign when you **select** the three largest numbers; you should use the correct sign when you **report** the amount.

SO581, 583, and 585: Codes

- 01 Deposit Insurance premiums.
- 02 OTS assessments.
- 03 Interest expense on income taxes.
- 04 Interest expense on Treasury tax and loan accounts administered under the note option.
- 05 Forfeited commitment fees on FHLBank advances not taken down by the association.
- 06 Supervisory examination fees.
- 07 Office supplies, printing, and postage.
- 08 Telephone, including data lines.
- 09 Loan origination expense
Include appraisal reports, credit reports, and other similar expenses; also include, as a negative amount, reversals of origination costs when such costs are capitalized.
- 10 ATM expense.
- 11 Adjustments to prior periods (and other immaterial audit adjustments).

- 12 Acquisition and organization costs, including mergers and branch office acquisitions.
- 13 Miscellaneous taxes other than income taxes and real estate taxes.
- 14 Losses from fraud.
- 15 Foreclosure expenses.
- 16 Web site expenses.
- 17 Charitable Contributions.
- 18 Net income or loss allocable to minority shareholders.
- 99 Other. (**Use this code only for an item not identified above.**)

SO582, 584 and 586: Amounts

Report the dollar amounts corresponding to the codes reported on SO581, 583 and 585.

SO60: INCOME (LOSS) BEFORE INCOME TAXES

The EFS software will compute this line as the sum of SO331 plus SO40 less SO51.

INCOME TAXES**SO71: TOTAL**

The EFS software will compute this line as the sum of SO710 and SO720.

SO710: FEDERAL

Report federal income tax expense. Report a net credit as negative.

Include:

1. Deficiency payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred federal income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.

Do not include:

Interest income and expense on tax accounts. Report these on SO491, Other Noninterest Income, or SO580, Other Noninterest Expense.

SO720: STATE, LOCAL, AND OTHER

Report state, local, and other income tax expenses. Report a net credit as negative.

Include:

1. Deficiency payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred state, local and other income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.
6. Gross receipts taxes.

Do not include:

1. Interest income and expense on tax accounts. Report these on SO491, Other Noninterest Income, or SO580, Other Noninterest Expense.
2. Any local taxes other than those based on income. Report real estate taxes on SO530, Office Occupancy and Equipment Expense; report franchise and other local taxes on SO580, Other Noninterest Expense.

SO81: INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND EFFECTS OF ACCOUNTING CHANGES

The EFS software will compute this line as the sum of SO60 less SO71.

SO811: EXTRAORDINARY ITEMS, NET OF TAX EFFECT, AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Extraordinary Items:

Extraordinary items are material events and transactions that are unusual and infrequent. **Both of these conditions must exist for an event or transaction to be an extraordinary item.**

- **Unusual** – To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of the association. An event or transaction beyond the control of management is not automatically considered unusual.
- **Infrequent** – To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for

estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Rarely do events or transactions qualify for treatment as extraordinary items. Among these are:

- The excess of fair value over cost of net assets acquired in a purchase business combination (negative goodwill) recognized in earnings at the date of combination;
- Losses that result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future);
- Gains or losses from a government expropriation; or
- Losses from a prohibition under a newly enacted law or regulation.

Do not include:

1. Adjustments to valuation allowances. Report these on SO32, Net Provision for Losses on Interest-Bearing Assets, or SO570, Net Provision for Losses on Noninterest-Bearing Assets, even if the actual loss occurred in a prior period.
2. Audit adjustments for corrections of accruals. For information on correcting prior period errors, see Item 5 in the General Instructions.
3. Adjustments for periods where the cycle is open for amendments to the TFR. Refer to the general instructions for the submission of amended reports.
4. Adjustments related to prior interim periods of your current fiscal year. Report these adjustments currently in the appropriate current income or expense data field.
5. Net income or loss allocable to minority shareholders. Report in SO491, Other Noninterest Income.
6. Gains and losses on extinguishments of debt that do not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item.

Cumulative Effect of Changes in Accounting Principles:

The cumulative effect of changes in accounting principles is the amount resulting from changing from one **accepted** accounting principle to another **accepted** accounting principle. It does not include the cumulative effect of changing from an unaccepted accounting principle to a generally accepted accounting principle. This type of change is reported currently in the appropriate income or expense data field.

Report a loss as a negative amount.

SO91: NET INCOME (LOSS)

The EFS software will compute this line as the sum of SO81 plus SO811.

