

# OPTIONAL REGULATORY CAPITAL WORKSHEET

(Not to be submitted with your bank's Call Report)

For June 30, 1999

This **optional** worksheet is designed to assist banks in the calculation of those regulatory capital items applicable to all banks in Call Report Schedule RC-R, item 3. The worksheet uses Call Report item references to the extent possible to help simplify calculations; however, certain items may require the bank to obtain data from bank records. Banks are **not** required to use this worksheet and may use any reasonable approach to determining the requested regulatory capital items. Because of the limited number of banks subject to the market risk capital guidelines, this worksheet does not include any calculations pertaining to these guidelines.

The following **optional** worksheet is divided into 3 parts. **Part 1** is a worksheet for calculating Tier 1 and Tier 2 capital and risk-based capital ratios. **Part 2** is a worksheet with accompanying instructions for calculating the gross risk-weighted assets needed for Part 1. It is structured to categorize assets by risk weight using the Call Report balance sheet format with a more defined section for off-balance sheet transactions. The Part 2 worksheet is formatted to easily display aggregate data totals by asset and risk weight categories. A bank that performs its own calculation of gross risk-weighted assets may include this amount in Part 1 rather than completing Part 2. **Part 3** is a worksheet for calculating "average total assets" and the Tier 1 leverage ratio.

For risk-based capital purposes, banks are not required to identify each on-balance sheet asset and off-balance sheet item subject to risk-based capital that qualifies for a risk weight of less than 100 percent (50 percent for off-balance sheet derivatives). Thus, each bank should decide for itself how detailed an analysis of its assets and off-balance sheet items it wishes to perform and how many of the specific lower risk-weighted items it wishes to identify. In other words, a bank can pick and choose among the asset items and the credit equivalent amounts of off-balance sheet items that have a risk weight that is less than the maximum and risk-weight them accordingly, or simply risk-weight some or all of these items at a 100 percent risk weight (50 percent for off-balance sheet derivatives).

Because the worksheet cannot address all situations that may arise in the calculation of regulatory capital items and ratios, the provisions of the capital standards issued by a bank's primary federal supervisory authority take precedence over the worksheet. A bank's regulatory capital calculations are subject to examiner review, regardless of whether this optional worksheet or the bank's own method of calculation is used.

## Contents

|                  |    |
|------------------|----|
| Part 1 Worksheet | 2  |
| Part 2:          |    |
| Worksheet        | 6  |
| Instructions     | 8  |
| Part 3 Worksheet | 14 |

**OPTIONAL REGULATORY CAPITAL WORKSHEET**

**WORKSHEET PART 1.**

| <u>Schedule</u> | <u>Item #</u> | <u>Amount</u> | <u>Item Name/Comments</u> |
|-----------------|---------------|---------------|---------------------------|
|-----------------|---------------|---------------|---------------------------|

**CALCULATION OF ELIGIBLE TIER 1 CAPITAL**

**Components of Tier 1 Capital:**

|    |   |                                  |       |  |
|----|---|----------------------------------|-------|--|
| 1. | RC  | 24 plus 25                       | _____ | Common stock and surplus   |
| 2. | RC  | 26.a plus 27                     | _____ | Undivided profits and cumulative foreign currency translation adjustments  |
| 3. | RC-B<br>RC-B  | 6.a, col. C minus<br>6.a, col. D | _____ | Unrealized loss on available-for-sale equity securities with readily determinable fair values (subtract item 6.a, column D, from item 6.a, column C; <b>however, if the amount is negative, enter zero</b> ), net of any applicable tax effect |
| 4. | RC-M  | 9                                | _____ | Qualifying perpetual preferred stock and related surplus   |
| 5. | RC-G  | 3                                | _____ | Qualifying minority interest in the equity accounts of consolidated subsidiaries (exclude nonqualifying portions)  |
| 6. | <b>Line 1, plus line 2 minus line 3, plus lines 4 and 5</b> |                                  | _____ | "Gross" Tier 1 Capital   |

**Adjustments to Tier 1 Capital:**

|     |                                   |         |       |   |
|-----|-----------------------------------|---------|-------|---|
| 7.  | RC-M                              | 6.b.(2) | _____ | LESS: All other identifiable intangible assets  |
| 8.  | RC-M                              | 6.c.    | _____ | LESS: Goodwill  |
| 9.  | <b>Line 6 minus lines 7 and 8</b> |         | _____ | "Adjusted Gross" Tier 1 Capital   |
| 10. | <b>25% of line 9</b>              |         | _____ | <b>Limitation on the amount of purchased credit card relationships (PCCRs) and nonmortgage servicing assets (NMSAs) that may be held as assets</b>  |
| 11. | <b>100% of line 9</b>             |         | _____ | <b>Limitation on the total amount of mortgage servicing assets (MSAs), PCCRs, and NMSAs that can be held as assets</b>  |
| 12. | RC-M                              | 6.b.(1) | _____ | Intangible assets: PCCRs and NMSAs (If 90% of the fair value of either PCCRs or NMSAs is less than its net book value, as reported in RC-M, item 6.b.(1), include 90% of that intangible asset's fair value rather than its net book value on line 12 and add the difference to line 13.) |
| 13. | <b>Line 12 minus line 10</b>      |         | _____ | <b>Disallowed PCCRs and NMSAs: If line 12 minus line 10 is a negative number, enter 0; if a positive number, enter that number.</b> (Then add to line 13 any fair value shortfall on either PCCRs or NMSAs (or both) from line 12.)   |

|     | <u>Schedule</u> | <u>Item #</u>  | <u>Amount</u> | <u>Item Name/Comments</u>  |
|-----|-----------------|--|---------------|--|
| 14. | RC-M            | 6.a.   | _____         | Intangible assets: MSAs (If 90% of the fair value of MSAs, as reported in RC-M, item 6.a.(1), is less than RC-M, item 6.a, enter 90% of the fair value on line 14 and add the difference to line 16.)  |
| 15. |                 | <b>Line 14 plus the lesser of line 10 or line 12</b> | _____         | MSAs plus the qualifying portion of PCCRs and NMSAs  |
| 16. |                 | <b>Line 15 minus line 11</b>                         | _____         | <b>Disallowed MSAs, PCCRs, and NMSAs based on an aggregate limitation: If line 15 minus line 11 is a negative number, enter 0; if a positive number, enter that number.</b> (Then add to line 16 any fair value shortfall on MSAs from line 14.) |
| 17. | RC-F            | Memo 1   | _____         | <b>Disallowed deferred tax assets</b>  |
| 18. |                 | <b>Sum of lines 13, 16, and 17</b>                   | _____         | Total disallowed MSAs, PCCRs, NMSAs, and deferred tax assets <sup>1</sup>  |
| 19. | RC-M            | 6.e.   | _____         | Intangible assets that have been grandfathered or are otherwise qualifying for regulatory capital purposes   |
| 20. |                 | <b>Line 9 minus line 18 plus line 19</b>             | _____         | <b>Tier 1 Capital (report in Schedule RC-R, item 3.a.(1))</b>  |

## CALCULATION OF ELIGIBLE TIER 2 CAPITAL

### Components of Tier 2 Capital:

|     |              |  |       |  |
|-----|--------------|--|-------|--|
| 21. | RC-R         | 2.a.                                       | _____ | Portion of qualifying subordinated debt and intermediate-term preferred stock and related surplus that is includible in Tier 2 capital   |
| 22. | RC-R         | 2.b.                                       | _____ | Portion of other qualifying limited-life capital instruments that is includible in Tier 2 capital  |
| 23. | RC<br>RC-M   | 23 minus<br>9                              | _____ | Cumulative perpetual preferred stock   |
| 24. | RC-M         | 7  | _____ | Mandatory convertible debt, net of common or perpetual preferred stock dedicated to redeem the debt  |
| 25. | RC-B<br>RC-B | 6.a, col. D minus<br>6.a, col. C           | _____ | Unrealized gain on available-for-sale equity securities with readily determinable fair values (subtract item 6.a, column C, from item 6.a, column D; <b>however, if the amount is negative, enter zero</b> ) |
| 26. |              | <b>Up to 45% of line 25</b>                | _____ | Qualifying portion of unrealized gain on available-for-sale equity securities with readily determinable fair values  |
| 27. |              | <b>Sum of lines 21, 22, 23, 24, and 26</b> | _____ | <b>Tier 2 capital components BEFORE the addition of qualifying allowance for loan and lease losses (ALLL)</b>  |

---

<sup>1</sup> Banks should add to this line the amount of any other assets that must be deducted when determining Tier 1 capital in accordance with the requirements of their primary federal supervisory authority.

Schedule   Item #                      Amount                      Item Name/Comments

**Calculation of Risk-Weighted Assets:**

|     |  |       |   |
|-----|--|-------|---|
| 28. | <b>“Gross” risk-weighted assets from Worksheet Part 2, Row 28</b> [or from bank’s own calculation of “gross” risk-weighted assets excluding assets deducted for capital purposes, but before deducting any excess (disqualified) ALLL and any allocated transfer risk reserve] | _____ | <b>“Gross” Risk-Weighted Assets</b> excluding assets deducted for capital purposes, but before deducting any excess (disqualified) allowance for loan and lease losses and any allocated transfer risk reserve. |
|-----|--|-------|---|

**Constraint on Allowance for Loan and Lease Losses (ALLL):**

|     |   |       |  |
|-----|---|-------|--|
| 29. | <b>1.25% of line 28</b>   | _____ | Maximum amount of ALLL permitted in Tier 2 capital   |
| 30. | RC            4.b.  | _____ | Allowance for loan and lease losses (ALLL) (If the bank also has an allowance for credit losses related to off-balance sheet credit exposures elsewhere on its balance sheet, add this amount to line 30.)   |
| 31. | <b>Enter the lesser of lines 29 or 30</b>                                   | _____ | Amount of the ALLL allowed in Tier 2 capital   |
| 32. | <b>Subtract line 31 from 30</b>   | _____ | Excess (disqualified) ALLL ( <b>report in Schedule RC-R, item 3.c</b> )  |
| 33. | <b>Add lines 27 and 31</b>  | _____ | Eligible Tier 2 capital  |
| 34. | <b>Enter the lesser of lines 20 or 33</b>                                   | _____ | <b>Tier 2 Capital</b> ( <b>report in Schedule RC-R, item 3.a.(2)</b> )   |
| 35. | RC-M      Memo 1<br>(from 12-31-98<br>Call Report)<br>and from bank records | _____ | Reciprocal holdings of bank capital instruments plus investments, both equity and debt, in unconsolidated banking and finance subsidiaries that are deemed to be capital of the subsidiary, and any other assets that must be deducted when determining total risk-based capital in accordance with the requirements of the bank’s primary federal supervisory authority |
| 36. | <b>Line 20 plus line 34 minus line 35</b>                                   | _____ | <b>Total Risk-Based Capital</b><br>( <b>report in Schedule RC-R, item 3.b</b> )  |

Schedule   Item #                      Amount                      Item Name/Comments

**CALCULATION OF RISK-BASED CAPITAL (RBC) RATIOS**

|     |    |  |         |  |
|-----|----|--|---------|--|
| 37. | RC | 4.c.   | _____   | Allocated Transfer Risk Reserve (ATRR)   |
| 38. |    | <b>Line 28 minus the sum of lines 32 and 37</b>      | _____   | <b>Risk-Weighted Assets</b> (after deduction of all disallowed intangibles, disallowed deferred tax assets, the excess ALLL, and ATRR) [report in Schedule RC-R, item 3.d.(1)] |
| 39. |    | <b>Divide line 36 by line 38 and multiply by 100</b> | _____ % | <b>Total RBC Ratio</b>   |
| 40. |    | <b>Divide line 20 by line 38 and multiply by 100</b> | _____ % | <b>Tier 1 RBC Ratio</b>  |

WORKSHEET PART 2. CALCULATION OF GROSS RISK-WEIGHTED ASSETS (See instructions following the Part 2 worksheet.)

Section 1. Balance Sheet Assets

| Row | Description of Schedule RC Items                                       | Call Report Information |          | Allocation by Risk Weight Category |          |          |          | Capital Adjustments |            |
|-----|--|-------------------------|----------|------------------------------------|----------|----------|----------|---------------------|------------|
|     |  | RC Item #               | Column A | Column B                           | Column C | Column D | Column E | Column F            | Column G   |
|     |  |                         | Total    | 0%                                 | 20%      | 50%      | 100%     | Deductions          | Exclusions |
| 1   | Cash and balances due from depository institutions                     | 1.a and 1.b             |          |                                    |          |          |          |                     |            |
| 2   | Held-to-maturity securities  | 2.a                     |          |                                    |          |          |          |                     |            |
| 3   | Available-for-sale securities  | 2.b                     |          |                                    |          |          |          |                     |            |
| 4   | Federal funds sold and securities purchased under agreements to resell | 3                       |          |                                    |          |          |          |                     |            |
| 5   | Loans and leases, net of unearned income                               | 4.a                     |          |                                    |          |          |          |                     |            |
| 6   | Allowance for loan and lease losses                                    | 4.b                     |          |                                    |          |          |          |                     |            |
| 7   | Allocated transfer risk reserve  | 4.c                     |          |                                    |          |          |          |                     |            |
| 8   | Trading assets   | 5                       |          |                                    |          |          |          |                     |            |
| 9   | Premises and fixed assets  | 6                       |          |                                    |          |          |          |                     |            |
| 10  | Other real estate owned  | 7                       |          |                                    |          |          |          |                     |            |
| 11  | Investments in unconsolidated subsidiaries                             | 8                       |          |                                    |          |          |          |                     |            |
| 12  | Customers' liability to this bank on acceptances outstanding           | 9                       |          |                                    |          |          |          |                     |            |
| 13  | Intangible assets  | 10                      |          |                                    |          |          |          |                     |            |
| 14  | Other assets   | 11                      |          |                                    |          |          |          |                     |            |
| 15  | Total Assets   | 12                      |          |                                    |          |          |          |                     |            |

WORKSHEET PART 2. CALCULATION OF GROSS RISK-WEIGHTED ASSETS (Continued) (See instructions following the Part 2 worksheet.)

Section 2. Off-Balance Sheet Transactions

| Row | Description of Schedule RC-L Items  | Transaction Information   |                               |                   |                          | Allocation by Risk Weight Category |          |          |          |
|-----|---|---------------------------|-------------------------------|-------------------|--------------------------|------------------------------------|----------|----------|----------|
|     |   | RC-L Item #               | Face Value or Notional Amount | Conversion Factor | Column A                 | Column B                           | Column C | Column D | Column E |
|     |   |                           |                               |                   | Credit Equivalent Amount | 0%                                 | 20%      | 50%      | 100%     |
| 16  | Financial standby letters of credit                                       | 2                         |                               | 100%              |                          |                                    |          |          |          |
| 17  | Performance standby letters of credit                                     | 3                         |                               | 50%               |                          |                                    |          |          |          |
| 18  | Commercial and similar letters of credit                                  | 4                         |                               | 20%               |                          |                                    |          |          |          |
| 19  | Risk participations in bankers acceptances acquired by the reporting bank | 6                         |                               | 100%              |                          |                                    |          |          |          |
| 20  | Securities lent   | 8                         |                               | 100%              |                          |                                    |          |          |          |
| 21  | Assets transferred with recourse  | 9.a.(1), b.(1), and c.(2) |                               | 100%              |                          |                                    |          |          |          |
| 22  | All other off-balance sheet liabilities                                   | 12                        |                               | 100%              |                          |                                    |          |          |          |
| 23  | Commitments with an original maturity exceeding one year                  | Memo 3                    |                               | 50%               |                          |                                    |          |          |          |
| 24  | Derivative contracts  | -                         |                               |                   |                          |                                    |          |          |          |

Totals

|    |  |      |       |       |        |
|----|--|------|-------|-------|--------|
| 25 | Total Assets and Off-Balance Sheet Transactions by Risk Weight Category                        |      |       |       |        |
| 26 | Risk Weight Factor   | x 0% | x 20% | x 50% | x 100% |
| 27 | Gross Risk Weighted Assets by Category   | 0    |       |       |        |
| 28 | "Gross" Risk-Weighted Assets excluding assets that are deducted (include on line 28 of Part 1) |      |       |       |        |

## INSTRUCTIONS FOR PART 2, CALCULATION OF RISK WEIGHTED ASSETS

General instructions have been provided below for each row of the worksheet to assist banks in allocating the balance sheet or credit equivalent amounts in Column A to the risk weight categories in Columns B through E and the other categories in Columns F and G. These instructions generally provide an appropriate allocation for most banks. In addition, banks should be aware that there are specific exceptions to the general instructions for risk weight categories. Some of the most common exceptions to the general instructions for risk weight categories have also been provided for certain assets and other bank transactions. For further information on allocating assets and off-balance sheet transactions to the proper risk weight category, banks should consult the Risk-Based Capital Guidelines.

In order to save time and reduce burden, a bank may decide not to determine every asset or off-balance sheet transaction that is accorded a lower risk weight than the maximum risk weight (i.e., 100% generally and 50% for derivative contracts). **Accordingly, at its option, a bank may risk-weight any asset or the credit equivalent amount of any off-balance sheet item (excluding nonqualifying intangibles and other amounts deducted from regulatory capital) at a higher risk weight than the risk weight that would otherwise apply to the asset or credit equivalent amount, e.g., at the maximum risk weight.**

Columns F and G should include the amount of the balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column F should include assets that are deducted from capital such as goodwill, excess net deferred tax assets, excess mortgage servicing assets, reciprocal holdings of bank capital instruments, and any other assets that must be deducted in accordance with the requirements of a bank's primary federal supervisory authority. Column G should include items that are excluded from the calculation of risk weighted assets such as the allowance for loan and lease losses and certain on-balance sheet asset amounts associated with off-balance sheet derivative contracts that are included in the calculation of their credit equivalent amounts. Columns B through G in each row should equal the total asset or credit equivalent amount of off-balance sheet transactions reported in Column A.

Section 1 of this schedule includes separate line items for assets in balance sheet order. Include in Column A, the amounts for the applicable line items on Schedule RC, Balance Sheet. Section 2 of this schedule includes off-balance-sheet transactions. Include in the Column labelled "Face Value or Notional Amount" the amounts for the applicable line items as reported on Schedule RC-L, Off-Balance Sheet Items. Include in Column A, the credit-equivalent amount of the Face Value or Notional Amount. The credit equivalent amount for most transactions is determined by multiplying the Face Value or Notional Amount by its applicable conversion factor. The credit equivalent amount should be determined prior to assigning an appropriate risk-weight category and should be allocated to Columns B through E, according to the risk category assigned to each transaction, in accordance with the Risk-Based Capital Guidelines.

The following are some of the most common exceptions to the risk weight category assignments that are described below in the general instructions for each row. These exceptions enable a bank, **at its option**, to assign assets and off-balance sheet items to lower risk weight categories than under the general instructions for each row.

- 0% column:**
- o All claims (defined broadly to include securities, loans, and leases) that are direct claims on, or the portion of claims that are directly and unconditionally guaranteed by, OECD central governments or U.S. government agencies
  - o For national and state member banks, claims that are collateralized by cash on deposit in the bank or by securities issued or guaranteed by OECD central governments or U.S. government agencies (refer to the risk based capital guidelines for specific criteria).



- 20% column:**
- o The portion of claims that are conditionally guaranteed by OECD central governments or U.S. Government agencies
  - o The portion of claims that are collateralized by cash on deposit in the bank or by securities issued or guaranteed by OECD central governments or U.S. government agencies that are not included in zero percent column
  - o The portion of local currency securities that are conditionally guaranteed by non-OECD central governments (to the extent that the bank has liabilities booked in that currency)
  - o General obligation claims on, or portions of claims guaranteed by the full faith and credit of, states or other political subdivisions of the U.S.
  - o Claims on, and the portions of claims guaranteed by, multilateral lending institutions or regional development banks in which the U.S. government is a shareholder or contributing member.

**NOTE:** These instructions contain several references to the OECD, i.e., the Organization for Economic Cooperation and Development. The following countries are members of the OECD: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, the Federal Republic of Germany, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. In addition, Saudi Arabia should be treated as an OECD country. All other countries should be treated as non-OECD countries.

### **Section 1. Balance Sheet Assets**

#### **Row 1. Cash and balances due from depository institutions (Noninterest-bearing balances and currency and coin and Interest bearing balances).**

**0% column:** For 034 filers: RC-M, item 3.b, plus the portion of RC, item 1.a, that represents Balances due from Federal Reserve Banks

For 031, 032, and 033 filers: RC-A, item 1.b, and RC-A, item 4

**100% column:** Claims on non-OECD depository institutions with remaining maturities of over one year, all non-local currency claims on non-OECD central banks, and local currency claims on non-OECD central banks that exceed the local currency liability held by the bank

**20% column:** Worksheet Row 1, Column A, minus the amount allocated to the other columns

#### **Row 2. Held-to-maturity securities.**

**0% column:** RC-B, Column A, items 1, 2.a, 4.a.(1), and the portion of 4.b.(1) that represents GNMA securities.

**20% column:** RC-B, Column A, items 2.b, 3.a, 4.a.(2), 4.b.(1)[excluding the GNMA portion], and 4.b.(2), but excluding any interest-only strips, principal-only strips, residuals, subordinated classes, and similar instruments, which are assigned a 100% risk weight.

**50% column:** RC-B, Column A, items 3.b, 4.a.(3), and 4.b.(3), but excluding any interest-only strips, principal-only strips, residuals, subordinated classes, and similar instruments, which are assigned a 100% risk weight.

**100% column:** Worksheet Row 2, Column A, minus the amounts allocated to the other columns.

**Row 3. Available-for-sale securities.** Although available-for-sale debt securities are *reported at fair value*, they are generally treated for *regulatory capital purposes on an amortized cost basis*. When available-for-sale equity securities with readily determinable fair values have a net unrealized loss, they are measured at fair value for risk-based capital

purposes. When such equity securities have a net unrealized gain, they are measured at cost plus the portion of the unrealized gain (up to 45%) included in Tier 2 capital (from Worksheet Part 1, line 26).

- 0% column:** RC-B, Column C, items 1, 2.a, 4.a.(1), the portion of 4.b.(1) that represents GNMA securities, and the portion of 6.b that represents Federal Reserve Bank stock.
- 20% column:** RC-B, Column C, items 2.b, 3.a, 4.a.(2), 4.b.(1)[excluding the GNMA portion], 4.b.(2), and the portion of 6.b that represents Federal Home Loan Bank stock, but excluding any interest-only strips, principal-only strips, residuals, subordinated classes, and similar instruments, which are assigned a 100% risk weight.
- 50% column:** RC-B, Column C, items 3.b, 4.a.(3), and 4.b.(3), but excluding any interest-only strips, principal-only strips, residuals, subordinated classes, and similar instruments, which are assigned a 100% risk weight.

**Capital exclusions (column G):** Include the difference between the fair value and amortized cost of available-for-sale debt securities (RC-B, items 1 through 5, Column D minus C) (when fair value exceeds cost, report the difference as a positive number; when cost exceeds fair value, report the difference as a negative number). If available-for-sale equity securities with readily determinable fair values have a net unrealized gain, include the portion of the unrealized gain (55% or more) not included in Tier 2 capital (i.e., from Worksheet Part 1, line 25 minus line 26). For low level recourse transactions in which on-balance sheet assets reported as securities act as credit enhancements, include these securities in this column and treat the transactions as assets transferred with recourse in Worksheet Row 21.

**100% column:** Worksheet Row 3, Column A, minus the amounts allocated to the other columns. Generally, this would equal the sum of RC-B, items 3.c and 5, Column C; RC-B, item 6.a, Column D, less Worksheet Part 1, line 25 minus line 26; and RC-B, item 6.b, Column C [excluding Federal Reserve and Federal Home Loan Bank stock].

**Row 4. Federal funds sold and securities purchased under agreements to resell.**

- 100% column:** Claims on non-depository institution counterparties that lack qualifying collateral (refer to the risk based capital guidelines for specific criteria) and claims on non-OECD depository institutions with maturities of over one year.
- 20% column:** Worksheet Row 4, Column A, minus the amounts allocated to the other columns.

**Row 5. Loans and leases, net of unearned income.**

- 0% column:** Include the guaranteed portion of SBA loans purchased in the secondary market included in RC-C, items 3 and 4.
- 20% column:** RC-C, items 2 and 5, plus the guaranteed portion of FHA and VA mortgage loans included in RC-C, item 1.c.(2)(a), the guaranteed portion of SBA loans originated and held by the reporting bank included in RC-C, items 3 and 4, and the portion of student loans reinsured by the U.S. Department of Education included in RC-C, item 6.b.
- 50% column:** Include the portion of loans included in RC-C, items 1.c.(2)(a) and 1.d that are prudently underwritten, fully secured by first liens on 1-4 family or multifamily residential properties, are not 90 days or more past due or in nonaccrual status, and meet other requirements specified in the risk-based capital guidelines.

**Capital exclusions (column G):** For low level recourse transactions in which on-balance sheet assets reported as loans act as credit enhancements, include these loans in this column and treat the transactions as assets transferred with recourse in Worksheet Row 21.

**100% column:** Worksheet Row 5, Column A, minus the amounts allocated to the other columns.

**Row 6, Allowance for loan and lease losses.** Include the entire balance in the **capital exclusions column (column G)**. Reflect this amount as a **negative** value.

**Row 7, Allocated transfer risk reserve.** Include the entire balance in the **capital exclusions column (column G)**. Reflect this amount as a **negative** value.

**Row 8, Trading assets.** Consult the risk-based capital guidelines for guidance on allocating the balance.

However, if the bank prepares schedule RC-D:

**0% column:** RC-D, items 1, the portion of item 2 that is issued by U.S. government agencies, and the portion of items 4.a and 4.b that represents GNMA securities.

**20% column:** The portion of RC-D, item 2, that is issued by U.S. government-sponsored agencies, the portion of item 3 that represents general obligations issued by states and political subdivisions in the U.S., items 4.a and 4.b [excluding the GNMA portion], and the portion of item 9 that represents certificates of deposit and bankers acceptances.

**50% column:** The portion of RC-D, item 3, that represents revenue obligations issued by states and political subdivisions in the U.S. and item 4.c.

**Capital exclusions (column G):** The fair value of derivative contracts that are reported as trading assets that are also included in the credit equivalent amount of derivatives contracts reported in Row 24.

**100% column:** Worksheet Row 8, Column A, minus the amounts allocated to the other columns.

**Row 9, Premises and fixed assets.** Include the entire balance in the **100% column**.

**Row 10, Other real estate owned.** Include the entire balance in the **100% column**.

**Row 11, Investments in unconsolidated subsidiaries and associated companies.**

**Capital deductions (column F):** Include the amount of any investments in unconsolidated banking and finance subsidiaries and any other investments that are required to be deducted from total risk-based capital in accordance with the guidelines of the bank's primary supervisory agency.

**100% column:** Worksheet Row 11, Column A, minus the amounts allocated to the other columns.

**Row 12, Customers' liability to this bank on acceptances outstanding.**

**20% column:** Include the portion of RC-L, item 5, (not reported by 034 filers) that represents risk participations conveyed to other depository institutions in the bank's own acceptances that are outstanding.

**100% column:** Worksheet Row 12, Column A, minus the amounts allocated to the other columns.

**Row 13, Intangible assets.**

**Capital deductions (column F):** RC-M, items 6.b.(2) and 6.c, minus RC-M, item 6.e, plus any mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets disallowed for regulatory capital purposes.

**100% column:** Worksheet Row 13, Column A, minus the amounts allocated to the other columns.

**Row 14, Other Assets.**

**0% column:** Accrued interest receivable on assets included in the 0% risk weight column of rows 1 through 5, 8, and 12, and gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis.

**Capital deductions (column F):** RC-F, Memo item 1.

**Capital exclusions (column G):** Include the fair value of derivative contracts that are reported as other assets that are also included in the credit equivalent amount of derivatives contracts reported in Row 24. For low level recourse transactions in which on-balance sheet assets reported as "Other assets" act as credit enhancements, include these assets in this column and treat the transactions as assets transferred with recourse in Worksheet Row 21.

**100% column:** Worksheet Row 14, Column A, minus the amounts allocated to the other columns.

**Row 15, Total Assets.** For each of Columns A through G, include the sum of Rows 1 through 14. The sum of Columns B through G must equal the sum of Column A.

**Section 2. Off-Balance Sheet Transactions**

Summary of credit conversion factors: Direct credit substitutes (e.g., financial standby letters of credit (LOCs), risk participations, etc.) are converted at 100%, transaction-related contingencies (e.g., performance standby LOCs, unused commitments with an original maturity exceeding one year, etc.) are converted at 50%, and short-term, self-liquidating, trade-related contingencies (e.g., commercial LOCs) are converted at 20%.

**Row 16, Financial standby letters of credit.**

**20% column:** Include the credit equivalent amount (i.e., 100% of the face or notional amount) of the portion of RC-L, item 2.a, that has been conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less)

**100% column:** Worksheet Row 16, Column A, minus the amounts allocated to the other columns.

**Row 17, Performance standby letters of credit.**

**20% column:** Include the credit equivalent amount (i.e., 50% of the face or notional amount) of the portion of RC-L, item 3.a, that has been conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less)

**100% column:** Worksheet Row 17, Column A, minus the amounts allocated to the other columns.

**Row 18, Commercial and similar letters of credit.** Include the entire credit equivalent amount (i.e., 20% of the face or notional amount) in the **100% column**.

**Row 19, Risk Participations in acceptances acquired by the reporting bank.**

**20% column:** Include the credit equivalent amount (i.e., 100% of the face or notional amount) of the portion of RC-L, item 5, that represents the amount of participations in acceptances of other (accepting) banks

that the reporting bank has acquired and subsequently conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less)

**100% column:** Worksheet Row 19, Column A, minus the amounts allocated to the other columns.

**Row 20, Securities lent.**

**100% column:** Include the credit equivalent amount (i.e., 100% of the face or notional amount) of the portion of Worksheet Row 20, Column A, that represents claims on non-depository institution counterparties that lack qualifying collateral (refer to the risk based capital guidelines for specific criteria) and claims on non-OECD depository institutions with maturities of over one year

**20% column:** Worksheet Row 20, Column A, minus the amounts allocated to the other columns.

**Row 21, Assets transferred with recourse.**

**50% column:** Include the credit equivalent amount (i.e., 100% of the face or notional amount) of RC-L, item 9.a.(1).

**100% column:** Worksheet Row 21, Column A, minus the amounts allocated to the other columns.

**NOTE:** For low level recourse transactions, refer to the guidance in the instructions to Schedule RC-R to determine the credit equivalent amount to report in *Column A* and to allocate this amount to the other columns in accordance with the method the bank chooses to use for reporting low level recourse transactions.

**Row 22, All other off-balance sheet liabilities.** Refer to the Risk-based capital guidelines to allocate the credit equivalent amount (i.e., 100% of the face or notional amount) in *Column A* to ***Columns B through E***.

**Row 23, Unused commitments with an original maturity exceeding one year.**

**20% column:** Include the credit equivalent amount (i.e., 50% of the face or notional amount) of the portion of RC-L, Memo item 3.a, that has been conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for commitments with original maturities of one year or less) (Memo item 3.a is not reported by 034 filers; at a bank's option, such information can be obtained from the bank's records.)

**100% column:** Worksheet Row 23, Column A, minus the amounts allocated to the other columns.

**Row 24, Credit equivalent amount of derivative contracts.** The credit equivalent amount of an interest rate, foreign exchange, equity, commodity, or other derivative contract is the sum of the mark-to-market value of each contract (only if positive) and an estimate of the potential future credit exposure over the remaining life of each contract. The potential future credit exposure is estimated by multiplying the notional amount by a specific percentage. Bilateral netting agreements may also be considered. Refer to the Risk-based capital guidelines and the instructions to Schedule RC-R to calculate the credit equivalent amount to report in *Column A* and to allocate this credit equivalent amount to ***Columns B through D***.

**Row 25, Total Assets and Off-balance Sheet Transactions by Risk Weight Category.** For each of columns B through E, include the sum of Rows 15 through 24.

**Row 26, Risk Weight Factors.**

**Row 27, Gross Risk Weighted Assets by Category.** For each of columns B through E, multiply the amount in Row 25 by the risk weight factor in Row 26.

**Row 28. "Gross" Risk Weighted Assets excluding assets that are deducted.** Include the sum of Row 27, columns B through E.

### WORKSHEET PART 3.

| <u>Schedule</u>                                 | <u>Item #</u>   | <u>Amount</u> | <u>Item Name/Comments</u>   |
|---|---|---------------|---|
| <b>CALCULATION OF "AVERAGE TOTAL ASSETS"</b>    |   |               |   |
| 1. RC-K   | 7 (034)<br>9 (031, 032,<br>and 033)                               | _____         | Quarterly average for total assets  |
| 2.  | <b>Worksheet Part 1,<br/>Line 7 plus line 8<br/>minus line 19</b> | _____         | Intangible assets (other than mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets) that are deducted for regulatory capital purposes |
| 3.  | <b>Worksheet Part 1,<br/>line 18</b>                              | _____         | Total disallowed mortgage servicing assets, purchased credit card relationships, nonmortgage servicing assets, and deferred tax assets <sup>2</sup>                               |
| 4.  | <b>Line 1 minus<br/>lines 2 and 3</b>                             | _____         | <b>"Average total assets"</b> for the Tier 1 leverage ratio<br>(report in Schedule RC-R, item 3.f)  |
| <b>CALCULATION OF THE TIER 1 LEVERAGE RATIO</b> |   |               |   |
| 5.  | <b>Worksheet Part 1,<br/>line 20</b>                              | _____         | Tier 1 Capital  |
| 6.  | <b>Divide line 5 by line 4<br/>and multiply by 100</b>            | _____ %       | <b>Tier 1 Leverage Ratio</b>  |

---

<sup>2</sup> Worksheet Part 1, line 18, includes the amount of any other assets that must be deducted when determining Tier 1 capital in accordance with the requirements of a bank's primary federal supervisory authority.