



Office of Thrift Supervision
Department of the Treasury


1700 G Street, N.W., Washington, D.C. 20552 • (202) 906-6853

John F. Downey
Deputy Director

Regional Operations

April 28, 1994

MEMORANDUM FOR CHIEF EXECUTIVE OFFICER

FROM: John F. Downey 
SUBJECT: Adoption of the Interagency Common Core ROE

Attached is the new report of examination that was adopted by OTS on April 15, 1994. The new report implements the Interagency Common Core Report of Examination (ROE) announced by the four federal financial institution agencies in October 1993. The ROE was developed by the agencies to promote consistency and reduce burden. For the OTS, this necessitated a change from MACRO rating elements to CAMEL elements. The CAMEL pages are Capital, Asset Quality, Management, Earnings, and Liquidity - Asset/Liability Management.

The agencies have all adopted certain uniform pages in their ROEs to provide common elements of information and set minimum standards for information presented. We expect that this new report format will improve uniformity in examinations and promote consistency in the supervision of financial institutions. It will also improve communications between the regulatory agencies when more than one agency has a supervisory interest in an institution.

We hope you agree that the ROE will provide the benefits of uniformity and consistency to the examination process. Please note that the pages are printed on both sides for presentation purposes only. The actual report pages will be printed on one side. If you have any comments on the ROE, please let us know.

Attachments

cc: Regional Directors

REPORT OF EXAMINATION

OFFICE OF THRIFT SUPERVISION

<u>Name and Address of Institution</u>	<u>Region</u>	<u>Docket No.</u>
>	>	>
>	<u>Type of Examination</u>	
>	>	
>		

Examination Date: >
Examination Start Date: >
Examination Completion Date: >

Related Organizations Examined:
>
>
>

Prohibition of Disclosure or Release

This document is the property of the Office of Thrift Supervision and is furnished to the institution for its confidential use. Under no circumstances shall the institution, or any of its directors, officers, or employees, disclose in any manner the report or any portion thereof to any person or organization not officially connected with the institution as officer, director, employee, attorney, or auditor except as provided in 12 C.F.R. Section 510.5. Independent auditors may be provided access to this report only after providing a written statement that they will not disclose the Report of Examination or any portion thereof.

If a subpoena or other legal process is received calling for production of this document, the Regional Director should be notified immediately. The attorney at whose instance the process was issued and, if necessary, the court that issued the process, should be advised of the above prohibition and referred to 12 C.F.R. Part 510.

OFFICE OF THRIFT SUPERVISION

>
>
>
>

Members of the Board:

As required by Section 563.170 of the Rules and Regulations, we have conducted an examination of > on > and enclosed are the results of our findings.

Information contained in the supporting schedules of this report is from the institution's books and records. The examiner's comments and conclusions are based on an analysis of information obtained from the institution's records and from other authoritative sources. This report has been prepared for supervisory purposes and should not be considered an audit report.

The comments that follow summarize conditions, policies, practices, and trends that affect the institution's financial condition. Other major items of concern, not necessarily related to financial condition, are also summarized where appropriate. All matters of criticism, violations of laws and regulations, and other matters of concern identified within this Report of Examination require the Board of Directors and management's prompt corrective action.

>

/s/>

> _____
Office of Thrift Supervision

SIGNATURES OF DIRECTORS

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

Signature of Director

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.

Index

	Page
<u>Mandatory Pages</u>	
OVERVIEW:	
Examination Conclusions and Comments	>
Matters Requiring Board Attention	>
CAMEL PAGES:	
Capital Adequacy	C-1
Asset Quality	A-1
Management/Administration	M-1
Earnings	E-1
Liquidity-Asset/Liability Management	L-1
APPENDICES:	
Comparative Statement of Financial Condition	A-1.1
Analysis of Earnings	A-2.1
Capital Calculations	A-3.1
Summary of Items Subject to Adverse Classification/ Summary of Items Listed as Special Mention	A-4.1
Directors, Principal Officers, and Attorneys	A-5.1
<u>Supplemental Pages</u>	
Miscellaneous	S-1.1
Compliance with Enforcement Actions	S-2.1
Violations of Laws and Regulations	S-3.1
Principal Operating Committees	S-4.1
Concentrations	S-5.1
Adequacy of General Valuation Allowances	S-6.1
Items Subject to Adverse Classification	S-7.1
Items Listed for Special Mention	S-8.1
Assets with Credit Data or Collateral Documentation Exceptions	S-9.1
Interest-Rate-Risk-Exposure Report	S-10.1
Related Organizations.....	S-11.1
Deposit/Liability Schedule.....	S-12.1
Deposits from Other Financial Institutions.....	S-13.1
Loans in Process and Commitments.....	S-14.1
Financial Reporting Errors.....	S-15.1

COMPOSITE RATING DEFINITIONS

The five composite ratings are defined as follows:

Composite 1

Institutions in this group are basically sound in every respect. Any critical findings or comments are of a minor nature and can be handled in a routine manner. Such institutions are resistant to external economic and financial disturbances and are more capable of withstanding the vagaries of business conditions than institutions with lower ratings. As a result, such institutions give no cause for supervisory concern.

Composite 2

Institutions in this group are also fundamentally sound, but may reflect modest weaknesses that are correctable in the normal course of business. The nature and severity of deficiencies, however, are not considered material and, therefore, such institutions are stable and also able to withstand business fluctuations quite well. While areas of weaknesses could develop into conditions of greater concern, the supervisory response is limited to the extent that minor adjustments are resolved in the normal course and that operations continue to be satisfactory.

Composite 3

Institutions in this category exhibit a combination of financial, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory. When weaknesses relate to financial condition, such institutions may be vulnerable to the onset of adverse business conditions and could easily deteriorate if concerted action is not effective in correcting the areas of weakness. Institutions in significant noncompliance with laws and regulations may also be accorded this rating. Generally, these institutions give cause for supervisory concern and require more than normal supervision to address deficiencies. Overall strength and financial capacity, however, are still such as to make failure only a remote possibility.

Composite 4

Institutions in this group have an immoderate volume of serious financial weaknesses or a combination of other conditions that are unsatisfactory. Major and serious problems or unsafe and unsound conditions may exist that are not being satisfactorily addressed or resolved. Unless effective action is taken to correct these conditions, they could reasonably develop into a situation that could impair future viability, constitute a threat to the interests of depositors, or pose a potential for disbursement of funds by the insuring agency. A higher potential for failure is present but is not yet imminent or pronounced. Institutions in this category require close supervisory attention, financial surveillance, and a definitive plan for corrective action.

Composite 5

This category is reserved for institutions with an extremely high immediate or near-term probability of failure. The volume and character of weaknesses or unsafe and unsound conditions are so critical that they require urgent aid from the shareholders or other public or private sources of financial assistance. In the absence of urgent and decisive corrective measures, these situations will likely require liquidation and the payoff of depositors, disbursement of insurance funds to insured depositors, or some form of emergency assistance, merger, or acquisition.

Date:>

Docket No.:>

EXAMINATION CONCLUSIONS AND COMMENTS

	Current Exam Date	Prior Exam	Prior Exam
>			
Composite Uniform Financial Institution Rating	>		
>, Examiner in Charge			
>			

Date:>

Docket No.:>

MATTERS REQUIRING BOARD ATTENTION

>

Overview - 2

Date:>

Docket No.:>

CAPITAL ADEQUACY

Capital adequacy is evaluated in relation to supervisory guidelines; overall financial condition; the nature, trend, and volume of marginal and subquality assets, intangibles, off-balance-sheet activities and earnings; balance sheet composition, interest-rate risk, concentration risk, and non-traditional-activity risk; growth experiences and prospects; and the strength of management. Additional consideration is given to retention of earnings in light of capital needs; overall interest-rate risk in light of capital needs; reasonableness of dividends; access to capital markets and other appropriate sources of financial assistance; and plans for maintaining adequate capital and correcting any deficiencies.

Capital Ratios and Trends

Exam Date Period Ended Period Ended

Ratio

Total Risk-Based Capital/Risk-Weighted Assets

Tier 1 Risk-Based Capital/Risk-Weighted Assets

Tier 1 Leverage Capital/Adjusted Tangible Assets

Tangible Equity Capital¹/Adjusted Tangible Assets

Capital Category >

>

1. Cumulative perpetual preferred stock is not a separate line item on the TFR. Examiners must add any cumulative perpetual preferred stock to the numerator of the tangible equity calculation.

Date:>

Docket No.:>

ASSET QUALITY

Asset quality is evaluated in relation to the level, distribution, trend, and severity of adverse classification; the level, composition, and trend of past due, nonaccrual, and restructured troubled debt; the adequacy of valuation allowances; and demonstrated ability to identify, administer, and collect problem credits. In addition, the quality of investment securities, adequacy of investment policies, trading account activities, as well as the volume and risks associated with off-balance-sheet items are assessed. Also considered are any undue degree of concentration of credits; investment risk; the nature, trend and volume of assets listed for special mention; classified loans to insiders and their related interests; the level and quality of participations; and the effectiveness of lending policies and credit administration procedures.

Asset Quality Ratios and Trends

	Exam Date	Period Ended	Period Ended
<u>Ratio</u>			
Total Adversely Classified Items/ Tier 1 Capital (Core) Plus Allowance			
Total Adversely Classified Assets/Total Assets			
Past Due and Nonaccrual Loans & Leases/Gross Loans & Leases			

>

Date:>

Docket No.:>

MANAGEMENT/ADMINISTRATION

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; adequacy of and compliance with internal policies; responsiveness to recommendations from auditors and supervisory authorities; 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.

>

Date:>

Docket No.:>

EARNINGS

Quality and quantity of earnings are evaluated in relation to the ability to support present and future operations, cover losses, and provide for adequate capital; level and trend of profits; quality and composition of earnings; strength of the net interest margin; and vulnerability of earnings to changes in interest rates. Consideration also includes the adequacy of provisions to valuation allowances; reliance on unusual or nonrecurring gains or losses; the contribution of extraordinary items, securities transactions, tax effects to net income, and dividend payouts; and plans for correcting any earnings deficiencies.

Component Ratios and Trends

Exam Date Period Ended Period Ended

Ratio

Net Income (After Tax)/Average Assets

Net Operating Income (After Tax)/Average Assets

>

Date:>

Docket No.:>

LIQUIDITY-ASSET/LIABILITY MANAGEMENT

Liquidity and asset/liability management are evaluated in relation to the composition and stability of deposits; the degree and trend of reliance on short-term, volatile sources of funds, including any undue reliance on particular segments of the money market or brokered deposits; any difficulty in obtaining funds; and the liquidity provided by securities and other assets. In addition, consideration is given to the nature, volume, and anticipated use of commitments; the adequacy of liquidity and funding policies and practices, including provision for alternate sources of funds; interest-rate-risk management; and the nature, trend, and volume of off-balance-sheet activities, including those financial contracts used for hedging purposes.

>

Date:>

Docket No.:>

COMPARATIVE STATEMENT OF FINANCIAL CONDITION (Institution Only) (Ties to Schedule SC)

(Amounts Reported in Thousands)

Exam Date Period Ended Period Ended

Assets

Mortgage Loans
 Less: VA's
Nonmortgage Loans
 Less: VA's
Mortgage Pool Securities
 Less: VA's
Other Securities
 Less: VA's
Federal Funds Sold
Investment in Service Corporations and Subsidiaries
 Less: VA's
Cash and Noninterest Earning Deposits
Interest Earning Deposits
Premises and Fixed Assets
Repossessed Assets
Repossessed Assets prior 3/93
 Less: VA's
Real Estate Held for Investment
 Less: VA's
Intangible Assets
Other Assets

Total Assets

Liabilities

Deposits
Advances from FHLBank
Securities Sold Under Agreements to Repurchase
Subordinated Notes and Debentures
Other Borrowed Money
Other Liabilities

Total Liabilities
Redeemable Preferred Stock and Minority Interest

Date:>

Docket No.:>

COMPARATIVE STATEMENT OF FINANCIAL CONDITION (Institution Only) (continued) (Ties to Schedule SC)

(Amounts Reported in Thousands)

Exam Date Period Ended Period Ended

Equity Capital

Perpetual Preferred Stock
Common Equity Capital
Paid in Excess of Par
Retained Earnings
Unrealized Losses on Marketable Equity Securities
Total Equity Capital
Total Equity Capital and Redeemable Preferred Stock and
Minority Interest

Total Liabilities and Equity Capital

Off-Balance-Sheet Items (Ties to Schedule CC)

Unused Loan Commitments
Letters of Credit
Other Off-Balance-Sheet Items

Date:>

Docket No.:>

ANALYSIS OF EARNINGS

Comparative Statement of Income (Institution Only) (Ties to Schedule SO)

(Amounts Reported in Thousands)

Exam Date Period Ended Period Ended

Interest Income
Interest Expense
 Net Interest Income
Noninterest Income
Total Noninterest Expense
Provision for Loan and Lease Losses
Asset 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

Allowance for Loan and Lease Losses (Ties to Schedule VA)

(Amounts Reported in Thousands)

Exam Date Period Ended Period Ended

Beginning Balance (at close of prior quarter)
Ending Balance (at close of this quarter)

Other Component Ratios and Trends

Exam Date Period Ended Period Ended

Ratio

Net Interest Income (TE)/Average Earning Assets
Net Noninterest Expense/Average Assets
Net Income/Average Total Equity
Net Losses/Average Total Loans and Leases
Earnings Coverage of Net Losses¹
ALLL/ Total Loans and Leases
Nonperforming Loans and Leases/ALLL

1. This item is a simple ratio (not multiplied by 100) rather than a percentage. If gross recoveries exceed gross losses, NA is shown.

Date:>

Docket No.:>

CAPITAL CALCULATIONS

Exam Date

Tier 1 Capital

(Amounts Reported in Thousands)

Total Equity Capital

Less:

Nonincludable Subsidiaries

Goodwill and Other Intangibles

Nonqualifying Equity Instruments

Qualifying Intangible Assets

Minority Interests

Nonwithdrawable Accounts

Subtotal: Tier 1 Capital Elements

Less:

Other Adjustments: Nonqualifying PMSR

Examiner Adjustments

Tier 1 (Core) Capital

Amount of Core Capital > or (<) Requirement

Tier 2 Capital

Allowance for Loan and Lease Losses¹

Capital Certificates

Nonwithdrawable Deposit Accounts Not Reported Above

Subordinated Debt and Redeemable Preferred Stock

Other Equity Instruments

Less: Examiner Adjustments

Tier 2 Capital (Not to Exceed 100% of Tier 1 Capital)

Total Capital

Tier 1 plus Tier 2 Capital

Less: Assets Required to be Deducted

Adjusted Total (Risk-Based) Capital

Amount of Risk-Based Capital > or (<) Requirement

Risk-Weighted Assets Calculations

Total Risk-Weighted Balance Sheet Assets

Less: Excess General Loan and Lease Valuation Allowances

Total Risk-Weighted Assets

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

Date:>

Docket No.:>

SUMMARY OF ITEMS SUBJECT TO ADVERSE CLASSIFICATION

ASSET CATEGORY	ADVERSELY CLASSIFIED			
	Substandard	Doubtful	Loss	Total
	(Amounts Reported in Thousands)			
Loans/Leases	\$>	\$>	\$>	\$>
Securities	>	>	>	>
Other Real Estate Owned	>	>	>	>
Other Assets	>	>	>	>
Totals at Exam Date>	\$>	\$>	\$>	\$>
Totals at Prior Exam				

SUMMARY OF ITEMS LISTED AS SPECIAL MENTION

	Prior Exam	Exam Date
Loans/Leases		>
		>

Date:>

Docket No.:>

DIRECTORS, PRINCIPAL OFFICERS, AND ATTORNEYS

Number of Directors Meetings Held During Past 12 Months: >

Number of Directors Authorized: >

Number of Vacancies: >

Name	Title	Meetings	Tenure as	Current Annual Salary
Mailing Address	Year of	Attended	Director	Other Remuneration
Occupation	Birth	12 mos.	Year Appt.	From Association
			Year Exp.	

> > > > >

>

Date:>

Docket No.:>

MISCELLANEOUS

>

S - 1.1

Date:>

Docket No.:>

COMPLIANCE WITH ENFORCEMENT ACTIONS

>

S - 2.1

Date:>

Docket No.:>

VIOLATIONS OF LAWS AND REGULATIONS

Law or Regulation Violated	# of Violations/ Amount of Loss Incurred, If Any	Description of Circumstances Surrounding Violation
>	>	>

Date:>

Docket No.:>

PRINCIPAL OPERATING COMMITTEES

Name of Committee and Description of Functions	Frequency of Meetings	Members of Committee	Amounts of Fees Received
>	>	>	>

Date:>

Docket No.:>

CONCENTRATIONS

>

S - 5.1

Date:>

Docket No.:>

ADEQUACY OF GENERAL VALUATION ALLOWANCES

1. Total General Valuation Allowance
Prior to Start Date of Exam \$>
2. Adjustment Required Due to Assets Classified
Loss for Which No Specific Allowance Has
Been Established or Charge Off Taken \$>
=====
3. Remaining Valuation Allowance (1 - 2) \$>
(Examiner should determine adequacy of
remaining valuation allowance in relationship
to the adversely classified assets in the
institution's portfolio.)

>

Date:>

Docket No.:>

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 bankable assets 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.

Amount, Description, and Comments	Category		
	Substandard	Doubtful	Loss
	(Amounts Reported in Thousands)		

>

Date:>

Docket No.:>

ITEMS LISTED AS SPECIAL MENTION

Includes assets which 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 institutions'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

Amounts
(In Thousands)

>

Date:>

Docket No.:>

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
>	>	>	>

INTEREST-RATE-RISK-EXPOSURE REPORT

INTEREST-RATE SENSITIVITY OF NET PORTFOLIO VALUE (NPV)

Change in Rates	Net Portfolio Value			NPV as % of PV of Assets		NPV Exposure Limits
	\$ Amount	\$ Change	% Change	NPV Ratio	Change	
+400 bp						> %
+300 bp						> %
+200 bp						> %
+100 bp						> %
0 bp						
-100 bp						> %
-200 bp						> %
-300 bp						> %

*** RISK MEASURES: 200 BP RATE SHOCK ***

Pre-Shock NPV Ratio: NPV as % of PV of Assets

Exposure Measure: Post-Shock NPV Ratio

Sensitivity Measure: Change in NPV Ratio

*** CALCULATION OF CAPITAL COMPONENT ***

Change in NPV as % of PV of Assets

Interest-Rate-Risk Capital Component (\$000)

Date:>

Docket No.:>

RELATED ORGANIZATIONS

Overview

Name and Address of Related Organizations:

>
>
>

Location of Offices: >

Type of Entity:>

Date Last Examined:>

Principal Business (Insurance, Construction, etc.): >

Percent Association Ownership: >

Association Investment:

	Amounts (In Thousands)	Percent to Total Association Assets
Stock (at cost)	\$>	>%
Secured Loans	>	>%
Unsecured Loans	>	>%
Guarantees of Debt	>	>%
Other	>	>%
Total	\$> -----	

Description of Activities: >

Officers, Directors, Major Employees, Others Owning 5% or More of Outstanding Shares:

Name & Title	Annual Salary & Other Remuneration	Number of Shares Owned	% of Total Outstanding	Relationship with Insured Association
>	>	>	>	>

>

DEPOSIT/LIABILITY SCHEDULE

I. BROKERED FUNDS*	
Total Amount	\$>
% of Deposits	>%
Interest Rate Range	>
*Amounts included herein should not be included in subsequent items II and III.	
II. CERTIFICATES OF DEPOSIT (=>\$80,000)	
Total Amount	\$>
% of Deposits	>%
Interest Rate Range	>
III. CERTIFICATES OF DEPOSIT (<\$80,000)	
Total Amount	\$>
% of Deposits	>%
Interest Rate Range	>
IV. NOW, SUPER NOW, AND OTHER TRANSACTION ACCOUNTS	
Total Amount	\$>
% of Deposits	>%
Interest Rate Range	>
V. MONEY MARKET DEPOSIT ACCOUNTS	
Total Amount	\$>
% of Deposits	>%
Interest Rate Range	>
VI. PASSBOOK ACCOUNTS	
Total Amount	\$>
% of Deposits	>%
Interest Rate Range	>
VII. ESTIMATE OF UNINSURED DEPOSITS	
Total Amount	\$>
% of Deposits	>%
VIII. BORROWINGS (INCLUDING FHLB ADVANCES)	
Total Amount	\$>
% of Total Liabilities	>%
Interest Rate Range	>

The above information reconciles to total deposits and borrowings as of >.

Date:>

Docket No.:>

DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

>

S - 13.1

Date:>

Docket No.:>

LOANS IN PROCESS AND COMMITMENTS

>

S - 14.1

Date:>

Docket No.:>

FINANCIAL REPORTING ERRORS

Report Date	Line Item	(Amounts Reported in Thousands)	
		Correct Amount	Reported As
>	>	>	>