Bank: **Date of Exam:**

Charter #: **Prepared By:**

#22 – RELATED ORGANIZATIONS AND BANK HOLDING COMPANY

(Risk Focused)

ASSIGNMENT OVERVIEW

The economic environment and changing laws have encouraged the expansion of bank related organizations, including affiliates, operating subsidiaries, loan production offices, agricultural credit corporations, Edge Act or Agreement Corporations, and bank holding companies. Because these entities may have a substantial direct or indirect impact on the bank, the examination should identify how these relationships may impact the subject institution. Regulation W, Section 23A and 23B sets out criteria for safe and sound transactions between affiliates and related organizations that are controlled by the bank, or controlled by the company that controls the bank. For more detailed guidance, see Section 4.3 "Related Organizations" in the FDIC Examination Manual. Authority to examine the holding company is granted by Section 202.005 (a)(1) of the Texas Finance Code. This examination should be conducted as part of the subsidiary bank examination if the consolidated assets of the holding company are less than $1 billion. If the bank is controlled by a multi-bank holding company, then the holding company portion of these procedures will only be performed at the largest state-chartered subsidiary bank. For more detailed guidance, refer to the Federal Reserve's Bank Holding Company Supervision Manual at http://www.federalreserve.gov/boarddocs/supmanual/. Also, refer to the Related Organizations - Reference Material document which identifies useful regulations, guidance, and other issuances by various regulatory authorities.

INSTRUCTIONS

Examiners must follow the requirements in the Examiner Bulletin addressing Guidelines for Procedures and Work Paper Documentation for Commercial Examinations.

All examiners performing these procedures must be listed above in the "Prepared By" section. All of the CORE ANALYSIS PHASE should be completed. Comments and findings for each step should be made in the comment box below each question. Reference to work paper documentation should also be included here. Documentation is to be sufficient to allow an audit trail of the examiner's thought process and all significant findings.

Based on any significant/critical findings in the CORE ANALYSIS PHASE or as directed by the EIC, the applicable SUPPLEMENTAL ASSESSMENT PHASE (SAP) should also be performed. Document findings within the SAP and summarize conclusions in the corresponding CORE ANALYSIS comment section.

Information on the Summary of Findings page must tie back to the findings noted within the procedure. The SEIC/EIC will determine which information in the Summary of Findings will be included in the Report of Examination.

The EIC/AEIC should review this procedure when complete. Acknowledgement that this procedure has been reviewed by the EIC/AEIC will be indicated on the SCOPE FORM.

EXAMINERS ARE RESPONSIBLE FOR EXERCISING SOUND JUDGMENT AND UTILIZING REASONABLE INVESTIGATIVE AND ANALYTICAL SKILLS TO ARRIVE AT AN ACCURATE ASSESSMENT OF THE RISK PROFILE OF THIS SEGMENT OF THE INSTITUTION'S OPERATIONS. PERFORMING ALTERNATE PROCEDURES NOT LISTED WITH THESE GUIDELINES MAY BE NECESSARY TO COMPLETE THIS RISK ANALYSIS.

CORE ANALYSIS

#22 Related Organizations

1. Prior Criticism

1. Determine whether deficiencies noted in the last examination and most recent internal/external audit have been addressed and/or corrected by management. Detail how deficiencies were corrected. *Include copy of exam and/or audit exceptions and management response in work papers, or summarize exceptions/criticisms below or indicate the page number in the last examination report where deficiencies are noted, if applicable.*

Comment:

2. Identification of Related Entities

2a. Prepare a list of related organizations noting the reason for affiliation and the nature of the relationship between the bank and the related organization. Identify any services provided by or for the bank regarding any related organizations. *Include in 22-A of work papers.*

Comment:

2b. Determine the scope of activities performed by the related organizations. *Include list of activities in 22-A of work papers.* Note: For bank holding companies determine that the activities comply with 12 USC 225.21, **Regulation Y**, Subpart C, which limits nonbanking activities. *Indicate compliance in comments.*

Comment:

2c. Review financial information on the related entities and determine if there are any weak organizations which may have an adverse impact on the bank. *Include copies of financial information in 22-G of work papers.*

Comment:

2d. Determine if any related organization is a defendant in litigation which could have an adverse effect on the bank. *Describe the litigation and risks to the bank.*

Comment:

3. Affiliates and Subsidiaries

3a. If there have been any transactions with any of the related organizations complete the **SAP** and summarize findings in the comment section. *Include list of all transactions between related organizations in 22-C of work papers.*

#22 Related Organizations

Comment:

3b. If the bank pays any fees to any of the related organizations, complete the **SAP** and summarize findings in the comment section.

Comment:

3c. If the bank has a capital investment in any company (Refer to Call Report instructions for definitions of significant subsidiaries in the glossary.), complete the **SAP** and summarize findings in the comment section.

Comment:

3d. If the bank has acquired or established a subsidiary, or begun to perform new activities through an existing subsidiary, determine compliance to Section 34.103 of the Texas Finance Code which requires providing notification to the Commissioner. *If applicable, indicate compliance in comments.*

Comment:

Bank Holding Company (BHC)

4. Bank Holding Company – Prior Criticisms

4a. Obtain a copy of the last holding company inspection performed by the Federal Reserve and determine if any noted problems have been addressed. The inspection report may be in the form of a transmittal letter. *Indicate date of inspection and rating in comments.*

Comment:

4b. If the bank is controlled by a HC having consolidated assets of less than $1 billion and is the largest state-chartered subsidiary bank of the HC, then the BHC section should be completed. However, there are two exceptions to performing the review:

- Examiners may waive the HC examination if the previous FRB report has been conducted within the last 12 months; or
- Examiners may waive the multi-bank HC examination when it is not possible to obtain all financial information and examination results for each bank in the HC.

If the BHC review will not be performed, skip Questions # 5 – 7 and go to the **Final Analysis**

Comment:

5. Bank Holding Company Transactions

#22 Related Organizations

5a. If the bank pays Federal income taxes to the holding company, complete the **SAP** and summarize findings in the comment section.

Comment:

5b. Review the holding company's checking account for the prior year and the current year for any unusual activity. Note any important findings from the review.

Comment:

5c. Determine if the holding company represents a source of strength to the bank per the Federal Reserve Board Policy Statement on the "Responsibility of Bank Holding Companies to Act as Sources of Strength to Their Subsidiary Banks." *(Refer to FRB* Bank Holding Company Supervision Manual.*)* Consider whether or not the holding company provides managerial support or has the means to provide capital to its subsidiary banks if necessary.

Comment:

5d. If the holding company has debt, consider and comment on the following:

a. Origin of long-term debt, short-term debt, unamortizing debt, and the level of pressure exerted on the bank subsidiary to upstream dividends;
b. Level of borrowings used to provide capital to the subsidiary bank and the extent of double leverage. (calculate ratio) See **Appendix** for guidance.

Comment:

5e. If the holding company has acquired a Texas bank or another Texas bank holding company since the previous examination, determine compliance with Section 202.001 of the Texas Finance Code which requires that notice be sent to the Commissioner. *Include copy of letter in work papers. If applicable, indicate compliance with TFC. Cite an apparent violation if applicable.*

Comment:

5f. Obtain a listing of directors and officers of the holding company. *Include in 22-B of work papers.*

Comment:

5g. Review BHC Board minutes for approval of transactions.

Comment:

5h. Complete the **Other Supervisory Issues** questions.

#22 Related Organizations

Comment:

6. Bank Holding Company Financial Analysis

6a. Review the BHCPR for any unusual trends or ratios. *Note: This information may not be available for holding companies with consolidated assets of less than $300 million.*

Comment:

6b. Review the accuracy of financial information for the parent company only. Note: If there is more than one tier in the holding company structure, parent company information should be reviewed for each tier.

Include the top-tier **Parent Company Balance Sheet** with the report only if the bank is rated 3 or worse **AND** the holding company has **EITHER** subsidiaries other than the subject bank **OR** if the holding company has a complex debt structure defined as more than one outstanding obligation. *Use the most recent semi-annual FR-Y9 report as the source, unless a material financial change, such as new debt issuance, has since occurred.*

Comment:

6c. Complete the **Parent Company Cash Flow Statement** only if the holding company has outstanding debt or any other subsidiaries other than the subject bank **and** is rated 3 or worse. Include this page with the report.

Comment:

7. Holding Company Ratings

7a. For noncomplex HC's of Less Than $1 Billion in Assets: Provide a risk management rating (R) and overall composite rating (C).

For complex HC's: Provide an overall composite rating (C) and a rating for each of the components (RFI). Also include the overall rating of the subsidiary bank (D).

Refer to **Appendix** for definition of complex holding company. Also refer to the Federal Reserve's Supervision and Regulation Letter **SR 13-21**.

Comment:

7b. Prepare written comments for the bank holding company transmittal letter.

8. Final Analysis

8a. Complete the **Summary of Findings**.

SUMMARY OF FINDINGS

#22 - RELATED ORGANIZATIONS AND BANK HOLDING COMPANY
Describe all strengths evident from the evaluation.
Describe all weaknesses evident from evaluation, including violations of law/regulation/rules; noncompliance with Departmental policies/guidelines; internal policy deficiencies/ noncompliance; internal control weaknesses; MIS problems; and deficiencies in management supervision.
Determine why weaknesses exist and comment on management's response and plan of action. Identify bank personnel making the response.
SUMMARY RISK RATING ASSIGNED: Choose an item.

Risk Rating Definitions:
1-Strong; 2-Satisfactory; 3-Less than satisfactory; 4-Deficient; 5-Critically deficient; NR-Not Rated

Provide copy of this page to EIC/AEIC. Receipt and review of this form by the EIC/AEIC will be evidenced by his/her initials in the appropriate column for this procedure on the SCOPE FORM.

Return to Core Analysis

SUPPLEMENTAL ASSESSMENT PHASE

SAP

Document findings within the SAP and summarize conclusions in the corresponding CORE ANALYSIS section.

Affiliates and Subsidiaries (Q3a.)

TRANSACTIONS

Review all transactions with related organizations since the previous examinations. Determine compliance with federal regulations. Regulation W applies to state member banks. Section 23A and B are applicable to nonmember banks.

Discuss with EIC to determine a review of transactions involving a material amount. Material is defined as the lesser of 1/10 of 1% of total assets or $100,000 and applies the aggregate transaction activity as a single affiliated entity over a 12-month period. In cases of a significant volume of transactions, a random sampling should be conducted to determine reasonableness.

1. Regulation W, Section 23A and B requires that transactions between a bank and an affiliate be on terms and conditions that are consistent with safe and sound banking practices. Determine if there are any transactions with an affiliate that do not comply with Regulation W, Section 23A and B.

2. Regulation W, Section 23A and B requires that a bank may engage in any transaction only if the terms and circumstances, including credit standards, are substantially the same, or at least as favorable to such bank or its subsidiary, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies. After review of each transaction with an affiliate, determine if there are any exceptions noted in compliance with Regulation W, Section 23A and B.

3. If the bank has purchased any low-quality assets from an affiliate, verify that an independent credit evaluation was performed and/or that the bank had committed itself to purchase such asset prior to the time such asset was acquired by the affiliate.

4. Determine if there are any agreements, guarantees, pledges, or hypothecation between the bank and any related organization which could have a negative impact on the bank.

5. Determine if the board has been deficient in approving transactions with related organizations and reviewing the terms Regulation W, Section 23A and B to ensure compliance.

6. Review the list of loans secured by stock of affiliates. These loans should be considered as covered transactions for the limits described below. *Note: Some of this review may also be performed under the procedures for Loans and Leases.*

SAP
7. Of transactions with affiliates of the bank, determine which would be considered a "covered" transaction under Regulation W, Section 23A and B. Any such transactions must comply with the following restrictions: • Determine if the aggregate amount of covered transactions between the bank (and its subsidiaries) and any one affiliate exceed 10% of Tier 1 capital of the bank. • Determine if the aggregate amount of covered transactions between the bank (and its subsidiaries) and all affiliates exceed 20% of Tier 1 capital of the bank. • Determine if there are any loans or extensions of credit to, guarantees, acceptances, or letters of credit issued on behalf of an affiliate by the bank (or its subsidiary) that do not comply with the collateral coverage requirements in Regulation W, Section 23A and B.
Comments:
Return to Core Analysis

SAP
Document findings in the SAP and summarize conclusions in the corresponding CORE ANALYSIS.
Affiliates and Subsidiaries (Q3b)
FEES
1. Review fees paid by the bank to related organizations, insider-related organizations, and stockholders. Determine if the fees represent reasonable reimbursement for goods and services. Consider the following: • Bank maintains documentation that substantiates the fair value of the goods or services received, and their benefit to the bank. • The methods used to compute the fees appear reasonable. • The fees paid and the methods of payment represent reasonable reimbursement for goods and services rendered. • The schedule of fees currently in effect is reasonable and unchanged from those in effect at the last examination.

SAP
Comments:
Return to Core Analysis

SAP
Document findings in the SAP and summarize conclusions in the corresponding CORE ANALYSIS.

Affiliates and Subsidiaries (Q3c.)

CAPITAL INVESTMENT

Determine the following:

1. Are sufficient records maintained so that a determination can be made of the extent of bank control, carrying value, quality of assets, profitability of the company, and legality of operations? Note any exceptions.

2. Is the bank properly reporting investments in majority owned subsidiaries (excluding those held on a temporary basis) on the Reports of Condition and Income? If discrepancies are noted, inform the EIC/AEIC. *Refer to Call Report Instructions to determine proper reporting of unconsolidated versus consolidated subsidiaries.*

3. Is the bank's investment a permissible activity? If exceptions are noted, inform the EIC and cite an apparent violation. *Refer to TFC Section 34.103-Bank Subsidiaries, Federal Deposit Insurance Act, Section 24-Activities of Insured Banks, and 12 USC 225.25 Regulation Y-List of Permissible Non-banking Activities (applicable to state member banks) to determine compliance with these regulations. Also see Legal Opinions under References for additional sources.*

Comments:

Return to Core Analysis

SAP
Document findings in the SAP and summarize conclusions in the corresponding CORE ANALYSIS.

Bank Holding Company Transactions (Q5a)

SAP

FEDERAL INCOME TAX

1. Review tax payments between the bank and its holding company. Determine compliance to Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure. *Obtain copies or access to federal income tax work papers if necessary, or complete the Tax Computation Worksheet.*

If there are cash transfers to a bank holding company in connection with a consolidated income tax obligation, consider the following:

- Payments should be no more than the amount paid if the bank filed a separate return.

- Transfers should have been made only at such time as necessary to reasonably permit the holding company to make required estimated payments or final settlements with the IRS.

  Note: Reasonable time period is 5 days after the holding company has been notified and/or determined the actual tax liability.

- The bank should not have transferred deferred taxes to the holding company, which would be considered an unsafe and unsound banking practice.

Comments:

Return to Core Analysis

APPENDIX

Holding Company Debt / Double Leverage

Even when the holding company is financially sound, supervisory concerns may arise as the parent issues long term debt to fund equity capital in the subsidiaries. Although this capital raising activity, known as "double leveraging," does increase equity capital in the subsidiary, too much debt at the holding company level can generate pressure on the subsidiary to upstream additional dividends. Since the holding company often services the debt with dividends from the lead bank, holding company debt service requirements which come to exceed historical dividend payment ratios may place undue earnings pressure on the bank. Should dividends be insufficient, the holding company may attempt to create other means of generating cash, such as charging the subsidiary for management and operating expenses.

The **double leverage ratio** is the equity of the subsidiary or in the case of multiple subsidiaries the combined equity of all the subsidiaries; divided by the equity of the holding company. A holding company with a ratio of 100% or less is not using double leverage. The amount of double leverage a holding company can comfortably carry can depend on various factors; but analysis should center on the amount of earnings or cash flow which the subsidiaries, or the lead bank if the lead bank generates most of the combined company's earnings, can upstream to the parent. Even holding companies with comparatively modest double leverage ratios can negatively affect the bank if the non-bank subsidiaries produce negative cash flow. Other leverage ratios which attempt to isolate or incorporate different segments of the holding company's capital structure (preferred stock or minority interests for example) can be useful for assessing more complex organizations.

Fixed charge coverage is a ratio that measures the ability of the parent company to cover its fixed charges or obligations. The components of the ratio are included on the "Parent Company Cash Flow Statement''. The Fixed Charge Coverage Ratio (FCCR) measures the parent company's ability to pay for *fixed* contractual obligations. Fixed obligations or fixed charges are those recurring expenses which must be paid as they fall due, which includes interest expense, lease expense, sinking fund requirements, scheduled debt repayments and preferred dividends. Lease expense, sinking fund requirements, scheduled debt repayments and preferred dividends. Interest expense is usually the largest component among all ''fixed charges,'' and the ability to pay this expense from earnings cash flow is critical to assure continued refunding of the parent company's debt. It measures not only the extent to which net cash operating earnings covers the debt servicing requirements of the parent company, but the capacity to pay income taxes and preferred stock cash dividends as well, thereby meeting the expectations that creditors and preferred shareholders have for the protection of their respective interests.

$$\textbf{FCCR} = \frac{\text{After tax cash income (1)} + \text{Interest expense (2)} + \text{lease \& rental expense (3)}}{\text{Interest expense (2)} + \text{lease \& rental expense (3)} + \text{contractual long-term debt retired (4)} + \text{preferred stock dividend payments (5)}}$$

**Numbered references correspond to items in the Parent Company Cash Flow Statement*

A bank holding company parent's position is generally considered comfortable if it shows a coverage ratio of 2 times or better. A ratio of less than 1.0, points to a condition of cash flow deficit without taking debt amortization or shareholder dividends into consideration. This ratio can be misleading if there is an abnormal dividend payout from subsidiaries, the major source of income to a parent. If the payout of all subsidiaries is only 20 percent (but could be 60 percent) the coverage ratio could be very low, perhaps well under 2 times. Conversely, if the payout of earnings is an unsustainable high 90 percent, the coverage ratio could temporarily appear adequate. Therefore, it is essential to be aware of actual dividend payout from subsidiaries to the parent before final interpretation of this ratio. The calculation is found at the end of the Parent Company Cash Flow page in this procedure.

Return to Core Analysis

APPENDIX

Excerpts from SR 13-21: Inspection Frequency and Scope Requirements for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of $10 Billion or Less.

Definition of "Complex" Holding Companies:

The determination of whether a holding company is "Complex" should be made at least annually by the responsible Reserve Bank. Utilizing surveillance screens and other information obtained through supervisory or applications processes, Reserve Banks should update the complexity designation of a company as its activities or condition changes. The determination of a holding company's complexity should take into account a number of factors. These factors include the size and structure of the company; the extent of intercompany transactions between insured depository institution subsidiaries and the holding company or uninsured subsidiaries of the holding company; the risk, scale and complexity of activities of any nondepository subsidiaries;[2] and the degree of leverage at the holding company, including the extent of its debt outstanding to the public. Companies should also be designated "Complex" if material risk management processes for the holding company and its affiliates are consolidated at the parent company.

Frequency and Scope of Review of Holding Companies with Less Than $1 Billion in Total Consolidated Assets

The supervisory cycle for these holding companies is determined by the examination frequency of the lead depository institution. Complex companies in this size category are assigned a complete RFI rating; others are assigned only a risk management rating and a composite rating. All ratings assigned should be promptly entered into the National Examination Database (NED) and communicated to the company, Board staff, and appropriate state and federal regulatory authorities as soon as possible, but generally no later than 90 days after receipt of the lead depository institution examination report.

Although off-site review of small holding companies will be appropriate in many cases, in some instances it may be necessary to conduct an on-site review, as discussed below. In those cases when an on-site review is required, the findings of that review and the assigned ratings should be communicated to the company no later than 120 days after receipt of the lead depository institution examination report. Documentation for the ratings and off-site or on-site reviews will generally consist of the examination reports for the depository institution subsidiaries, a copy of the transmittal letter communicating the ratings to the company, information related to relevant System surveillance results, and memoranda supporting any on-site review conducted. A meeting between Reserve Bank staff and the company's board of directors to communicate findings is not required, but should be conducted when warranted by supervisory concerns.

Complex Holding Companies

- An off-site review should be conducted upon receipt of the lead depository institution examination report or an updated rating from the primary supervisor using surveillance results and relevant supervisory and financial information. If the information obtained off-site is not sufficient for the Reserve Bank to determine the overall condition of the company and to assign a complete RFI rating, the Reserve Bank should conduct an on-site review of the company.

- Any on-site review should be targeted at those areas where additional information or analysis is needed to assign a complete supervisory rating.

Noncomplex Holding Companies

- If all subsidiary depository institutions have a management component rating and a composite supervisory rating of "1" or "2" and no material holding company issues are otherwise indicated, the Reserve Bank should assign only a composite rating and risk management rating to the holding company based on the ratings of the lead depository institution.

- If one or more subsidiary depository institutions have a management component rating or a composite supervisory rating of "3," "4," or "5" or a material holding company issue is otherwise indicated, an off-site review is required upon receipt of the lead depository institution examination report or an updated rating from the primary supervisor using surveillance results and relevant supervisory and financial information. If the information obtained off-site is not sufficient for the Reserve Bank to determine the overall condition of the company and to assign a risk management rating and a composite rating, an on-site review should be conducted.

Any on-site review should be targeted, as appropriate, at those areas where additional information or analysis is needed to develop the risk management and composite ratings

Return to Core Analysis

OTHER SUPERVISORY ISSUES

OTHER ISSUES (Q5h)

1. **Does the holding company exercise any amount of control over the policies of the subsidiary bank(s)? If so, comment on the extent of the control.** *(This could occur if management of the HC is different than management of the bank or if you have a multi- bank HC and policies are developed at the HC level.)*

Comment:

2. **Is the holding company's policy on assessing dividends from the subsidiary bank(s) reasonable and is it being complied with?** *(Policy should indicate that HC will not assess dividends if it would cause the bank's capital level to fall below a certain level.).* **If no to either, discuss.**

Comment:

3. **Has the holding company complied with all representations made in its application(s) or any other representations to the Board of Governors? If not, discuss.** *(Review management's response to the request list. For example, did the original application indicate that the HC would not pay dividends for the first three years, or is the HC operating under an MOU or Board Resolution?)*

Comment:

4. **Does the subsidiary bank(s) maintain compensating balances at another institution for debt advanced to the holding company?** (*Review management's response to the request list.)* **If the bank is not adequately compensated, discuss.**

Comment:

5. **Are there any insider transactions subject to comment?** (*Has the HC or a nonbank subsidiary engaged in any transactions with insiders?)* **If so, discuss.**

Comment:

6. **If the holding company uses a subsidiary bank's personnel or assets to sell credit related life insurance to the bank's customers, does the holding company give the bank reasonable compensation for its services in compliance with the Board of Governors' policy statement of May 1981?** *(Bank should have some documentation to determine that the compensation is reasonable.)* **If not, discuss.**

Comment:

7. **Is the holding company in compliance with the tie-in prohibitions contained in Section 106(b) of the BHC Act Amendments of 1970?** (*Bank cannot require a customer to use the service of an affiliate as a condition for a service that the bank is providing.)* **If not, discuss.**

OTHER ISSUES (Q5h)
Comment:
8. Are reports filed with the Federal Reserve System prepared accurately and submitted on a timely basis? (*Quarterly reports should be filed within 45 days of the quarter end.)* **If not, discuss.**
Comment:
9. Is there any other matter having a detrimental impact on the subsidiary bank(s) not discussed elsewhere in this report? If so, discuss.
Comment:
Return to Core Analysis

PARENT COMPANY COMPARATIVE BALANCE SHEET

(In thousands)

	00-00-00	00-00-00
ASSETS		
Cash		
Investment in subsidiary(ies)[1]		
Goodwill		
Other		
Total Assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Notes(s) payable		
Subordinated debentures		
Other		
Total Liabilities		
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity		
Debt to Equity	**%**	**%**

1 Includes - gains (losses) on available-for-sale securities held by the subsidiary bank(s).

PARENT COMPANY CASH FLOW STATEMENT

(In thousands)

	00-00-00	00-00-00
INCOME		
Dividends from subsidiaries		
Interest from subsidiaries		
Management and service fees		
Other operating cash income		
Total Cash Income		
EXPENSES		
Interest (2)		
Lease and rental (3)		
Salary and employee benefits		
Other operating cash expenses		
Total Cash Expenses		
BEFORE TAX CASH INCOME		
Income tax payments from:		
Bank		
Nonbank/Other		
Income tax payments	()	()
AFTER TAX CASH INCOME (1)		
EXTERNAL SOURCES		
Issuance of stock		
Net increase in borrowed funds		
Advances to subsidiaries repaid:		
Bank		
Nonbank		
Sale of assets		
TOTAL EXTERNAL SOURCES		

PARENT COMPANY CASH FLOW STATEMENT

	00-00-00	00-00-00
EXTERNAL USES		
Net decrease in borrowed funds		
Dividend payments:		
Preferred (5)		
Common		
Equity investment in subsidiaries:		
Bank		
Nonbank		
Advances to subsidiaries:		
Bank		
Nonbank		
Purchase of assets		
Total External Uses		
NET CHANGE IN CASH POSITION		
CASH BALANCE BEGINNING		
CASH BALANCE ENDING		

Memorandum:

Contractual long-term debt retired (4)

Return to BHC Financial Analysis

TAX COMPUTATION WORKSHEET

BHC Name ____________________________________

As of date ______________________________________

Step 1. Determine the bank's tax liability on a separate entity basis. Identify the portion of the consolidated taxable income attributed to the bank subsidiary, and then use the applicable tax calculation below:

If taxable income is:

Over -	But not over -	Tax is:	of the amount over -
$0	$50,000	15%	$0
$50,000	$75,000	$7,500 + 25%	$50,000
$75,000	$100,000	$13,750+ 34%	$75,000
$100,000	$335,000	$22,250 + 39%	$100,000
$335,000	$10,000,000	$113,900 + 34%	$335,000
$10,000,000	$15,000,000	$3,400,000 + 35%	$10,000,000
$15,000,000	$18,333,333	$5,150,000 + 38%	$15,000,000
$18,333,333		35%	0

Calculation:

Step 2. Compare the bank's tax liability to actual cash paid to the parent company.

Cash paid by bank to parent: __________

Tax liability based on Step 1 calculation: __________

Difference: __________

If the cash paid is greater than the bank's liability, the difference is a tax overpayment.

Return to Supplemental Analysis