

INSTRUCTIONS FOR COMPLETING THE REPORT OF CONDITION FOR A NON DEPOSITORY FSLC

Instructions for preparing the Reports of Condition and the Statement of Income and Expense for a non-depository financial services loan company.

GENERAL INSTRUCTIONS

1. Some areas of the report format have been revised. Please review the report and instructions carefully prior to completing the report.
2. Do not cross out items on the form and substitute other items. If an account is not specifically listed on the form, check the instructions to see if it has been combined with another item. Otherwise, it should be included in the appropriate "All Other" category.
3. Negative Entries – Except for the accounts listed on the Reports of Condition, negative entries, such as assets with credit balances, must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate.

When negative entries do occur in one or more of the accounts listed, they shall be recorded in parentheses, rather than with a minus (-) sign.

On the Statement of Income and Expense, negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

4. Round cents to the nearest whole dollar (i.e. \$1,427.50 becomes \$1,428).
5. Leave blank any item that does not apply.
6. The Report of Condition and Income to be filed shall be signed at the places and in the manner indicated on the forms by a duly authorized officer of the company.

Line Item Instructions for the Reports of Condition

SCHEDULE I – BALANCE SHEET	
ASSETS	
LINE NO.	CAPTION & INSTRUCTIONS
1	Gross loans and leases. From Schedule “A”, page 3, line 6, Summary of Loan Portfolio.
2	LESS: (a) Unearned interest on loans. Unearned interest included in the loan amount. (b) Reserve for possible loan losses. From Schedule “B”, page 3, line 6, Analysis of Reserve for Possible Loan Losses.
3	Net loans and leases. Sum of line 1 less line 2.
4	Securities over one year. Total amount of investment in securities maturing in over one year.
5	Subtotal. Sum of lines 3 and 4.
6	Interest-bearing deposit balances. Deposit accounts on which the issuing depository institution pays interest for the use of the funds.
7	Securities one year and less. Investment in securities maturing in one year and less.
8	Temporary investments. Sum of lines 6 and 7.
9	TOTAL EARNING ASSETS. Sum of lines 5 and 8.
10	Cash and non-interest bearing deposit balances. Cash on hand and deposit accounts on which the issuing depository institution pays no interest for the use of the funds.
11	Office premises (less depreciation). Premises include the cost, less accumulated depreciation of land and buildings actually owned or acquired by means of a capital lease and occupied (or to be occupied) by the licensee, its branches or consolidated subsidiaries. Include as premises: (1) Premises that are actually owned or occupied by the licensee. (2) Leasehold improvements, vaults and fixed machinery and equipment. (3) Remodeling costs to existing premises. (4) Real estate acquired and intended to be used for future expansion. (5) Parking lots used by customers or employees.

ASSETS (Cont'd.)	
LINE NO.	CAPTION & INSTRUCTIONS
12	Furniture, fixtures and equipment (less depreciation). Include the cost, less accumulated depreciation of all movable furniture, fixtures, and equipment of licensee, its branches and consolidated subsidiaries, including automobiles and other vehicles.
13	<p>Other real estate owned. All real estate, other than office premises, owned by the licensee and its consolidated subsidiaries or acquired by means of a capital lease.</p> <p>Include as other real estate owned:</p> <ul style="list-style-type: none"> (1) Real estate acquired through foreclosure and by deed in lieu of foreclosure. (2) Real estate acquired for investment purposes (other than licensee premises). (3) Property formerly but no longer used for industrial loan business. (4) Property originally acquired for future expansion but no longer intended to be used for that purpose.
14	Investments in unconsolidated subsidiaries. Amount of licensee's investments in the stock of all subsidiaries and associated companies that have not been consolidated. Also include loans and advances.
15	Intangible assets. Unamortized amount of intangible assets, i.e. organization cost, goodwill, etc.
16	Other assets. Amount of all other assets which cannot be properly reported in lines 1 to 15. (From Schedule "C".)
17	TOTAL ASSETS. Sum of lines 9 to 16.

LIABILITIES	
LINE NO.	CAPTION & INSTRUCTIONS
18	Bank and other lending institution borrowings. All secured and unsecured borrowings other than mortgages.
19	Borrowings from parent company.
20	Other borrowings. Sum of lines 20(a) and (b). (a) Notes payable to officers and directors. (b) Notes payable to others.
21	Other liabilities. Amount of all other liabilities not properly reportable in any other liability category. (From Schedule "D".)
22	TOTAL LIABILITIES. Sum of lines 18 to 21.
23	Mortgage and capitalized leases. Mortgages, liens and other encumbrances on premises, fixed assets and other real estate owned. If the licensee is the lessee on capitalized lease property, include the licensee's liability for capitalized lease payments, if any one of the following criteria is met: (1) ownership of the property is transferred to the lessee at the end of the lease term, or (2) the lease contains a bargain purchase option, or (3) the lease term represents at least 75 percent of the estimated economic life of the leased property, or (4) the present value of the minimum lease payments at the beginning of the lease term is 90 percent or more of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by and expected to be realized by the lessor. If none of the above criteria is met, the lease should be accounted for as an operating lease with rental payments charged to expense over the term of the lease.

LIABILITIES (Cont'd.)	
LINE NO.	CAPTION & INSTRUCTIONS
24	TOTAL LIABILITIES AND DEBT. Sum of lines 22 and 23.
25	Preferred stock. Aggregate par or stated value of preferred stock.
26	Common stock. Aggregate par or stated value of outstanding common stock.
27	Capital surplus. Net amount formally transferred to the surplus account, including capital contributions, adjustments arising from treasury stock transactions, and any amount received for preferred stock and common stock in excess of its par or stated value.
28	Retained earnings. Amount of retained earnings from Schedule III, Line 6, Retained Earnings.
29	Capital reserves. Amount of capital reserves established as a segregation of undivided profits.
30	Treasury stock. Stock that the licensee has issued and subsequently acquired but that has not been retired or resold.
31	Subsidiary earnings-equity method. Follow Generally Accepted Accounting Principles.
32	TOTAL CAPITAL. Sum of lines 25 to 31.
33	TOTAL LIABILITIES, RESERVES, AND CAPITAL. Sum of lines 24 and 32.

SCHEDULE II – STATEMENT OF INCOME AND EXPENSE	
LINE NO.	CAPTION & INSTRUCTIONS
	(For semi-annual reports, the period ending the last day of the sixth month. For annual reports, the period ending the last day of the twelfth month of each fiscal or calendar year.)
1	<p>Interest income.</p> <p>(a) Interest income on loans. Income from interest on loans. Deduct interest rebated to customers on loans paid before maturity.</p> <p>(b) Fee income. Income from investigation and service charges, fees for loan processing costs, renewal and past-due charges, etc.</p> <p>(c) Income from lease financing. Income from direct financing and leveraged leases.</p> <p>(d) Interest income on balances due from depository institutions. Interest income on assets reported under interest-bearing deposit balances. (Schedule I, line 6.)</p> <p>(e) Interest and dividends from securities. Interest and dividend income from securities reported on Schedule I, lines 4 and 7.</p>
2	Total interest income. Sum of lines 1(a) to 1(e).
3	<p>Interest expense.</p> <p>(a) Interest on borrowed money. Interest expense on borrowed money other than on mortgages.</p> <p>(b) Interest on mortgages and capitalized leases. Interest expense on mortgages and capitalized leases on all liabilities reportable on Schedule I, line 23.</p>
4	Total interest expense. Sum of lines 3(a) and 3(b).
5	NET INTEREST INCOME. Line 2 less line 4. If the amount is negative, enclose it in parentheses.

SCHEDULE II – STATEMENT OF INCOME AND EXPENSE (Cont'd.)	
LINE NO.	CAPTION & INSTRUCTIONS
6	<p>Non-interest income.</p> <p>(a) Insurance commissions. Income on the sale of credit life, credit accident and health, and other insurance policies.</p> <p>(b) Net gains from sale of assets. Net gains from sale or disposal of all assets. (Report net loss under other operating expense.)</p> <p>(c) Other service charges and fees. Report any other service charges and fees not included in line 1(b) of this schedule.</p> <p>(d) Other operating income. All other non-interest income.</p>
7	TOTAL NON-INTEREST INCOME. Sum of lines 6(a) to 6(d).

SCHEDULE II – STATEMENT OF INCOME AND EXPENSE (Cont'd.)	
LINE NO.	CAPTION & INSTRUCTIONS
8	<p>Overhead expenses.</p> <p>(a) Salaries. Gross salaries, wages and bonuses, of all officers and employees of the licensee.</p> <p>(b) Employee benefits. Include employer's costs for:</p> <p style="padding-left: 20px;">(1) Social security taxes and unemployment taxes.</p> <p style="padding-left: 20px;">(2) Workmen's compensation insurance premiums.</p> <p style="padding-left: 20px;">(3) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the licensee is not the beneficiary.</p> <p style="padding-left: 20px;">(4) Pensions plan costs.</p> <p style="padding-left: 20px;">(5) Other fringe benefits for officers and employees, i.e. reimbursements of moving expenses, tuition reimbursement, etc.</p> <p>(c) Office occupancy expenses. Expenses relating to occupying an office, including rent; utilities (heat, electricity and water); depreciation; property taxes; amortization of leasehold improvements; repair and maintenance on premises, equipment, and furniture and fixtures; fire and extended coverage insurance; janitorial supplies and outside janitorial services; and fuel, maintenance, and other expenses related to the use of licensee-owned auto and other vehicles.</p> <p>(d) Other operating expenses. Report all expenses not reportable in line 8(a) to (c), i.e., advertising; telephone and telegraph; management fees; office supplies and expenses (printing and postage); fidelity insurance (excess employee dishonesty bond, directors' and officers' liability insurance, key-man insurance); taxes other than income; legal fees; examination fees; directors' fees; donations; credit and collection expenses; data processing service; net losses from the sales of assets, etc. (Schedule "E".)</p>

SCHEDULE II – STATEMENT OF INCOME AND EXPENSE (Cont'd.)	
LINE NO.	CAPTION & INSTRUCTIONS
9	Total overhead expenses. Total of lines 8(a) to (d).
10	Provision for loan and lease losses. Current period amount provided to absorb expected loan and lease losses. Amount must agree to Schedule "B", line 2(a) of the Analysis of Reserve for Possible Loan Losses.
11	Net operating income (pre-tax). Line 5 plus line 7 and less lines 9 and 10. If the amount is a negative or loss, enclose it in parentheses.
12	Applicable income taxes. Report the total estimated federal, state and local income tax expense applicable to line 11. If the amount is a tax benefit rather than a tax expense, enclose it in parentheses.
13	Net operating income (after tax)). Line 11 less line 12. If the amount is a negative or loss, enclose it in parentheses.
14	Extraordinary credits (charges), net of tax effect. Extraordinary items are material events and transactions that are (1) unusual and (2) infrequent. Both of those conditions must exist in order for an event or transaction to be reported as an extraordinary item. Only a few limited number of events or transactions qualify for treatment as extraordinary items, such as, losses which result directly from a major disaster, which are not expected to recur in the foreseeable future, an expropriation, or a prohibition under a newly enacted law or regulation. If the amount is negative, enclose it in parentheses.
15	NET INCOME. Line 13 plus or minus line 14. If the amount is a negative or loss, enclose it in parentheses.

SCHEDULE III – RETAINED EARNINGS	
LINE NO.	CAPTION & INSTRUCTIONS
1	Balance of retained earnings at the beginning of period. Report the ending balances of the previous calendar or fiscal year-end.
2	<p>Additions.</p> <p>(a) Net income. Report the net income (loss) for the calendar year-to-date as reported on Schedule II, line 15. If line 15 is a net loss, enclose it in parentheses.</p> <p>(b) Other additions. Itemize.</p>
3	Total additions. Sum of lines 2(a) and (b).
4	<p>Deductions.</p> <p>(a) Dividends paid. Report all cash dividends declared during the calendar year-to-date, including dividends declared but not payable until after the report date.</p> <p>(b) Other deductions. Itemize.</p>
5	Total deductions. Sum of lines 4(a) and (b).
6	Balance of retained earnings at end of period. Sum of lines 1 and 3, minus line 5. Amount must agree with Schedule I, line 28.

SCHEDULE "A" – SUMMARY OF LOAN PORTFOLIO	
LINE NO.	CAPTION & INSTRUCTIONS
1	Real estate loans. Report all loans regardless of purpose that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments on real estate.
2	Commercial/Industrial loans. (a) Business loans. Loans to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured. Also include loans to individuals for commercial, industrial, and professional purposes, but not for investment or personal expenditure purposes. (b) Dealer flooring. Loans to finance dealer new or used car or equipment inventory.
3	Consumer loans. (a) Loans to individuals for household, family and other personal expenditures. All loans to individuals for personal expenditures (other than those secured by real estate). (b) Retail installment sales contracts. All retail installment sales paper purchased by the licensee from merchants or dealers, finance companies, and others, whether with or without recourse.
4	All other loans. Loans not reportable in lines 1 to 3.
5	Lease financing receivables. Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the bank for leasing purposes.
6	GROSS LOANS AND LEASES. Total of lines 1 to 5.
7	Memo Item: Report the total balances of all loans, installment sales contracts, and leases originated in the State of Hawaii and sold within the six-month period covered by the Reports of Condition on this line.

SCHEDULE “B” – ANALYSIS OF RESERVE FOR POSSIBLE LOAN LOSSES	
LINE NO.	CAPTION & INSTRUCTIONS
	Report the reconciliation of the reserve for loan and lease losses on a calendar or fiscal year-to-date basis. If a separate reserve for loan and for lease losses is maintained, report the combined balances of and transactions in the loan and lease reserve.
1	Beginning balance. Report the ending balances of the previous calendar or fiscal year-end.
2	Addition: (a) Provision for loan and lease losses. The amounts expensed as the provision for loan and lease losses during the calendar year-to-date. (b) Recoveries for the period. Amounts credited to reserve for recoveries of loans previously charged off. (c) Other increases. Itemize and report amount.
3	Total addition. Sum of lines 2(a) to (c).
4	Deduction: (a) Charge-offs for the period. Amount of all loans and leases charged-off against reserve during the calendar year-to-date. (b) Other decreases. Itemize and report amount.
5	Total deduction. Sum of lines 4(a) and (b).
6	Ending balance. Sum of lines 1 and 3, minus line 5. The amount must agree with Schedule I, line 2(b).