# LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions.

# SCHEDULE RC -- BALANCE SHEET

# ASSETS

**Item No.** **Caption and Instructions**

**1** **Cash and balances due from depository institutions**. On the FFIEC 031, the sum of Schedule RC, items 1.a and 1.b, must equal Schedule RC-A, item 5, column A, "Total." On the FFIEC 041, Schedule RC-A is not applicable to banks with less than $300 million in total assets; for banks with $300 million or more in total assets, the sum of Schedule RC, items 1.a and 1.b, must equal Schedule RC-A, item 5, “Total.”

Treatment of reciprocal balances with depository institutions -- Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when a reporting bank has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. Net "due from" balances should be reported in items 1.a and 1.b below, as appropriate. Net "due to" balances should be reported as deposit liabilities in Schedule RC, item 13 below. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. See also the Glossary entry for "reciprocal balances."

**1.a** **Noninterest-bearing balances and currency and coin**. Report the total of all noninterest-bearing balances due from depository institutions, currency and coin, cash items in process of collection, and unposted debits. On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 041, for banks with $300 million or more in total assets, the components of this item will also be included in the appropriate items of Schedule RC-A.

For purposes of these reports, deposit accounts "due from" other depository institutions that are overdrawn are to be reported as borrowings in Schedule RC, item 16, and in Schedule RC-M, item 5.b, except overdrawn "due from" accounts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted). For further information, refer to the Glossary entry for "overdraft."

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**1.a** (cont.) Cash items in process of collection include:

(1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank) and that are payable immediately upon presentation in the United States. This includes:

(a) Checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting bank has not yet been given credit ("cash letters").

(b) Checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.

(c) Checks or drafts that have been deposited with the reporting bank's correspondent and for which the reporting bank has already been given credit, but for which the amount credited is not subject to immediate withdrawal ("ledger credit" items).

However, if the reporting bank has been given immediate credit by its correspondent for checks or drafts presented for payment or forwarded for collection and if the funds on deposit are subject to immediate withdrawal, the amount of such checks or drafts is considered part of the reporting bank's balances due from depository institutions.

(2) Government checks drawn on the Treasurer of the United States or any other government agency that are payable immediately upon presentation and that are in process of collection.

(3) Such other items in process of collection that are payable immediately upon presentation and that are customarily cleared or collected as cash items by depository institutions in the United States, such as:

(a) Redeemed United States savings bonds and food stamps.

(b) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.

(c) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances are considered part of the reporting bank's balances due from depository institutions.

(d) Checks or drafts drawn on another depository institution that have been deposited in one office of the reporting bank and forwarded for collection to another office of the reporting bank.

(e) Brokers' security drafts and commodity or bill-of-lading rafts payable immediately upon presentation in the U.S. (See the Glossary entries for "broker's security draft" and "commodity or bill-of-lading draft" for the definitions of these terms.)

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**1.a** (cont.) Exclude from cash items in process of collection:

(1) Cash items for which the reporting bank has already received credit, provided that the funds on deposit are subject to immediate withdrawal. The amount of such cash items is considered part of the reporting bank's balances due from depository institutions.

(2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 6, "All other assets"). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips is considered part of the reporting bank's balances due from depository institutions.

(3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 6, "All other assets").

(4) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report as loans in the appropriate item of Schedule RC-C, part I; if the drafts were received on a collection basis, they should be excluded entirely from the bank's balance sheet, Schedule RC, until the funds have actually been collected.)

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

Currency and coin include both U.S. and foreign currency and coin owned and held in all offices of the reporting bank, currency and coin in transit to a Federal Reserve Bank or to any other depository institution for which the reporting bank has not yet received credit, and currency and coin in transit from a Federal Reserve Bank or from any other depository institution for which the reporting bank's account has already been charged. Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

Noninterest-bearing balances due from depository institutions include balances due from commercial banks in the U.S., other depository institutions in the U.S. (e.g., credit unions, mutual and stock savings banks, savings or building and loan associations, and cooperative banks), Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Noninterest-bearing balances include those noninterest-bearing funds on deposit at other depository institutions for which the reporting bank has already received credit and which are subject to immediate withdrawal. Balances for which the bank has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal are considered "cash items in process of collection."

**Item No.** **Caption and Instructions**

**1.a** (cont.) Include as noninterest-bearing balances due from depository institutions:

(1) Noninterest-bearing balances due from the reporting bank's correspondents, including amounts that its correspondent is to pass through or already has passed through to a Federal Reserve Bank on behalf of the reporting bank (see the Glossary entry for "pass-through reserve balances" for further discussion).

(2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")

(3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "pass-through reserve balances" for further discussion).

Exclude from noninterest-bearing balances due from depository institutions:

(1) Balances due from Federal Reserve Banks (report as interest-bearing balances due from depository institutions in Schedule RC, item 1.b).

(2) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks").

(3) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

**1.b** **Interest-bearing balances.** Report all interest-bearing balances due from depository institutions whether in the form of savings or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Include balances due from Federal Reserve Banks (including required reserve, excess, and clearing balances), commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Include the fair value of interest-bearing balances due from depository institutions that are accounted for at fair value under a fair value option.

On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 041, for banks with $300 million or more in total assets, the components of this item will also be included in the appropriate items of Schedule RC-A.

Exclude from interest-bearing balances:

(1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, part I, item 2).

(2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

(3) Certificates of deposit held for trading (report in Schedule RC, item 5).

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| 2 | **Securities:** |
| 2.a | **Held-to-maturity securities.** Report the amount from Schedule RC-B, item 8, column A, "Total amortized cost." |
| 2.b | **Available-for-sale securities.** Report the amount from Schedule RC-B, item 8, column D, "Total fair value." |
| 3 | **Federal funds sold and securities purchased under agreements to resell:** |

**3.a** **Federal funds sold (in domestic offices).** Report the outstanding amount of federal funds sold, i.e., immediately available funds lent (in domestic offices) under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds lent in the form of securities purchased under agreements to resell (which should be reported in Schedule RC, item 3.b) and overnight lending for commercial and industrial purposes (which generally should be reported in Schedule RC, item 4.b). Transactions that are to be reported as federal funds sold may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under FASB Interpretation No. 39. Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

(1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 4.b, "Loans and leases, net of unearned income").

(2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

(3) Deposit balances due from a Federal Home Loan Bank (report as balances due from depository institutions in Schedule RC, item 1.a or 1.b, as appropriate).

(4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule RC, item 4.b, "Loans and leases, net of unearned income").

For further information, see the Glossary entry for "federal funds transactions."

**Item No.** **Caption and Instructions**

**3.b** **Securities purchased under agreements to resell.** Report the outstanding amount of:

(1) Securities resale agreements, regardless of maturity, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Purchases of participations in pools of securities, regardless of maturity.

Report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under FASB Interpretation No. 41. Include the fair value of securities purchased under agreements to resell that are accounted for at fair value under a fair value option.

Exclude from this item:

(1) Resale agreements involving assets other than securities (report in Schedule RC, item 3.a, "Federal funds sold," or item 4.b, "Loans and leases, net of unearned income," as appropriate, depending on the maturity and office location of the transaction).

(2) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule RC, item 4.b). See the Glossary entry for "due bills."

(3) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements").

For further information, see the Glossary entry for "repurchase/resale agreements."

**4** **Loans and lease financing receivables.** Report in the appropriate subitem loans and leases held for sale and loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., held for investment. The sum of Schedule RC, items 4.a and 4.b, must equal Schedule RC-C, part I, item 12, (column A on the FFIEC 031).

**4.a** **Loans and leases held for sale.** Report the amount of loans and leases held for sale. Loans and leases held for sale should be reported at the lower of cost or fair value except for those loans held for sale that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. For loan and leases held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance within this item. No allowance for loan and lease losses should be included in Schedule RC, item 4.c, for loans and leases held for sale. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, part I.

**4.b** **Loans and leases, net of unearned income.** Report the amount of loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans held for investment. Include loans held for investment that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, part I.

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**4.c** **Less: Allowance for loan and lease losses.** Report the allowance for loan and lease losses as determined in accordance with the instructions in the Glossary entry for "allowance for loan and lease losses." Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies. This item must equal Report of Income Schedule RI-B, part II, item 7, "Balance end of current period."

**4.d** **Loans and leases, net of unearned income and allowance.** Report the amount derived by subtracting Schedule RC, item 4.c, from Schedule RC, item 4.b.

**5** **Trading assets.** Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements; or (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes. Assets and other financial instruments held for trading shall be consistently valued at fair value.

Pursuant to FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," all securities within the scope of FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of these reports, banks may classify assets (other than securities within the scope of FASB Statement No. 115 for which a fair value option is elected) as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

Do not include in this item the carrying value of any available-for-sale securities, any loans that are held for sale (and are not classified as trading in accordance with the preceding instruction), and any leases that are held for sale. Available-for-sale securities are reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. Loans (not classified as trading) and leases held for sale should be reported in Schedule RC, item 4.a, "Loans and leases held for sale," and in Schedule RC-C.

Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject

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| 5 (cont.) | to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RC, item 15, "Trading liabilities," as appropriate. (See the Glossary entry for "offsetting.") |

For those banks that must complete Schedule RC-D, this item must equal Schedule RC-D, item 12, "Total trading assets," and Schedule RC-Q, sum of items 5.a and 5.b, column A.

**6** **Premises and fixed assets.** Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures purchased directly or acquired by means of a capital lease. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

Do not deduct mortgages or other liens on such property (report in Schedule RC, item 16, "Other borrowed money").

Include as premises and fixed assets:

(1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the bank, its branches, or its consolidated subsidiaries.

(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 that are used by customers or employees of the bank, its branches, and its consolidated subsidiaries.

(6) Furniture, fixtures, and movable equipment of the bank, its branches, and its consolidated subsidiaries.

(7) Automobiles, airplanes, and other vehicles owned by the bank and used in the conduct of its business.

(8) The amount of capital lease property (with the bank as lessee): premises, furniture, fixtures, and equipment. See the discussion of accounting with bank as lessee in the Glossary entry for "lease accounting."

(9) Stocks and bonds issued by nonmajority-owned corporations whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the bank, its branches, or its consolidated subsidiaries.

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**6** (cont.) Exclude from premises and fixed assets:

(1) Original paintings, antiques, and similar valuable objects (report in Schedule RC-F, item 6, "All other assets").

(2) Favorable leasehold rights (report in Schedule RC, item 10.b, "Other intangible assets").

Property formerly but no longer used for banking may be reported either in this item as "Premises and fixed assets" or in Schedule RC-M, item 3, as "Other real estate owned."

**7** **Other real estate owned.** Report the total amount of other real estate owned from Schedule RC-M, item 3.h on the FFIEC 031 and item 3.g on the FFIEC 041. For further information on other real estate owned, see the instruction to Schedule RC-M, item 3, and the Glossary entry for "foreclosed assets."

**8** **Investments in unconsolidated subsidiaries and associated companies.** Report the amount of the bank's investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence (collectively referred to as "investees"), excluding those that represent direct and indirect investments in real estate venture (which are to be reported in Schedule RC, item 9). Include loans and advances to investees and holdings of their bonds, notes, and debentures.

Investments in investees shall be reported using the equity method of accounting. Under the equity method the carrying value of the bank's investment in an investee is originally recorded at cost but is adjusted periodically to record as income the bank's proportionate share of the investee's earnings or losses and decreased by the amount of any cash dividends or similar distributions received from the investee. For purposes of these reports, the date through which the carrying value of the bank's investment in an investee has been adjusted should, to the extent practicable, match the report date of the Report of Condition, but in no case differ by more than 93 days from the report date.

Unconsolidated subsidiaries include those majority-owned subsidiaries that do not meet the significance standards for required consolidation that the bank chooses not to consolidate under the optional consolidation provisions. Refer to the General Instructions section of this book for a detailed discussion of consolidation. See also the Glossary entry for "subsidiaries."

**9** **Direct and indirect investments in real estate ventures.** Report the amount of the bank's direct and indirect investments in real estate ventures.

NOTE: 12 USC 29 limits the authority of national banks to hold real estate. State member banks are not authorized to invest in real estate except with the prior approval of the Board of Governors of the Federal Reserve System under Federal Reserve Regulation H (12 CFR Part 208). In certain states, nonmember banks may invest in real estate.

Include as direct and indirect investments in real estate ventures:

(1) Any real estate acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes. (Do not include real

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**9** (cont.) estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure. Report such real estate in Schedule RC-M, item 3.)

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.

(3) Real estate acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, *Accounting for Sales of Real Estate*. Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under FASB Statement No. 66 is being used to account for the sale, the receivable resulting from the sale of the real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with FASB Statement No. 66.

(4) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting bank in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture.

(5) Investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence (collectively referred to as "investees") that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. Investments by the bank in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting. For further information on the equity method, see the instruction to Schedule RC, item 8, above.

(6) Investments in corporate joint ventures, unincorporated joint ventures, and general or limited partnerships that are primarily engaged in the holding of real estate for development, resale, or other investment purposes and over which the bank does not exercise significant influence.

**10** **Intangible assets:**

**10.a** **Goodwill.** Report the carrying amount of goodwill. Goodwill represents the excess of the cost of a company over the sum of the fair values of the tangible and identifiable intangible assets acquired less the fair value of liabilities assumed in a business combination accounted for as a purchase. Goodwill should not be amortized, but must be tested for impairment as described in the instructions to Schedule RI, item 7.c.(1), "Goodwill impairment losses."

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| 10.b | **Other intangible assets.** Report the total amount of intangible assets other than goodwill from Schedule RC-M, item 2.d. For further information on intangible assets, see the instruction to Schedule RC-M, item 2. |
| 11 | **Other assets.** Report the amount from Schedule RC-F, item 7, "Total." |
| 12 | **Total assets.** Report the sum of items 1 through 11. This item must equal Schedule RC, item 29, "Total liabilities and equity capital." |

# LIABILITIES

**Item No.** **Caption and Instructions**

**13** **Deposits.** (For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for "deposits.")

**13.a** **In domestic offices.** Report the total of all deposits in domestic offices of the reporting bank. This item must equal the sum of Schedule RC-E, (part I), item 7, columns A and C.

This item must also equal the sum of items 13.a.(1) and 13.a.(2) below.

**13.a.(1)** **Noninterest-bearing.** On the FFIEC, 041, report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all noninterest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices. Noninterest-bearing deposits include total demand deposits and noninterest-bearing time and savings deposits.

**13.a.(2)** **Interest-bearing.** On the FFIEC 041, report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all interest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices.

NOTE: Items 13.b, 13.b.(1), and 13.b.(2) are applicable only to banks filing the FFIEC 031 report form.

**13.b** **In foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report the total of all deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs. This item must equal the amount reported in Schedule RC-E, part II, item 6, "Total."

This item must also equal the sum of items 13.b.(1) and 13.b.(2) below.

**13.b.(1)** **Noninterest-bearing.** Report the total of all noninterest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.

**13.b.(2)** **Interest-bearing.** Report the total of all interest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.

**14** **Federal funds purchased and securities sold under agreements to repurchase:**

**14.a** **Federal funds purchased (in domestic offices).** Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed (in domestic offices) under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule RC, item 14.b) and Federal Home Loan Bank advances (which should be reported in Schedule RC, item 16). Transactions that are to be reported as federal funds purchased may be secured or unsecured or may involve an agreement to repurchase loans or other instruments that are not securities.

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**14.a** (cont.) Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, except to the extent permitted under FASB Interpretation No. 39. Include the fair value of federal funds purchased that are accounted for at fair value under a fair value option.

Also exclude from federal funds purchased:

(1) Purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 16, "Other borrowed money").

(2) Security repurchase agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase").

(3) Borrowings from a Federal Home Loan Bank in the form of advances (report in Schedule RC, item 16) and securities repurchase agreements (report in Schedule RC, item 14.b).

(4) Borrowings from a Federal Reserve Bank in the form of securities repurchase agreements (report in Schedule RC, item 14.b) and other borrowings (report in Schedule RC, item 16).

(5) Borrowing transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities repurchase agreements (report in Schedule RC, item 16).

For further information, see the Glossary entry for "federal funds transactions."

**14.b** **Securities sold under agreements to repurchase.** Report the outstanding amount of:

(1) Securities repurchase agreements, regardless of maturity, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Sales of participations in pools of securities, regardless of maturity.

Report securities sold under agreements to repurchase on a gross basis, i.e., do not net them against securities purchased under agreements to resell, except to the extent permitted under FASB Interpretation No. 41. Include the fair value of securities sold under agreements to repurchase that are accounted for at fair value under a fair value option.

| Item No. | Caption and Instructions |
|---|---|
| **14.b** (cont.) | Exclude from this item:<br><br>(1) Repurchase agreements involving assets other than securities (report in Schedule RC, item 14.a, "Federal funds purchased," or item 16, "Other borrowed money," as appropriate, depending on the maturity and office location of the transaction).<br><br>(2) Borrowings from a Federal Home Loan Bank other than in the form of securities repurchase agreements (report federal funds purchased in Schedule RC, item 14.a, and advances in Schedule RC, item 16).<br><br>(3) Borrowings from a Federal Reserve Bank other than in the form of securities repurchase agreements (report in Schedule RC, item 16).<br><br>(4) Obligations under due bills that resulted when the bank sold securities or other assets and received payment, but has not yet delivered the assets, and similar obligations, whether collateralized or uncollateralized (report in Schedule RC, item 16). See the Glossary entry for "due bills."<br><br>(5) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements").<br><br>For further information, see the Glossary entry for "repurchase/resale agreements." |
| **15** | **Trading liabilities.** Report the amount of liabilities from the reporting bank's trading activities. Include liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "short position") and revaluation losses from the "marking to market" of interest rate, foreign exchange rate, equity, and commodity and other derivative contracts into which the reporting bank has entered for trading, dealer, customer accommodation, and similar purposes. In addition, for purposes of these reports, banks may classify liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities.<br><br>For those banks that must complete Schedule RC-D, Trading Assets and Liabilities, the amount reported in this item must equal Schedule RC-D, item 15, and Schedule RC-Q, sum of items 10.a and 10.b, column A. |
| **16** | **Other borrowed money.** Report the amount from Schedule RC-M, item 5.c. |
| **17** | Not applicable. |
| **18** | Not applicable. |
| **19** | **Subordinated notes and debentures.** Report the amount of subordinated notes and debentures (including mandatory convertible debt). Include the fair value of subordinated notes and debentures that are accounted for at fair value under a fair value option. (See the Glossary entry for "subordinated notes and debentures" for the definition of this term.) Also include the amount of outstanding limited-life preferred stock including any amounts received in excess of its par or stated value. (See the Glossary entry for "preferred stock" for the definition of limited-life preferred stock.) |

| Item No. | Caption and Instructions |
|---|---|
| **20** | **Other liabilities.** Report the amount from Schedule RC-G, item 5, "Total." |
| **21** | **Total liabilities.** Report the sum of items 13 through 20. |
| **22** | Not applicable. |

# EQUITY CAPITAL

| Item No. | Caption and Instructions |
|---|---|
| 23 | **Perpetual preferred stock and related surplus.** Report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value. (See the Glossary entry for "preferred stock" for the definition of perpetual preferred stock.) |
| 24 | **Common stock.** Report the aggregate par or stated value of common stock issued. |
| 25 | **Surplus.** Report the net amount formally transferred to the surplus account, including capital contributions, adjustments arising from treasury stock transactions, and any amount received for common stock in excess of its par or stated value on or before the report date.<br><br>Do not include any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate). |
| 26.a | **Retained earnings.** Report the amount of retained earnings (undivided profits) and capital reserves. The amount of the retained earnings and capital reserves should reflect transfers of net income, declarations of dividends, transfers to surplus, and any other appropriate entries.<br><br>Adjustments of accruals and other accounting estimates made shortly after the report date which relate to the income and expenses of the year-to-date period ended as of the report date must be reported in the appropriate items of Schedule RI, Income Statement, for that year-to-date period.<br><br>Capital reserves are segregations of retained earnings and are not to be reported as liability accounts or as reductions of asset balances. Capital reserves may be established for such purposes as:<br><br>(1) Reserve for undeclared stock dividends – includes amounts set aside to provide for stock dividends (not cash dividends) not yet declared.<br><br>(2) Reserve for undeclared cash dividends – includes amounts set aside for cash dividends on common and preferred stock not yet declared. (Cash dividends declared but not yet payable should be included in Schedule RC-G, item 5, "Other" liabilities.)<br><br>(3) Retirement account (for limited-life preferred stock or subordinated notes and debentures) – includes amounts allocated under the plan for retirement of limited-life preferred stock or subordinated notes and debentures contained in the bank's articles of association or in the agreement under which such stock or notes and debentures were issued.<br><br>(4) Reserve for contingencies – includes amounts set aside for possible unforeseen or indeterminate liabilities not otherwise reflected on the bank's books and not covered by insurance. This reserve may include, for example, reserves set up to provide for possible losses which the bank may sustain because of lawsuits, the deductible amount under the bank's blanket bond, defaults on obligations for which the bank is contingently liable, or other claims against the bank. A reserve for contingencies represents a segregation of retained earnings. It should not include any element of known losses or of any probable incurred losses the amount of which can be estimated with reasonable accuracy (see the Glossary entry for "loss contingencies" for additional information). |

**Item No.** **Caption and Instructions**

**26.a** (cont.) Exclude from retained earnings:

(1) Any portion of the proceeds received from the sale of common stock in excess of its par or stated value (report in Schedule RC, item 25).

(2) Any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate).

(3) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., the allowance for loan and lease losses), reserves for depreciation, and reserves for bond premiums.

**26.b** **Accumulated other comprehensive income.** Report the accumulated balance of other comprehensive income in accordance with FASB Statement No. 130, *Reporting Comprehensive Income*. "Other comprehensive income" refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income. Include in this item:

(1) Net unrealized holding gains (losses) on available-for-sale securities. Report the difference between the amortized cost and the fair value of the reporting bank's available-for-sale securities, net of tax effects, as of the report date.[1] For most banks, all "securities," as that term is defined in FASB Statement No. 115, that are designated as "available-for-sale" will be reported as "Available-for-sale securities" in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., nonrated industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables"). These "available-for-sale" assets must be carried on the Report of Condition balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects, also must be included in this item.

Also include the unamortized amount of the unrealized holding gain or loss at the date of transfer of any debt security transferred into the held-to-maturity category from the available-for-sale category. When a debt security is transferred from available-for-sale to held-to-maturity, the unrealized holding gain or loss at the date of transfer continues to be reported in this equity capital account, but must be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

[1] For example, if the fair value of the reporting bank's available-for-sale securities exceeds the amortized cost of its available-for-sale securities by $100,000 (and the bank has had no other transactions affecting the "net unrealized holding gains (losses)" account), the amount to be included in Schedule RC, item 26.b, must be reduced by the estimated amount of taxes using the bank's applicable tax rate (federal, state and local). (See the Glossary entry for "income taxes" for a discussion of "applicable tax rate.") If the bank's applicable tax rate (federal, state and local) is 40% and the tax basis of its available-for-sale securities approximates their amortized cost, the bank would include "net unrealized holding gains" of $60,000 [$100,000 - (40% x $100,000)] in Schedule RC, item 26.b. The bank would also have a deferred tax liability of $40,000 which would enter into the determination of the amount of net deferred tax assets or liabilities to report in Schedule RC-F, item 2, or Schedule RC-G, item 2.

**Item No.** **Caption and Instructions**

**26.b** (cont.)

(2) Accumulated net gains (losses) on cash flow hedges.[1] Report the effective portion[2] of the accumulated change in fair value (gain or loss) on derivatives designated and qualifying as cash flow hedges in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Under Statement No. 133, a bank that elects to apply hedge accounting must exclude from net income the effective portion of the change in fair value of a derivative designated as a cash flow hedge and record it on the balance sheet in a separate component of equity capital (referred to as "accumulated other comprehensive income" in the accounting standard). The ineffective portion of the cash flow hedge must be reported in earnings. The equity capital component (i.e., the accumulated other comprehensive income) associated with a hedged transaction should be adjusted each reporting period to a balance that reflects the lesser (in absolute amounts) of:

(a) The cumulative gain or loss on the derivative from inception of the hedge, less (i) amounts excluded consistent with the bank's defined risk management strategy and (ii) the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction, or

(b) The portion of the cumulative gain or loss on the derivative necessary to offset the cumulative change in expected future cash flows on the hedged transaction from inception of the hedge less the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings

Accordingly, the amount reported in this item should reflect the sum of the adjusted balance (as described above) of the cumulative gain or loss for each derivative designated and qualifying as a cash flow hedge. These amounts will be reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (for example, when a hedged variable-rate interest receipt on a loan is accrued or when a forecasted sale occurs).

(3) Cumulative foreign currency translation adjustments. Report the sum of the bank's foreign currency translation adjustments accumulated in accordance with FASB Statement No. 52. See the Glossary entry for "foreign currency transactions and translation" for further information.

(4) Minimum pension liability adjustment. Report any minimum pension liability adjustment recognized in accordance with FASB Statement No.87, *Employers' Accounting for Pensions*. Under Statement No. 87, an employer must report in a separate component of equity capital, net of any applicable tax benefits, the excess of additional pension liability over unrecognized prior service cost.

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[1] Generally, the objective of a cash flow hedge is to link a derivative to an existing recognized asset or liability or a forecasted transaction with exposure to variability in expected future cash flows, e.g., the future interest payments (receipts) on a variable-rate liability (asset) or a forecasted purchase (sale). The changes in cash flows of the derivative are expected to offset changes in cash flows of the hedged item or transaction. To achieve the matching of cash flows, FASB Statement No. 133 requires that changes in the fair value of properly designated and qualifying derivatives initially be reported in a separate component of equity (accumulated other comprehensive income) and reclassified into earnings in the same future period that the hedged transaction affects earnings.

[2] The effective portion of a cash flow hedge can be described as the change in fair value of the derivative that offsets the change in expected future cash flows being hedged. Refer to FASB Statement No. 133, Appendix A, Section 2, for further information.

| Item No. | Caption and Instructions |
|---|---|
| 26.c | **Other equity capital components.** Report the carrying value of any treasury stock and of any unearned Employee Stock Ownership Plan (ESOP) shares, which under generally accepted accounting principles are reported in a contra-equity account on the balance sheet. Also include any unearned or deferred compensation expense that must be shown as a separate reduction of equity capital pursuant to Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees.* For further information, see the Glossary entry for "treasury stock," AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans,* and APB Opinion No. 25. |
| 27.a | **Total bank equity capital.** Report the sum of items 23 through 26.c. This item must equal Report of Income Schedule RI-A, item 12, "Total bank equity capital end of current period." |
| 27.b | **Noncontrolling (minority) interests in consolidated subsidiaries.** Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank held by parties other than the parent bank. A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. |
| 28 | **Total equity capital.** Report the sum of items 27.a and 27.b. |
| 29 | **Total liabilities and equity capital.** Report the sum of items 21 and 28. This item must equal Schedule RC, item 12, "Total assets." |

**Memorandum**

| Item No. | Caption and Instructions |
|---|---|
| 1 | **Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during the preceding calendar year.** *(To be reported only with the March Report of Condition.)* Report the number of the statement listed on the report form that, in the bank's judgment, best describes the most comprehensive level of auditing work performed by any independent external auditors during the preceding calendar year. |

The term "any date during the preceding calendar year" refers to the date of the balance sheet and income statement reported on by the auditor (or the date as of which certain agreed-upon procedures were applied to selected records and transactions by the auditor) regardless of the actual date of the commencement of the auditing work (audit, internal control attestation, directors' examination, review, compilation, or specific procedures) and regardless of the date of the report submitted by the auditor.

Exclude from "auditing work performed" any tax or consulting work regardless of whether it was performed by an independent certified public accounting firm or others.

The list of possible external auditing work is structured with the "most comprehensive level," an audit of the bank, as number 1 and the other levels of auditing work in descending order so that "no external audit work" is number 9.

Banks may be assisted in determining the level of auditing work performed by reviewing the type of report received from the auditor:

(a) If the bank or parent holding company has external auditing work performed by a certified public accounting firm and the report of the auditor:

| | |
|---|---|
| Begins | "We have examined . . ." or<br>"We have audited . . ." |
| and | |
| The final paragraph begins | "In our opinion, the financial statements referred to above . . ." or<br><br>In our opinion, the balance sheet referred to above . . ." |

the bank would respond to this item with a "1" if the first sentence of the first paragraph of the report describes the financial statements or the balance sheet of the bank or with a "2" if the first sentence of the first paragraph of the report describes the financial statements or the balance sheet of the parent holding company.

**Memorandum**

| **Item No.** | **Caption and Instructions** |
|---|---|
| **1** (cont.) | (b) If the report submitted by the auditor: |

Begins "We have examined management's assertion . . . maintained effective internal control over financial reporting . . .,"

and

The final paragraph states "In our opinion . . ."

the bank would respond to this item with a "3."

(c) If the report submitted by the auditor:

Begins "We have applied certain procedures to selected records and transactions . . .,"

The second paragraph includes "We do not express an opinion, . . ."

and

The next to last paragraph states "Had we performed additional procedures . . . other matters may have come to our attention . . ."

the bank would respond with:

(i) a "4" if this auditing work was performed by a certified public accounting firm for the Board of Directors as a directors' examination;

(ii) a "5" if this auditing work was performed by any other firm (e.g., a consulting firm, another banking organization) for the Board of Directors as a directors' examination; or

(iii) an "8" if management otherwise engaged the auditor to perform specified auditing work (excluding tax or consulting work) but this auditing work did not constitute a directors' examination.

(d) If the report submitted by the auditor:

Begins "We have reviewed . . . ,"

The second paragraph states "A review consists principally of inquiries . . . ,"

and

The final paragraph begins "Based on our review . . ."

the bank would respond to this item with a "6."

**Memorandum**

| Item No. | Caption and Instructions |
|---|---|
| **1** (cont.) | (e) If the report submitted by the auditor: |

Begins "We have compiled . . ."

and

The second paragraph begins "A compilation is limited to presenting . . . "

the bank would respond to this item with a "7."

An "independent external auditor" is an auditor who at no time during the year:

(1) was an employee of the bank;

(2) performed the bank's bookkeeping or maintained the bank's accounting records;

(3) was dependent on the bank for his livelihood nor was the bank such a significant client that the loss of that client would jeopardize his livelihood; nor

(4) held the bank's securities or was indebted to the bank beyond those types of loans permitted under applicable professional standards.

**2** **Bank's fiscal year-end date.** *(To be reported only with the March Report of Condition.)* Report the bank's fiscal year-end date (month and day) for financial reporting purposes. For example, a bank whose fiscal year ends on June 30 would report 0630 in this Memorandum item.