§ 109. Closing of books; profits; how to be computed. 1. Every bank and every trust company shall close its books not less frequently than annually for the purpose of transferring its net profits to the undivided profits and surplus fund accounts.

2. To determine the amount of gross income of any bank or trust company for the purpose of computing its net profits for any period, the following items may be included:

(a) All income received or properly accrued, provided that no interest shall be accrued upon interest-bearing assets upon which a default of principal or interest has existed for a period which shall be determined by the superintendent except interest-bearing assets secured by collateral the ascertained value of which is at least equal to the amount at which the asset plus all interest accrued thereon is carried on its books.

(b) Realizable profits resulting from a revaluation to ascertained current market of a foreign exchange position, provided that a consistent practice is followed in the deduction from gross income of losses so resulting.

(c) Amounts added to cost or charged to amortization reserve for the purpose of amortizing discounts on securities purchased for less than par, provided that no discount shall be amortized on securities upon which a default exists.

(d) Any profits actually realized from the sale or other disposition of securities, real estate or other property.

(e) Amounts recovered on assets previously charged off, including amounts allowed by the superintendent on account of assets previously disallowed by him and other amounts allowed by the board of directors on account of assets previously disallowed by it. For the purpose of this paragraph amounts transferred to valuation reserves shall be considered as amounts charged off.

(f) Provided the superintendent shall have approved, and only to the extent of such approval, any increase in the book value of the real estate and building or buildings thereon used by it as its place or places of business.

(g) Such other items as the superintendent, in his discretion, may permit to be included.

3. To determine the amount of net profits for such period, the following items shall be deducted from gross income:

(a) All expenses paid or properly accrued in the transaction of its business and the management of its affairs.

(b) Interest paid or properly accrued upon debts owing by it.

(c) Amounts deducted from cost or credited to amortization reserve for the purpose of amortizing premiums on securities purchased for more than par.

(d) All losses sustained, including assets, or portions thereof, disallowed by the superintendent, and other assets, or portions thereof, disallowed by the board of directors. With the approval of the superintendent, any items referred to in this paragraph may be excluded. For the purposes of this paragraph, provision for disallowances may be effected by charge off or by establishment of valuation reserve and any existing valuation reserve may be deducted from the related asset in determining the amount of loss sustained.

4. The balance thus obtained shall constitute the net profits of such bank or trust company for such period.