CALL REPORT

INSTRUCTION BOOK UPDATE

MARCH 2016

FILING INSTRUCTIONS

NOTE: This instruction book update is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income* and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book.

Remove Pages	**Insert Pages**
i – v (3-15)	i – v (3-16)
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RI-19 – RI-20 (3-13)	RI-19 – RI-20 (3-16)
RI-29 – RI-32 (6-11, 6-12)	RI-29 – RI-32 (3-16)
RI-A-3 – RI-A-4 (9-12)	RI-A-3 – RI-A-4 (3-16)
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Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)

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GLOSSARY

GLOSSARY (cont.)

GLOSSARY (cont.)

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Cutoff dates for consolidation – All *branches* must be consolidated as of the report date. For purposes of consolidation, the date of the financial statements of a *subsidiary* should, to the extent practicable, match the report date of the parent bank, but in no case differ by more than 93 days from the report date.

REPORTING BY TYPE OF OFFICE (For banks with foreign offices)

Some information in the Call Report is to be reported by type of office (e.g., for domestic offices, for foreign offices, or for IBFs) as well as for the consolidated bank. Where information is called for by type of office, the information reported shall be the office component of the consolidated item unless otherwise specified in the line item instructions. That is, as a general rule, the office information shall be reported at the same level of consolidation as the fully consolidated statement, shall reflect only transactions with parties outside the scope of the consolidated bank, and shall exclude all transactions between offices of the consolidated bank as defined above.

PUBLICATION REQUIREMENTS FOR THE REPORT OF CONDITION

There are no federal requirements for a bank to publish the balance sheet of the Report of Condition in a newspaper. However, state-chartered banks should consult with their state banking authorities concerning the applicability of any state publication requirements.

RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the Call Report submitted by each reporting bank, including the optional narrative statement at the end of the Report of Condition, are available to the public from the federal bank supervisory agencies with the exception of any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," for report dates beginning June 30, 2009; Schedule RC-O, Memorandum items 6 through 9, 14, and 15, for certain assessment-related data for report dates beginning June 30, 2011; Schedule RC-O, Memorandum item 18, for two-year probability of default data for 1-4 family residential mortgage loans and consumer loans and leases for report dates beginning June 30, 2013; and Schedule RC-P, items 7.a and 7.b, for representation and warranty reserves for 1-4 family residential mortgages sold made to specified parties for report dates beginning June 30, 2012.

In addition, the amount reported in Schedule RC-F, item 6.f, "Prepaid deposit insurance assessments," for report dates from December 31, 2009, through March 31, 2013, will not be publicly disclosed on an individual bank basis. Information reported in Schedule RC-T, Fiduciary and Related Services, on the components of fiduciary and related services income (but not "Total gross fiduciary and related services income") and on fiduciary settlements, surcharges, and losses (Memorandum item 4), will not be publicly disclosed on an individual bank basis for periods prior to March 31, 2009. Data reported in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, in column A, "Past due 30 through 89 days and still accruing," and in all of Memorandum item 1, "Restructured loans and leases included in Schedule RC-N above," will not be publicly disclosed on an individual bank basis for periods prior to March 31, 2001.

All publicly available individual institution data are posted on the FFIEC's Central Data Repository (CDR) Public Data Distribution Web site (https://cdr.ffiec.gov/public/) as soon as the data have been submitted, placed in an accepted status, and prepared for publication in the CDR.

A reporting institution may request confidential treatment for some or all of the portions of the Call Report that will be made publicly available if the institution is of the opinion that disclosure of specific commercial or financial information in the report would likely cause substantial harm to its competitive position.
In certain limited circumstances, the reporting institution's primary federal supervisor may approve

confidential treatment of some or all of the items for which such treatment has been requested if the institution has clearly provided a compelling justification for the request. A request for confidential treatment must be submitted in writing prior to the submission of the report. The written request must identify the specific items for which confidential treatment is requested, provide justification for the confidential treatment requested for the identified items, and demonstrate the specific nature of the harm that would result from public release of the information. Merely stating that competitive harm would result is not sufficient. Information for which confidential treatment is requested may subsequently be released by the reporting institution's primary federal supervisor in accordance with the terms of 12 CFR 4.16 (OCC), 12 CFR 261.16 (Federal Reserve Board), 12 CFR 309.6 (FDIC), or as otherwise provided by law.

APPLICABILITY OF U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

For recognition and measurement purposes, the regulatory reporting requirements applicable to the Call Report shall conform to U.S. generally accepted accounting principles (GAAP) as set forth in the FASB's Accounting Standards Codification. Nevertheless, because the Call Report is an institution-level report, each institution (together with its consolidated subsidiaries) is considered an "accounting entity" for regulatory reporting purposes and normally must prepare its Call Report on a separate entity basis.

A bank or savings association that is a private company, as defined in U.S. GAAP (and discussed in the Glossary entry for "public business entity"), is permitted to use private company accounting alternatives issued by the FASB when preparing its Call Reports, except as provided in Section 37(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(a)) as described in the following sentence. If the banking agencies determine that a particular accounting principle within U.S. GAAP, including a private company accounting alternative, is inconsistent with the statutorily specified supervisory objectives, the banking agencies may prescribe an accounting principle for regulatory reporting purposes that is no less stringent than U.S. GAAP. In such a situation, an institution would not be permitted to use that particular private company accounting alternative or other accounting principle within U.S. GAAP for Call Report purposes. The banking agencies would provide appropriate notice if they were to disallow any such accounting alternative or accounting principle under the statutory process.

When reporting events and transactions not covered in principle by Call Report instructions or authoritative U.S. GAAP standards, institutions are encouraged to discuss the event or transaction with their primary federal bank supervisory agency. However, regardless of whether an institution discusses a reporting issue with its supervisory agency, when an institution's supervisory agency's interpretation of how U.S. GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the institution's interpretation, the supervisory agency may require the institution to reflect the event(s) or transaction(s) in its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

The Call Report instructions contain certain specific reporting guidance that falls within the range of acceptable practice under U.S. GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of U.S. GAAP may be issued. Current Call Report instructions providing such specific reporting guidance include the nonaccrual rules in the Glossary entry for "Nonaccrual Status," the treatment of impaired collateral dependent loans in the Glossary entry for "Loan Impairment," the Glossary entry for the "Allowance for Loan and Lease Losses" which references the 2006 Interagency Policy Statement on this subject, the separate entity method of accounting for income taxes of depository institution subsidiaries of holding companies in the Glossary entry for "Income Taxes," and the treatment of property dividends in the Glossary entry for "Dividends."

Certain provisions of AICPA Statement of Position (SOP) No. 92-3, “Accounting for Foreclosed Assets,” have been incorporated into the Glossary entry for “Foreclosed Assets,” which institutions must follow for Call Report purposes, even though SOP 92-3 was rescinded subsequent to the issuance of ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”). The application of these provisions of SOP 92-3 represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in Section 37(a) of the Federal Deposit Insurance Act.

There may be areas in which an institution wishes more technical detail on the application of accounting standards and procedures to the requirements of these instructions. Such information may often be found in the appropriate entries in the Glossary section of these instructions or, in more detail, in the U.S. GAAP standards. Selected sections of the U.S. GAAP standards are referenced in the instructions where appropriate. The accounting entries in the Glossary are intended to serve as an aid in specific reporting situations rather than as a comprehensive statement on accounting for depository institutions.

Subsequent Events

Subsequent events are events or transactions that occur after the Call Report balance sheet date, e.g., December 31, but before the Call Report is filed. Consistent with ASC Topic 855, Subsequent Events (formerly FASB Statement No. 165, “Subsequent Events”), an institution shall recognize in the Call Report the effects of all subsequent events (not addressed in other ASC Topics) that provide additional evidence about conditions that existed at the date of the Call Report balance sheet (Schedule RC), including the estimates inherent in the process of preparing the Call Report, e.g., a loss that has been incurred but not yet confirmed as of the Call Report balance sheet date.

ACCRUAL BASIS REPORTING

All banks, regardless of size, shall prepare all schedules of the Call Report on an accrual basis. However, banks may report particular accounts on a cash basis, except for the four listed below, if the results would not materially differ from those obtained using an accrual basis.

All banks *must* report the following on an accrual basis:

(1) Income from installment loans;
(2) Amortization of premiums paid on held-to-maturity and available-for-sale securities (see the Glossary entry for "premiums and discounts");
(3) Income taxes (see the Glossary entry for "income taxes"); and
(4) Depreciation on premises and fixed assets.

All banks shall establish and maintain an allowance for loan and lease losses at a level that is appropriate to cover estimated credit losses associated with its held-for-investment loan and lease portfolio. Accounting for loan and lease losses is discussed in more detail in the Glossary entries for "allowance for loan and lease losses" and “loan impairment.”

No interest or discount shall be accrued on any asset which must be carried in nonaccrual status. Refer to the Glossary entry for "nonaccrual status" for further information.

MISCELLANEOUS GENERAL INSTRUCTIONS

Rounding

For banks with total assets of less than $10 billion, all dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Items less than $500 will be reported as zero.

For banks with total assets of $10 billion or more, all dollar amounts may be reported in thousands, but each bank, at its option, may round the figures reported to the nearest million, with zeros reported in the thousands column. For banks exercising this option, amounts less than $500,000 will be reported as zero.

Rounding may result in details not adding to their stated totals. The only permissible differences between totals and the sums of their components are those attributable to the mechanics of rounding.

On the Report of Condition, Schedule RC, item 12, "Total assets," and Schedule RC, item 29, "Total liabilities and equity capital," which must be equal, must be derived.

Negative Entries

Except for the items listed below, negative entries are not appropriate on the Report of Condition and shall not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. The Report of Condition items for which negative entries may be made, if appropriate, are:

(1) Schedule RC:

- item 8, "Investments in unconsolidated subsidiaries and associated companies,"
- item 9, “Direct and indirect investments in real estate ventures,”
- item 26.a, "Retained earnings,"
- item 26.b, "Accumulated other comprehensive income,"
- item 26.c, “Other equity capital components,”
- item 27.a, “Total bank equity capital,” and
- item 28, “Total equity capital.”

(2) Schedule RC-C, items 10, 10.a, and 10.b, on "Lease financing receivables (net of unearned income)," and Memorandum item 13.b, on “Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter.”

(3) Schedule RC-P, items 5.a and 5.b, on “Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans.”

(4) Schedule RC-R:

- Part I, item 2, “Retained earnings,”
- Part I, item 3, “Accumulated other comprehensive income (AOCI),”
- Part I, items 9.a through 9.f, AOCI-related adjustments,
- Part I, items 10.a and 10.b, Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions,
- Part I, item 12, "Subtotal,"
- Part I, item 19, “Common equity tier 1 capital,”
- Part I, item 26, "Tier 1 capital,"

- Part I, items 35.a and 35.b, "Total capital,"
- Part I, item 38, "Other deductions from (additions to) assets for leverage ratio purposes,"
- Part I, items 41 through 44, Risk-based and Leverage capital ratios, and
- Part II, column B, "Adjustments to Totals Reported in Column A," for the asset categories in items 1 through 11.

When negative entries do occur in one or more of these items, they must be reported with a minus (-) sign rather than in parentheses.

On the Report of Income, negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported with a minus (-) sign.

Verification

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting materials should be cross-checked to corresponding items elsewhere in the reports. Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports.

Banks should retain workpapers and other records used in the preparation of these reports.

Transactions Occurring Near the End of a Reporting Period

Transactions between banks occurring near the end of a reporting period may not be reported by the parties to the transaction in such a manner as to cause the asset (or liability) either to disappear entirely from the Reports of Condition submitted for that report date or to appear on both of the submitted reports, regardless of the time zones in which the banks are located, the time zone in which the transaction took place, or the actual zone clock times at the effective moment of the transaction.

In the case of a transaction occurring in different reporting periods for the parties because of time zone differences, the parties may decide between themselves on the reporting period in which they will all, consistently, report the transaction as having occurred, so that in any given reporting period, the asset (or liability) transferred will appear somewhere and without duplication in the reports submitted by the parties to the transaction.

If, in such cases, the parties do not agree on the reporting period in which the transaction is to be treated as having occurred on the reports of all parties, i.e., if they do not agree on which party will reflect the asset (or liability) on its reports for these purposes, the transaction will be deemed to have occurred prior to midnight in the time zone of the buyer (or transferee) and must be reported accordingly by all parties to the transaction.

If, in fact, the parties, in their submitted reports, treat the transaction as having occurred in different reporting periods, the parties will be required to amend their submitted reports on the basis of the standard set forth in the preceding paragraph.

SEPARATE BRANCH REPORTS

Each U.S. bank with one or more branch offices located in a foreign country, Puerto Rico, or a U.S. territory or possession is required to submit a Foreign Branch Report of Condition (FFIEC 030) or an Abbreviated Foreign Branch Report of Condition (FFIEC 030S) for each foreign branch (except a foreign branch with total assets of less than $50 million, which is exempt) once a year as of December 31. However, a branch must report quarterly on the FFIEC 030 report if it has either $2 billion in total assets or $5 billion in commitments to purchase foreign currencies and U.S. dollar exchange as of the end of a calendar quarter. A foreign branch that does not meet either of the criteria to file quarterly, but has total assets in excess of $250 million, must file the FFIEC 030 report on an annual basis. A foreign branch that does not meet the criteria to file the FFIEC 030 report, but has total assets of $50 million or more (but less than or equal to $250 million), must file the abbreviated FFIEC 030S report on an annual basis.

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME

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. For purposes of these Consolidated Report of Income instructions, the FASB Accounting Standards Codification is referred to as "ASC."

SCHEDULE RI – INCOME STATEMENT

General Instructions

Report in accordance with these instructions all income and expense of the bank for the calendar year-to-date. Include adjustments of accruals and other accounting estimates made shortly after the end of a reporting period which relate to the income and expense of the reporting period.

A bank that began operating during the year-to-date reporting period should report in the appropriate items of Schedule RI all income earned and expenses incurred since commencing operations. The bank should report pre-opening income earned and expenses incurred from inception until the date operations commenced using one of the two methods described in the Glossary entry for "start-up activities."

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, report the income and expense of the acquired institution or business only after its acquisition. If the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), Schedule RI should only include amounts from the date of the institution's acquisition through the end of the year-to-date reporting period. If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the income and expense of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

Assets and Liabilities Accounted for under the Fair Value Option – Under U.S. generally accepted accounting principles (GAAP) (i.e., ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities"), ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives (formerly FASB Statement No. 155, "Accounting for Certain Hybrid Financial Instruments"), and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities (formerly FASB Statement No. 156, "Accounting for Servicing of Financial Assets")), the bank may elect to report certain assets and liabilities at fair value with changes in fair value recognized in earnings. This election is generally referred to as the fair value option. If the bank has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the interest income on these financial assets (except any that are in nonaccrual status) and the interest expense on these financial liabilities for the year-to-date in the appropriate interest income and interest expense items on Schedule RI, not as part of the reported change in fair value of these assets and liabilities for the year-to-date. The bank should measure the interest income or interest expense on a financial asset or liability to which the fair value option has been applied using either the contractual interest rate on the asset or liability or the effective yield method based on the amount at which the asset or liability was first recognized on the balance sheet. Although the use of the contractual interest rate is an acceptable method under GAAP, when a financial asset or liability has a significant premium or discount upon initial recognition, the measurement of interest income or interest expense under the effective yield method more accurately portrays the economic substance of the transaction. In addition, in some cases, GAAP requires a particular method of interest income recognition when the fair value option is elected. For example, when the fair value option has been applied to a beneficial interest in securitized financial assets within the scope of ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets"), interest income should be measured in accordance with this Subtopic. Similarly, when the fair value option has been applied to a purchased impaired loan or debt security accounted for under ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"), interest income on the loan or debt security should be measured in accordance with this Subtopic when accrual of income is appropriate. For further information, see the Glossary entry for "Purchased Impaired Loans and Debt Securities."

Revaluation adjustments, excluding amounts reported as interest income and interest expense, to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10.b, "Other intangible assets," and Schedule RC, item 20, "Other liabilities," respectively, and assets and liabilities reported in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value should be reported as "Other noninterest income" in Schedule RI, item 5.l.

Item Instructions

Item No. **Caption and Instructions**

1 **Interest income:**

1.a **Interest and fee income on loans.** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule RC-C, part I, items 1 through 9.

Deduct interest rebated to customers on loans paid before maturity from gross interest earned on loans; do *not* report as an expense.

Include as interest and fee income on loans:

(1) Interest on all assets reportable as loans extended directly, purchased from others, sold under agreements to repurchase, or pledged as collateral for any purpose.

(2) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for investment, all of which should be deferred and recognized over the life of the related loan as an adjustment of yield in accordance with ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases") as described in the Glossary entry for "loan fees." See exclusion (3) below.

(3) Loan commitment fees (net of direct loan origination costs) that must be deferred over the commitment period and recognized over the life of the related loan as an adjustment of yield under ASC Subtopic 310-20 as described in the Glossary entry for "loan fees."

Item No.	Caption and Instructions
7.b (cont.)	Exclude from expenses of premises and fixed assets: (1) Salaries and employee benefits (report such expenses for all officers and employees of the bank and its consolidated subsidiaries in Schedule RI, item 7.a, "Salaries and employee benefits"). (2) Interest on mortgages, liens, or other encumbrances on premises or equipment owned, including the portion of capital lease payments representing interest expense (report in Schedule RI, item 2.c, "Interest on trading liabilities and other borrowed money"). (3) All expenses associated with other real estate owned (report in Schedule RI, item 7.d, "Other noninterest expense"). (4) Gross rentals from other real estate owned and fees charged for the use of parking lots properly reported as other real estate owned, as well as safe deposit box rentals and rental fees applicable to operating leases for furniture and equipment rented to others (report in Schedule RI, item 5.l).
7.c.(1)	**Goodwill impairment losses.** Report any impairment losses recognized during the period on goodwill. Exclude goodwill impairment losses associated with discontinued operations (report such losses on a net-of-tax basis in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes"). An institution that meets the definition of a private company in U.S. generally accepted accounting principles and has elected the accounting alternative for the amortization of goodwill in ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill (formerly FASB Statement No. 142, “Goodwill and Other Intangible Assets”), as amended by Accounting Standards Update No. 2014-02, “Accounting for Goodwill,” should report the amortization expense of goodwill in this item. Exclude goodwill amortization expense associated with discontinued operations (report such expense on a net-of-tax basis in Schedule RI, item 11, “Extraordinary items and other adjustments, net of income taxes”). A private company that elects the accounting alternative for the subsequent measurement of goodwill should amortize each amortizable unit of goodwill on a straight-line basis over ten years (or less than ten years if the private company demonstrates that another useful life is more appropriate). Except when the private company accounting alternative described above has been elected, goodwill should not be amortized. However, regardless of whether goodwill is amortized, it must be tested for impairment as described in the Glossary entry for “goodwill.”

Item No.	Caption and Instructions
7.c.(2)	**Amortization expense and impairment losses for other intangible assets.** Report the amortization expense of and any impairment losses on "Other intangible assets" (as defined for Schedule RC, item 10.b). Under ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"), intangible assets that have indefinite useful lives should not be amortized, but must be tested at least annually for impairment. Intangible assets that have finite useful lives must be amortized over their useful lives and must be reviewed for impairment in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets"). Exclude the amortization expense of and any impairment losses on servicing assets, which should be netted against the servicing income reported in Schedule RI, item 5.f, "Net servicing fees," above.
7.d	**Other noninterest expense.** Report all operating expenses of the bank for the calendar year-to-date not required to be reported elsewhere in Schedule RI. Disclose in Schedule RI-E, items 2.a through 2.n, each component of other noninterest expense, and the dollar amount of such component, that is greater than $25,000 and exceeds 3 percent of the other noninterest expense reported in this item. If net gains have been reported in this item for a component of "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than $25,000 and exceeds 3 percent of "Other noninterest expense" and should be reported in Schedule RI-E, item 2. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) Preprinted captions have been provided in Schedule RI-E, items 2.a through 2.k, for reporting the following components of other noninterest expense if the component exceeds this disclosure threshold: data processing expenses; advertising and marketing expenses; directors' fees; printing, stationery, and supplies; postage; legal fees and expenses; FDIC

Memoranda

Item No. **Caption and Instructions**

7 **If the reporting institution has applied pushdown accounting this calendar year, report the date of the institution's acquisition.** Pushdown accounting is an acquired institution's establishment of a new accounting basis in its separate financial statements (including its Consolidated Reports of Condition and Income) when an acquirer obtains control of the acquired institution and the institution retains its separate corporate existence. Under ASU No. 2014-17, "Pushdown Accounting," which amended ASC Subtopic 805-50, Business Combinations–Related Issues, an acquired institution that retains its separate corporate existence may apply pushdown accounting upon a change-in-control event. A change-in-control event occurs when an acquirer obtains a controlling financial interest in the acquired institution. A controlling financial interest typically requires ownership of more than 50 percent of the voting rights in an acquired entity. For further information, see the "pushdown accounting" section of the Glossary entry for "business combinations."

If the reporting institution was acquired during the calendar year-to-date reporting period, has retained its separate corporate existence, and has elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income) in accordance with the "pushdown accounting" section of the Glossary entry for "business combinations," report the date (year, month, and day) as of which the acquisition took place. For example, an institution that was acquired as of the close of business June 1, 2016, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income) would report 20160601 in this Memorandum item for June 30, September 30, and December 31, 2016.

An acquired institution that has elected pushdown accounting also must report certain information on its loans and leases reported as held for investment in Schedule RC-C, Part I, Memorandum items 12.a through 12.d, each quarter after its acquisition date through the end of the calendar year of acquisition regardless of whether the institution still holds the loans and leases.

If the reporting institution has not been acquired during this calendar year or if the reporting institution has been acquired during this calendar year but it did not elect to apply pushdown accounting, the institution should report zeros (i.e., 00000000) for the date in this Memorandum item.

8 **Trading revenue (from cash instruments and derivative instruments).**

Memorandum items 8.a through 8.e are to be completed by banks that reported average trading assets (in Schedule RC-K, item 7) of $2 million or more for any quarter of the preceding calendar year. Memorandum items 8.f and 8.g are to be completed by banks with $100 billion or more in total assets that are required to complete Memorandum items 8.a through 8.e.

Report, in Memorandum items 8.a through 8.e, below, a breakdown of trading revenue that has been included in the body of the income statement in Schedule RI, item 5.c. For each of the five types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and derivative instruments. For purposes of Memorandum item 8, the reporting bank should determine the underlying risk exposure category in which to report the trading revenue from cash instruments and derivative instruments in the same manner that the bank makes this determination for other financial reporting purposes. The sum of Memorandum items 8.a through 8.e must equal Schedule RI, item 5.c.

Memoranda

Item No.	Caption and Instructions
8.a	**Interest rate exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as interest rate exposures. Interest rate exposures may arise from cash debt instruments (e.g., U.S. Treasury securities) and interest rate contracts. Interest rate contracts are those contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). Interest rate contracts include interest rate futures, single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors. Exclude trading revenue on contracts involving the exchange of foreign currencies (e.g., cross-currency swaps and currency options) that the reporting bank manages as foreign exchange exposures. Report such trading revenue in Memorandum item 8.b.
8.b	**Foreign exchange exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as foreign exchange exposures. Foreign exchange exposures may arise from cash instruments (e.g., debt securities) denominated in non-U.S. currencies and foreign exchange rate contracts. Foreign exchange rate contracts are those contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange rate contracts include cross-currency interest rate swaps where there is an exchange of principal, forward and spot foreign exchange contracts, and currency futures and currency options.
8.c	**Equity security and index exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as equity security or index exposures. Equity security or index exposures may arise from equity securities and equity security or index (i.e., equity derivative) contracts. Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.
8.d	**Commodity and other exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as commodity or other exposures. Commodity or other exposures may arise from commodities and commodity and other derivative contracts not reported as interest rate, foreign exchange, equity, or credit derivative contracts. Commodity and other contracts are contracts that have a return, or a portion of their return, linked to the price or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, equity, or credit derivative contracts.
8.e	**Credit exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as credit exposures. Credit exposures may arise from cash debt instruments (e.g., debt securities) and credit derivative contracts. In general, credit derivative contracts are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or “reference entity” to another party (the "guarantor"). Credit derivative contracts include credit default swaps, total return swaps, credit options, and other credit derivatives.

Memoranda

Item No. **Caption and Instructions**

8.f **Impact on trading revenue of changes in the creditworthiness of the bank's derivatives counterparties on the bank's derivative assets (included in Memorandum items 8.a through 8.e above).** Report in this item the amount included in the trading revenue reported in Schedule RI, Memorandum items 8.a through 8.e, above that resulted from changes during the calendar year-to-date in the bank's credit valuation adjustments (CVA). A CVA is the adjustment to the fair value of derivatives that accounts for possible nonperformance of the bank's derivatives counterparties. It is an estimate of the fair value of counterparty credit risk.

8.g **Impact on trading revenue of changes in the creditworthiness of the bank on the bank's derivative liabilities (included in Memorandum items 8.a through 8.e above).** Report in this item the amount included in the trading revenue reported in Schedule RI, Memorandum items 8.a through 8.e, above that resulted from changes during the calendar year-to-date in the bank's debit valuation adjustment (DVA). A DVA is the adjustment to the fair value of derivatives that accounts for possible nonperformance of the bank. It is an estimate of the fair value of the bank's own credit risk to its counterparties.

9 **Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account.** Report in the appropriate subitem the net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account, regardless of whether the credit derivative is designated as and qualifies as a hedging instrument under generally accepted accounting principles. Credit exposures held outside the trading account include, for example, nontrading assets (such as available-for-sale securities and loans held for investment) and unused lines of credit.

9.a **Net gains (losses) on credit derivatives held for trading.** Report the net gains (losses) recognized in earnings on credit derivatives held for trading (and reportable as trading assets or trading liabilities, as appropriate, in Schedule RC, item 5 or item 15, respectively) that economically hedge credit exposures held outside the trading account. The net gains (losses) on credit derivatives reported in this item will also have been included as trading revenue in Schedule RI, Memorandum item 8.e, "Credit exposures."

9.b **Net gains (losses) on credit derivatives held for purposes other than trading.** Report the net gains (losses) recognized in earnings on credit derivatives held for purposes other than trading (and reportable as other assets or other liabilities, as appropriate, in Schedule RC, item 11 or item 20, respectively) that economically hedge credit exposures held outside the trading account. Net gains (losses) on credit derivatives held for purposes other than trading should not be reported as trading revenue in Schedule RI, item 5.c.

10 **Credit losses on derivatives.**

Memorandum item 10 is applicable to all banks filing the FFIEC 031 report forms and to those banks filing the FFIEC 041 report forms that have $300 million or more in total assets.

Report the bank's year-to-date credit losses incurred on derivative contracts (as defined for Schedule RC-L, items 7 and 12), net of recoveries (e.g., net charge-offs). The amount reported in this item should include all credit losses recognized in the bank's income statement in any manner, e.g., as a charge against trading revenue. If the amount to be reported in this item represents year-to-date net recoveries, report this amount with a minus (-) sign.

Memoranda

Item No. **Caption and Instructions**

11 **Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?** Indicate in the boxes marked "YES" and "NO" whether the bank is, for federal income tax purposes, either an "S corporation" or a "qualifying subchapter S subsidiary," as defined in Internal Revenue Code Section 1361, as of the report date. In order to be an S corporation, the bank must have filed a valid election with the Internal Revenue Service and obtained the consent of all of its shareholders. An election for a bank to be a qualifying subchapter S subsidiary must have been made by a bank's parent holding company, which must also have made a valid election to be an S corporation. In addition, the bank (and its parent holding company, if applicable) must meet specific criteria for federal income tax purposes at all times during which the election remains in effect. These specific criteria include, for example, having no more than 100 qualifying shareholders and having only one class of stock outstanding.

NOTE: Memorandum item 12 is to be completed by banks that are required to complete Schedule RC-C, part I, Memorandum items 8.b and 8.c.

12 **Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties.** Report the amount of noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (i.e., interest income accrued and uncollected that has been added to principal) included in interest and fee income on loans secured by real estate in domestic offices (Schedule RI, item 1.a.(1)(a) on the FFIEC 031; item 1.a.(1) on the FFIEC 041).

Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).

13 **Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option.** Report in the appropriate subitem the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all assets and liabilities accounted for at fair value under a fair value option. If the amount to be reported is a net loss, report it with a minus (-) sign. Disclosure of such gains (losses) is also required by ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, "Fair Value Option for Financial Assets and Financial Liabilities," paragraphs 19 and C7(b)) and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities (formerly FASB Statement No. 156, "Accounting for Servicing of Financial Assets," paragraph 4(f)(1)(d)).

13.a **Net gains (losses) on assets.** Report the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all assets, including hybrid financial instruments and servicing assets, accounted for under a fair value option. This amount will reflect the reported interest included in total interest income in Schedule RI, item 1.h, and revaluation adjustments included in noninterest income in Schedule RI, items 5.c, 5.f, and 5.l. Exclude gains and losses for other items measured at fair value, such as items required to be measured at fair value.

Item No.	Caption and Instructions
5 (cont.)	Include in this item:

(1) The net decrease in equity capital that occurs when cash is distributed in lieu of fractional shares in a stock dividend.

(2) The net increase in equity capital when a stockholder who receives a fractional share from a stock dividend purchases the additional fraction necessary to make a whole share.

Exclude treasury stock transactions from this item (report such transactions in Schedule RI-A, item 6, below).

For banks opened since January 1 of the year-to-date reporting period, report opening (original) equity capital in this item. Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commenced operations should be reported in the Report of Income using one of the two following methods, consistent with the manner in which the bank reports pre-opening income and expenses for other financial reporting purposes:

(1) Pre-opening income and expenses for the entire period from the bank's inception until the date the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced; or

(2) Pre-opening income and expenses for the period from the bank's inception until the beginning of the calendar year in which the bank commenced operations should be included, along with the bank's opening (original) equity capital, in this item. The net amount of these pre-opening income and expenses should be identified and described in Schedule RI-E, item 7. Pre-opening income earned and expenses incurred during the calendar year in which the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced.

6 **Treasury stock transactions, net.** Report the change in the bank's total equity capital during the calendar year to date from the acquisition (without retirement) and resale or other disposal of the bank's own perpetual preferred stock or common stock, i.e., treasury stock transactions (see the Glossary entry for "treasury stock").

7 **Changes incident to business combinations, net.** If the reporting institution purchased another institution or business during the year-to-date reporting period, report the fair value of any perpetual preferred or common shares issued (less the direct cost of issuing the shares). Exclude the fair value of limited-life preferred stock issued in connection with purchase acquisitions. Refer to the Glossary entry for "business combinations" for further information on purchase acquisitions.

If the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), report in this item the initial increase or decrease in equity capital that results from the application of pushdown accounting, i.e., the difference between the institution's total equity capital as of the end of the previous calendar year and its restated equity capital after the pushdown adjusting entries have been recorded as of the acquisition date. For further information on pushdown accounting, refer to the Glossary entry for "business combinations."

Item No.	Caption and Instructions
7 (cont.)	If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report in this item the historical equity capital balances as of the end of the previous calendar year of the institution or other business that was combined with the reporting institution in the transaction. For further information on transactions between entities under common control, refer to the Glossary entry for "business combinations."
8	**LESS: Cash dividends declared on preferred stock.** Report all cash dividends declared on limited-life preferred and perpetual preferred stock during the calendar year-to-date, including dividends not payable until after the report date.

Do not include dividends declared during the previous calendar year but paid in the current period.

Refer to the Glossary entry for "dividends" for further information on cash dividends.

9 **LESS: Cash dividends declared on common stock.** Report all cash dividends declared on common stock during the calendar year-to-date, including dividends not payable until after the report date.

Do not include dividends declared during the previous calendar year but paid in the current period.

For further information on cash dividends, see the Glossary entry for "dividends."

10 **Other comprehensive income.** Report the institution's other comprehensive income, including reclassification adjustments, for the calendar year-to-date, net of applicable income taxes, if any. Reclassification adjustments are adjustments made to avoid double counting of items in comprehensive income that are presented as part of net income for the calendar year-to-date reporting period that also had been presented as part of other comprehensive income in that reporting period or earlier reporting periods. If the amount to be reported in this item represents a reduction in the institution's equity capital, report the amount with a minus (-) sign.

Items of other comprehensive income include:

(1) The change in net unrealized holding gains (losses) on the institution's available-for-sale securities.

(2) Unrealized holding gains (losses) that result from a debt security being transferred into the available-for-sale category from the held-to-maturity category.

(3) For a debt security transferred into the held-to-maturity category from the available-for-sale category, amortization of the unrealized holding gain (loss) on the security at the date of transfer. Consistent with ASC Subtopic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as amended), this unrealized holding gain (loss) should be amortized over the remaining life of the security as an adjustment of yield.

(4) The portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities, subsequent decreases (if not

SCHEDULE RI-B -- CHARGE-OFFS AND RECOVERIES ON LOANS AND LEASES AND CHANGES IN ALLOWANCE FOR LOAN AND LEASE LOSSES

Part I. Charge-offs and Recoveries on Loans and Leases

General Instructions

This part has two columns. In column A report loans and leases charged off against the allowance for loan and lease losses during the current calendar year-to-date. Also include in column A write-downs to fair value on loans (and leases) transferred to the held-for-sale account during the calendar year-to-date that occurred when (1) the reporting bank decided to sell loans that were not originated or otherwise acquired with the intent to sell and (2) the fair value of those loans had declined for any reason other than a change in the general market level of interest or foreign exchange rates. In column B report amounts recovered through the allowance for loan and lease losses during the calendar year-to-date on loans and leases previously charged off.

For those banks required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, include in column A loans and leases charged off against the allocated transfer risk reserve during the current calendar year-to-date. Include in column B amounts recovered through the allocated transfer risk reserve during the calendar year-to-date on loans and leases previously charged off against this reserve.

These instructions should be read in conjunction with the Glossary entries for "allowance for loan and lease losses" and "domicile."

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, include the charge-offs and recoveries of the acquired institution or other business only after its acquisition. Similarly, if the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), include only the charge-offs and recoveries from the date of the institution's acquisition through the end of the year-to-date reporting period. If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the charge-offs and recoveries of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

Item Instructions

Item No. **Caption and Instructions**

1 **Loans secured by real estate.** Report in the appropriate subitem and column loans secured by real estate (as defined for Schedule RC-C, part I, item 1) charged off and recovered.

1.a **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column construction, land development, and other land loans (as defined for Schedule RC-C, part I, item 1.a, column B) charged off and recovered.

Part I. (cont.)

Item No.	**Caption and Instructions**
1.a.(1)	**1-4 family residential construction loans.** Report in columns A and B, as appropriate, 1-4 family residential construction loans (as defined for Schedule RC-C, part I, item 1.a.(1), column B) charged off and recovered.
1.a.(2)	**Other construction loans and all land development and other land loans.** Report in columns A and B, as appropriate, other construction loans and all land development and other land loans (as defined for Schedule RC-C, part I, item 1.a.(2), column B) charged off and recovered.
1.b	**Secured by farmland (in domestic offices).** Report in columns A and B, as appropriate, loans secured by farmland (as defined for Schedule RC-C, part I, item 1.b, column B) charged off and recovered.
1.c	**Secured by 1-4 family residential properties (in domestic offices).** Report in the appropriate subitem and column loans secured by 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c, column B) charged off and recovered.
1.c.(1)	**Revolving, open-end loans secured 1-4 family residential properties and extended under lines of credit.** Report in columns A and B, as appropriate, loans secured by revolving, open-end loans secured by 1-4 family residential properties and extended under line of credit (as defined for Schedule RC-C, part I, item 1.c.(1), column B) charged-off and recovered.
1.c.(2)	**Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem and column closed-end loans secured by 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c.(2), column B) charged-off and recovered.
1.c.(2)(a)	**Secured by first liens.** Report in columns A and B, as appropriate, closed-end loans secured by first liens on 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c.(2)(a), column B) charged-off and recovered.
1.c.(2)(b)	**Secured by junior liens.** Report in columns A and B, as appropriate, closed-end loans secured by junior liens on 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c.(2)(b), column B) charged-off and recovered. Include loans secured by junior liens in this item even if the bank also holds a loan secured by a first lien on the same 1-4 family residential property and there are no intervening junior liens.
1.d	**Secured by multifamily (5 or more) residential properties (in domestic offices).** Report in columns A and B, as appropriate, loans secured by multifamily (5 or more) residential properties (as defined for Schedule RC-C, part I, item 1.d, column B) charged-off and recovered.
1.e	**Secured by nonfarm nonresidential properties (in domestic offices).** Report in the appropriate subitem and column loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e, column B) charged off and recovered.
1.e.(1)	**Loans secured by owner-occupied nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e.(1), column B) charged off and recovered.

Part I. (cont.)

Item No. Caption and Instructions

1.e.(2) **Loans secured by other nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e.(2), column B) charged off and recovered.

NOTE: Item 1.f is applicable only to banks filing the FFIEC 031 report form.

1.f **In foreign offices.** Report in columns A and B, as appropriate, loans secured by real estate (as defined for Schedule RC-C, part I, item 1) in foreign offices charged-off and recovered.

2 **Loans to depository institutions and acceptances of other banks.** Report in columns A and B, as appropriate, loans to depository institutions and acceptances of other banks (as defined for Schedule RC-C, part I, item 2) charged-off and recovered.

NOTE: Items 2.a, 2.b, and 3 are applicable only to banks filing the FFIEC 031 report form.

2.a **To U.S. banks and other U.S. depository institutions.** Report in columns A and B, as appropriate, loans to and acceptances of U.S. banks and other U.S. depository institutions (as defined for Schedule RC-C, part 1, items 2.a.(2), 2.b, and 2.c.(1), column A) charged-off and recovered.

2.b **To foreign banks.** Report in columns A and B, as appropriate, loans to and acceptances of foreign banks (as defined for Schedule RC-C, part I, items 2.a.(1) and 2.c.(2), column A) charged-off and recovered.

3 **Loans to finance agricultural production and other loans to farmers.** Report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column A) charged-off and recovered.

4 **Commercial and industrial loans.** Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule RC-C, part I, item 4) charged-off and recovered.

NOTE: Items 4.a and 4.b are applicable only to banks filing the FFIEC 031 report form.

4.a **To U.S. addressees (domicile).** Report in columns A and B, as appropriate, commercial and industrial loans to U.S. addressees (as defined for Schedule RC-C, part I, item 4.a, column A) charged-off and recovered.

4.b **To non-U.S. addressees.** Report in columns A and B, as appropriate, commercial and industrial loans to non-U.S. addressees (as defined for Schedule RC-C, part I, item 4.b, column A) charged-off and recovered.

5 **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) charged-off and recovered.

5.a **Credit cards.** Report in columns A and B, as appropriate, all extensions of credit under credit cards (as defined for Schedule RC-C, part I, items 6.a) charged-off and recovered.

Part I. (cont.)

Item No.	Caption and Instructions
5.b	**Automobile loans.** Report in columns A and B, as appropriate, all loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (as defined for Schedule RC-C, part I, item 6.c) charged-off and recovered.
5.c	**Other (includes revolving credit plans other than credit cards and other consumer loans).** Report in columns A and B, as appropriate, all other extensions of credit to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, items 6.b and 6.d) charged-off and recovered.
6	**Loans to foreign governments and official institutions.** Report in columns A and B, as appropriate, loans to foreign governments and official institutions (as defined for Schedule RC-C, part I, item 7) charged-off and recovered.
7	**All other loans.** On the FFIEC 041, report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers, obligations (other than securities and leases) of states and political subdivisions in the U.S., and loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, part I, items 3, 8, and 9) charged-off and recovered. On the FFIEC 031, report in columns A and B, as appropriate, obligations (other than securities and leases) of states and political subdivisions in the U.S. and loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, part I, items 8 and 9) charged-off and recovered.
8	**Lease financing receivables.** Report in columns A and B, as appropriate, all lease financing receivables (as defined for Schedule RC-C, part I, item 10) charged-off and recovered.

NOTE: Items 8.a and 8.b are applicable only to banks filing the FFIEC 031 report form.

Item No.	Caption and Instructions
8.a	**Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, all leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 10.a, column A) charged-off and recovered.
8.b	**All other leases.** Report in columns A and B, as appropriate, all other leases (as defined for Schedule RC-C, part I, item 10.b, column A) charged-off and recovered.
9	**Total.** Report in columns A and B the sum of item 1 through 8. The amount reported in column A must equal Schedule RI-B, part II, item 3, “Charge-offs,” below. The amount reported in column B must equal Schedule RI-B, part II, item 2, “Recoveries,” below.

Part I. (cont.)

Memoranda

FFIEC 041
Item No. **Caption and Instructions**

3 **Loans to finance agricultural production and other loans to farmers.**

Memorandum item 3 is to be completed by:
- banks with $300 million or more in total assets, and
- banks with less than $300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3, column B) exceeding five percent of total loans, net of unearned income.

Report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column B) charged off and recovered. Such loans will have been included in Schedule RI-B, part I, item 7, above.

NOTE: Memorandum item 4 is to be completed only by those banks that:

(1) either individually or on a combined basis with their affiliated depository institutions, report outstanding credit card receivables that exceed, in the aggregate, $500 million as of the report date. Outstanding credit card receivables are the sum of:
  (a) Schedule RC-C, part I, item 6.a (column B on the FFIEC 041, column A on the FFIEC 031);
  (b) Schedule RC-S, item 1, column C; and
  (c) Schedule RC-S, item 6.a, column C.

  (Include comparable data on managed credit card receivables for any affiliated savings association.)

  OR

(2) are credit card specialty banks as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty banks are currently defined as those banks that exceed 50% for the following two criteria:
  (a) Credit Cards plus Securitized and Sold Credit Cards divided by Total Loans plus Securitized and Sold Credit Cards.
  (b) Total Loans plus Securitized and Sold Credit Cards divided by Total Assets plus Securitized and Sold Credit Cards.

FFIEC 031 and 041
Item No. **Caption and Instructions**

4 **Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for loan and lease losses).**
Report the amount of fees and finance charges on credit cards (as defined for Schedule RC-C, part I, item 6.a) that the bank reversed against either interest and fee income or a separate contra-asset account during the calendar year-to-date. Report the amount of fees and finance charges that have been reversed on a gross basis, i.e., do not reduce the amount of reversed fees and finance charges by recoveries of these reversed fees and finance charges. Exclude from this item credit card fees and finance charges reported as charge-offs against the allowance for loan and lease losses in Schedule RI-B, part I, item 5.a, column A.

Part II. Changes In Allowance for Loan and Lease Losses

General Instructions

Report the reconcilement of the allowance for loan and lease losses on a calendar year-to-date basis. For those banks required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, the reconcilement should include the activity in the allocated transfer risk reserve during the calendar year-to-date that relates to loans and leases.

Exclude the balances of the allowance for credit losses on off-balance sheet credit exposures reported in Schedule RC-G, item 3, and any capital reserves included in Schedule RC, item 26.a, "Retained earnings," and the effects of any transactions therein.

Refer to the Glossary entry for "allowance for loan and lease losses" for further information.

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, include the recoveries, charge-offs, and provisions of the acquired institution or other business only after its acquisition. Under ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), “Business Combinations”), the acquired loans and leases must be measured at their acquisition-date fair values. Therefore, the reporting institution may not carry over the allowance for loan and lease losses of the acquired institution or other business as of the acquisition date.

Similarly, if the reporting institution was acquired in a transaction that became effective during the year-to-date reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), include only the recoveries, charge-offs, and provisions from the date of the institution's acquisition through the end of the year-to-date reporting period. When applying pushdown accounting, the reporting institution’s loans and leases must be restated to their acquisition-date fair values and the institution may not carry over its allowance for loan and lease losses as of the acquisition date. As a consequence, the amount reported in Schedule RI-B, part II, item 1, for the balance of the allowance for loan and lease losses most recently reported for the end of the previous calendar year must be reported as a negative in Schedule RI-B, part II, item 6, "Adjustments."

If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the recoveries, charge-offs, and provisions of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. Report the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the institution or other business that combined with the reporting institution in the common control transaction in Schedule RI-B, part II, item 6, "Adjustments."

For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

Item Instructions

Item No. **Caption and Instructions**

1 **Balance most recently reported in the December 31, 20xx, Reports of Condition and Income.** Report the balance of the bank's allowance for loan and lease losses as reported in the Reports of Condition and Income for the previous calendar year-end after the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end.

Part II. (cont.)

Item No.	Caption and Instructions
2	**Recoveries.** Report the amount credited to the allowance for loan and lease losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for loan and lease losses. The amount reported in this item must equal Schedule RI-B, part I, item 9, column B.
3	**LESS: Charge-offs.** Report the amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date. The amount reported in this item must equal Schedule RI-B, part I, item 9, column A, "Total" charge-offs, less Schedule RI-B, part II, item 4, “LESS: Write-downs arising from transfers of loans to a held-for-sale account.”
4	**LESS: Write-downs arising from transfers of loans to a held-for-sale account.** Report the amount of write-downs to fair value charged against the allowance for loan and lease losses resulting from transfers of loans and leases to a held-for-sale account during the calendar year-to-date that occurred when: • the reporting bank decided to sell loans and leases that were not originated or otherwise acquired with the intent to sell, and • the fair value of those loans and leases had declined for any reason other than a change in the general market level of interest or foreign exchange rates.
5	**Provision for loan and lease losses.** Report the amount expensed as the provision for loan and losses during the calendar year-to-date. The provision for loan and lease losses represents the amount needed to make the allowance for loan and lease losses adequate to absorb estimated loan and lease losses, based upon management's evaluation of the bank's current loan and lease exposures. The amount reported in this item must equal Schedule RI, item 4. If the amount reported in this item is negative, report it with a minus (-) sign.
6	**Adjustments.** If the reporting institution was acquired in a transaction that became effective during the year-to-date reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), report in this item as a negative the balance of the allowance for loan and lease losses most recently reported for the end of the previous calendar year, as reported in Schedule RI-B, part II, item 1, above. If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report in this item the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the institution or other business that combined with the reporting institution in the common control transaction. For banks with foreign offices that file the FFIEC 031 report forms, report any increases or decreases resulting from the translation into dollars of any portions of the allowance for loan and lease losses which are denominated in a foreign currency. If the amount reported in this item is negative, report it with a minus (-) sign. State the dollar amount of and describe each transaction included in this item in Schedule RI-E, Explanations, item 6.
7	**Balance end of current period.** Report the sum of items 1, 2, 5, and 6, less items 3 and 4. The amount reported in this item must equal Schedule RC, item 4.c, "Allowance for loan and lease losses.”

Part II. (cont.)

Memoranda

Item No. Caption and Instructions

1 **Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above.** Report the amount of any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank is required to establish and maintain that the bank has included in the end-of-period balance of the allowance for loan and lease losses reported in Schedule RI-B, part II, item 7, above, and in Schedule RC, item 4.c.

NOTE: Memorandum items 2 and 3 are to be completed only by those banks that:

(1) either individually or on a combined basis with their affiliated depository institutions, report outstanding credit card receivables that exceed, in the aggregate, $500 million as of the report date. Outstanding credit card receivables are the sum of:
   - (a) Schedule RC-C, part I, item 6.a (column B on the FFIEC 041, column A on the FFIEC 031);
   - (b) Schedule RC-S, item 1, column C; and
   - (c) Schedule RC-S, item 6.a, column C.

   (Include comparable data on managed credit card receivables for any affiliated savings association.)

   OR

(2) are credit card specialty banks as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty banks are currently defined as those banks that exceed 50% for the following two criteria:
   - (a) Credit Cards plus Securitized and Sold Credit Cards divided by Total Loans plus Securitized and Sold Credit Cards.
   - (b) Total Loans plus Securitized and Sold Credit Cards divided by Total Assets plus Securitized and Sold Credit Cards.

2 **Separate valuation allowance for uncollectible retail credit card fees and finance charges.** Report the amount of any valuation allowance or contra-asset account that the bank maintains separate from the allowance for loan and lease losses to account for uncollectible fees and finance charges on credit cards (as defined for Schedule RC-C, part I, item 6.a). This Memorandum item is only applicable to those banks that maintain an allowance or contra-asset account separate from the allowance for loan and lease losses. Do not include in this item the amount of any valuation allowance established for impairment in retained interests in accrued interest receivable related to securitized credit cards.

3 **Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges.** Report in this item the amount of the allowance for loan and lease losses that is attributable to outstanding fees and finance charges on credit cards (as defined for Schedule RC-C, part I, item 6.a). This amount is a component of the amount reported in Schedule RC, item 4.c, and Schedule RI-B, part II, item 7. Do not include in this item the amount of any valuation allowance established for impairment in retained interests in accrued interest receivable related to securitized credit cards.

Item No. **Caption and Instructions**

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; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting"), excluding those that represent direct and indirect investments in real estate ventures (which are to be reported in Schedule RC, item 9). The entities in which these investments have been made are collectively referred to as "investees." 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. Exclude real 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, and equity holdings that indirectly represent such real estate (report in Schedule RC-M, item 3, "Other real estate owned").

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.

Item No.	Caption and Instructions
9 (cont.)	Include as direct and indirect investments in real estate ventures:

(1) Any real estate originally acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes.

(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 ASC Subtopic 310-10, Receivables – Overall (formerly AICPA Practice Bulletin 1, Appendix, Exhibit I, "ADC Arrangements").

(3) Real estate originally 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 ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly 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 ASC Subtopic 360-20 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 ASC Subtopic 360-20.

(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; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting") that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. The entities in which these investments have been made are collectively referred to as "investees." 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 partnerships over which the bank does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the bank has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes.

Item No.	Caption and Instructions
10	**Intangible assets:**
10.a	**Goodwill.** Report the carrying amount of goodwill as adjusted for any impairment losses and, if the private company goodwill accounting alternative has been elected, the amortization of goodwill. Except when this accounting alternative has been elected, goodwill should not be amortized. However, regardless of whether goodwill is amortized, it must be tested for impairment as described in the Glossary entry for “goodwill.” See "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.
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 noninterest-bearing demand, 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. Include interest-bearing demand deposits.

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

Item No.	Caption and Instructions
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.

Item No.	Caption and Instructions

4.b **Other residential mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all 1-4 family residential mortgage-backed securities (MBS) other than pass-through securities that are not held for trading.

Other residential mortgage-backed securities include:

(1) All classes of collateralized mortgage obligations (CMOs) and real estate mortgage investments conduits (REMICs) backed by loans secured by 1-4 family residential properties.
(2) CMO and REMIC residuals and similar interests backed by loans secured by 1-4 family residential properties.
(3) Stripped 1-4 family residential mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).
(4) Commercial paper backed by loans secured by 1-4 family residential properties.
(5) All classes of mortgage-backed securities backed by loans secured by 1-4 family residential properties that are not owner-occupied and for which repayment will be derived from the rental income associated with the properties or from sales of the properties (such as single family rental mortgage-backed securities (SFR MBS)).

4.b.(1) **Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies that are backed by loans secured by 1-4 family residential properties. For purposes of these reports, include REMICs issued by the U.S. Department of Veterans Affairs (VA) that are backed by 1-4 family residential mortgages in this item.

U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

4.b.(2) **Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

4.b.(3) **All other residential MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by 1-4 family residential properties (or by securities collateralized by such loans), including single family rental (SFR) MBS, that have been issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral does not consist of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

Item No.	Caption and Instructions
4.c	**Commercial MBS.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage-backed securities issued by U.S. Government-sponsored agencies or by others that are not held for trading. In general, a commercial mortgage-backed security represents an interest in a pool of loans secured by properties other than 1-4 family residential properties.
4.c.(1)	**Commercial mortgage pass-through securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage pass-through securities. In general, a commercial mortgage pass-through security represents an undivided interest in a pool of loans secured by properties other than 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the mortgages in the pool.
4.c.(1)(a)	**Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.
4.c.(1)(b)	**Other pass-through securities.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.
4.c.(2)	**Other commercial mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties. Exclude commercial mortgage pass-through securities (report in Schedule RC-B, item 4.c.(1), above).
4.c.(2)(a)	**Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies. U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).
4.c.(2)(b)	**All other commercial MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.
5	**Asset-backed securities and structured financial products:**
5.a	**Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers. For banks with $1 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 5.a through 5.f.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

13 **Construction, land development, and other land loans (in domestic offices) with interest reserves.** Memorandum items 13.a and 13.b are to completed by banks that had construction, land development, and other land loans (in domestic offices) (as reported in Schedule RC-C, part I, item 1.a, column B) that exceeded 100 percent of total capital (as reported in Schedule RC-R, Part I, item 35.a) as of the previous December 31. For purposes of Memorandum items 13, 13.a, and 13.b, construction, land development, and other land loans (in domestic offices) are hereafter referred to as "construction loans."

When a bank enters into a loan agreement with a borrower on a construction loan, an interest reserve is often included in the amount of the loan commitment to the borrower and it allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. The interest is capitalized and added to the loan balance.

13.a **Amount of loans that provide for the use of interest reserves.** Report the amount of construction loans included in Schedule RC-C, part I, item 1.a, column B, for which the loan agreement with the borrower provides for the use of interest reserves.

If a construction loan included in Schedule RC-C, part I, item 1.a, column B, has been fully advanced or the funds budgeted for interest have been fully advanced, but the loan agreement provided for the use of interest reserves, continue to report the loan in this item even if the borrower is now paying interest from other sources of funds. Similarly, if a construction loan included in Schedule RC-C, part I, item 1.a, column B, has been renewed or extended, but the original loan agreement provided for the use of interest reserves, continue to report the loan in this item.

Include in this item new construction loans (as defined for and reported in Schedule RC-C, part I, item 1.a, column B) that have been granted for the purpose of paying interest on existing construction loans (in domestic offices) when the new construction loan is secured by the same real estate that secures the existing construction loan.

Exclude construction loans for which the loan agreement with the borrower does not provide for the use of interest reserves.

13.b **Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter.** Report the amount of interest advanced to borrowers on construction loans (as defined for Schedule RC-C, part I, item 1.a, column B) that has been capitalized into the borrowers' loan balances through the use of interest reserves (including interest advanced on new construction loans granted for the purpose of paying interest on existing construction loans when the loans are secured by the same real estate) and included in interest and fee income during the quarter on "All other loans secured by real estate" (Schedule RI, item 1.a.(1)(b), on the FFIEC 041; Schedule RI, item 1.a.(1)(a)(2) on the FFIEC 031). The amount of capitalized interest included in interest income during the quarter should be reduced by amounts reversed against interest during the quarter.

14 **Pledged loans and leases.** Report the amount of all loans and leases included in Schedule RC-C, part I, above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which

Part I. (cont.)

Memoranda

Item No.	**Caption and Instructions**
14 (cont.)	the loans and leases are pledged) or for any other purpose. Include loans and leases that have been transferred in transactions that are accounted for as secured borrowings with a pledge of collateral because they do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended). Also include loans and leases held for sale or investment by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amounts of which are also reported in Schedule RC-V, items 1.e and 1.f). In general, the pledging of loans and leases is the act of setting aside certain loans and leases to secure or collateralize bank transactions with the bank continuing to own the loans and leases unless the bank defaults on the transaction. When a bank is subject to a blanket lien arrangement or has otherwise pledged an entire portfolio of loans to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio of loans subject to the blanket lien in this item. Any loans within the portfolio that have been explicitly excluded or specifically released from the lien and that the bank has the right, without constraint, to repledge to another party should not be reported as pledged in this item. However, if any such loans have been repledged to another party, they should be reported in this item.

NOTE: Memorandum item 15 is to be completed for the December report only.

15	**Reverse mortgages (in domestic offices).** A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his or her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. The reverse mortgage market currently consists of two basic types of products: proprietary products designed and originated by financial institutions and a federally-insured product known as a Home Equity Conversion Mortgage (HECM). Report in the appropriate subitem the specified information about the bank's involvement with reverse mortgages (in domestic offices).
15.a	**Reverse mortgages outstanding that are held for investment.** Report in the appropriate subitem the amount of HECM and proprietary reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties." A loan is held for investment if the bank has the intent and ability to hold the loan for the foreseeable future or until maturity or payoff. Exclude reverse mortgages that are held for sale.
15.a.(1)	**Home Equity Conversion Mortgage (HECM) reverse mortgages.** Report the amount of HECM reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties."
15.a.(2)	**Proprietary reverse mortgages.** Report the amount of proprietary reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties."

SCHEDULE RC-K – QUARTERLY AVERAGES

General Instructions

Report for the items on this schedule the average of the balances as of the close of business for each day for the calendar quarter or an average of the balances as of the close of business on each Wednesday during the calendar quarter. For days that an office of the bank (or any of its consolidated subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), use the amount outstanding from the previous business day. An office is considered closed if there are no transactions posted to the general ledger as of that date.

If the reporting institution was the acquirer in a business combination accounted for under the acquisition method for which the acquisition date was during the calendar quarter, the quarterly averages for the reporting institution should include in the numerator:

- Dollar amounts for the reporting institution for each day (or each Wednesday) from the beginning of the quarter until the acquisition date and
- Dollar amounts for the reporting institution and the acquired institution or business for each day (or each Wednesday) from the acquisition date through the end of the quarter

and should include in the denominator the number of days (or Wednesdays) in the entire quarter.

If the reporting institution was acquired in a transaction that became effective during the calendar quarter, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including the Consolidated Reports of Condition and Income), the quarterly averages for the reporting institution should include only the dollar amounts for each day (or each Wednesday) from the acquisition date to the end of the quarter in the numerator and the number of days (or Wednesdays) from the acquisition date through the end of the quarter in the denominator.

If the reporting institution was involved in a transaction between entities under common control that became effective during the calendar quarter and has been accounted for in a manner similar to a pooling of interests, the quarterly averages for the reporting institution should include dollar amounts for both the reporting institution and the institution or business that was combined in the transaction for each day (or each Wednesday) from the beginning to the end of the quarter in the numerator and the number of days (or Wednesdays) in the entire quarter in the denominator.

For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

If the bank began operating during the calendar quarter, the quarterly averages for the bank should include only the dollar amounts for the days (or Wednesdays) since the bank began operating in the numerator and the number of days (or Wednesdays) since the bank began operating in the denominator.

For all banks, the loan categories specified in item 6 of this schedule correspond to the loan category definitions for Schedule RC-C, part I, Loans and Leases.

Item Instructions

Item No. **Caption and Instructions**

ASSETS

1 **Interest-bearing balances due from depository institutions.** Report the quarterly average for the fully consolidated bank's interest-bearing balances due from depository institutions (as defined for Schedule RC, item 1.b, "Interest-bearing balances").

Item No.	Caption and Instructions
2	**U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale U.S. Treasury and Government agency obligations (as defined for Schedule RC-B, items 1 and 2, columns A and C).
3	**Mortgage-backed securities.** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale mortgage-backed securities (as defined for Schedule RC-B, item 4, columns A and C).
4	**All other securities.** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale securities issued by states and political subdivisions in the U.S., asset-backed securities and structured financial products, and other debt securities (as defined for Schedule RC-B, items 3, 5, and 6, columns A and C) plus the quarterly average of the historical cost of investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 7, column C).
5	**Federal funds sold and securities purchased under agreements to resell.** Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).
6	**Loans:**

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	6.a	**Loans in domestic offices:**
6.a	6.a.(1)	**Total loans (in domestic offices).** Report the quarterly average for total loans, net of unearned income (as defined for Schedule RC-C, part I, items 1 through 9, less item 11, column B).
6.b	6.a.(2)	**Loans secured by real estate:**
6.b.(1)	6.a.(2)(a)	**Loans secured by 1-4 family residential properties.** Report the quarterly average for loans secured by 1-4 family residential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.c, column B). Exclude "*1-4 family residential construction loans*" (in domestic offices) (as defined for Schedule RC-C, part I, item 1.a.(1), column B).
6.b.(2)	6.a.(2)(b)	**All other loans secured by real estate.** Report the quarterly average for all construction, land development, and other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule RC-C, part I, items 1.a.(1), 1.a.(2), 1.b, 1.d, 1.e.(1), and 1.e.(2), column B). Exclude loans "*Secured by 1-4 family residential properties*" (in domestic offices) (as defined for Schedule RC-C, part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), column B).

Part I. (cont.)

Item No.	Caption and Instructions
38 (cont.)	AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be added back to total assets for leverage ratio purposes by reporting the amount as a positive number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a negative number in this item.

Institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:

Available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as deductions from (additions to) assets for leverage ratio purposes the amounts needed to adjust (i) the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on fair value, and (ii) the quarterly average for available-for-sale equity securities included in Schedule RC-K, item 9, from an average based on the lower of cost or fair value to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule RC-K, item 9.

Transition provisions for institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:

Include in this item 38 the amount of deductions from (additions to) assets for leverage ratio purposes for available-for-sale debt and equity securities and deferred tax effects as determined above reduced by the appropriate percentage in Table 1 in the instructions for Schedule RC-R, item 3.a. For example, in 2015, if the amount of these deductions (additions) is a $10,000 deduction, include $4,000 in this item 38 [$10,000 – ($10,000 x 60%) = $4,000].

Financial Subsidiaries:

If a financial subsidiary is not consolidated into the bank for purposes of the bank's balance sheet, include in this item 38 as a deduction from the bank's average total assets (as reported in Schedule RC-R, item 36) the quarterly average for the bank's ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank's average total assets reported in Schedule RC-K, item 9.

If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 38 as a deduction from the bank's average total assets (as reported in Schedule RC-R, item 36) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, item 37; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

Part I. (cont.)

Item No. **Caption and Instructions**

38 (cont.) ***Non-Includable Subsidiaries:***

A savings association with a non-includable subsidiary should include in this item 38 a deduction from average total assets (as reported in Schedule RC-R, item 36) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

39 **Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 36, less items 37 and 38.

Total Risk-Weighted Assets

40.a **Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31).

40.b **Advanced approaches institutions that exit parallel run only: Total risk-weighted assets using advanced approaches rule.** Report the amount from FFIEC 101, Schedule A, item 60.

Risk-Based Capital Ratios

41 **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: Divide Schedule RC-R, Part I, item 19 by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 19 by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

42 **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: Divide Schedule RC-R, Part I, item 26 by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 26 by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

43 **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: Divide Schedule RC-R, Part I, item 35.a by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 35.b by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

Part I. (cont.)

Item No. Caption and Instructions

Leverage Capital Ratios

44 **Tier 1 leverage ratio.** Report the institution's tier 1 leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 39.

45 **Advanced approaches institutions only: Supplementary leverage ratio.** The effective date for this item is to be determined. Report the supplementary leverage ratio, as calculated for purposes of the FFIEC 101, Schedule A, item 98. Advanced approaches institutions must complete this item even if they are in the parallel run process and have an additional time to file the FFIEC 101 report.

Capital Buffer

46 **Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments:**

For all institutions: Transition provisions for the capital conservation buffer: In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

The amount reported in Schedule RC-R, Part I, item 46.a must be greater than the following phased-in capital conservation buffer in Table 10 (plus any other applicable capital buffers if the institution is an advanced approaches institution). Otherwise, the institution will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule RC-R, Part I, items 47 and 48.

Table 10 – Transition provisions for the capital conservation buffer

Transition Period	Applicable required capital conservation buffer percentage above which institutions avoid limitations on distributions and certain discretionary bonus payments[7]
Calendar year 2016	0.6250
Calendar year 2017	1.2500
Calendar year 2018	1.8750
Calendar year 2019 and thereafter	2.5000

46.a **Capital conservation buffer.** Report the institution's capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of the following ratios:

[7] Advanced approaches institutions, including those that have not exited parallel run, will need to consult the regulatory capital rules for the transition period if the countercyclical buffer is in place or if the institution is subject to countercyclical buffers in other jurisdictions. Starting on the March 31, 2016, report date, any countercyclical buffer amount applicable to an advanced approaches institution should be added to the amount applicable in Table 10, in order for that institution to determine if it will need to complete Schedule RC-R, Part I, items 47 and 48.

Part I. (cont.)

Item No. Caption and Instructions

46.a (cont.) ***For all institutions, except advanced approaches institutions that exit parallel run:***

(1) Schedule RC-R, Part I, item 41, column A, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) Schedule RC-R, Part I, item 42, column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) Schedule RC-R, Part I, item 43, column A, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

For advanced approaches institutions that exit parallel run only:

(1) The lower of Schedule RC-R, Part I, item 41, column A and column B, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) The lower of Schedule RC-R, Part I, item 42, column A and column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) The lower of Schedule RC-R, Part I, item 43, column A and column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

46.b **Advanced approaches institutions that exit parallel run only: Total applicable capital buffer.** Report the total applicable capital buffer, as reported in FFIEC 101, Schedule A, item 64.

NOTE: Starting on the March 31, 2016, report date, institutions must complete Schedule RC-R, Part I, items 47 and 48, if the amount reported in Schedule RC-R, Part I, item 46.a, is less than or equal to the applicable required minimum capital conservation buffer described above in Table 10 in the instructions for Schedule RC-R, Part I, item 46 (plus any other applicable capital buffers if the institution is an advanced approaches institution).

47 **Eligible retained income.** Report the amount of eligible retained income as the net income attributable to the institution for the four calendar quarters preceding the current calendar quarter, based on the institution's most recent quarterly Call Report or Reports, as appropriate, net of any distributions and associated tax effects not already reflected in net income. (See the instructions for Schedule RC-R, Part I, item 48, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For example, the amount of eligible retained income to be reported in this item 47 for the March 31, 2016, report date would be based on the net income attributable to the institution for the four calendar quarters ending on December 31, 2015. This net income amount would equal the net income attributable to the institution most recently reported in Schedule RI, item 14, for December 31, 2015 (i.e., after adjustments for amended Reports of Income).

Part I. (cont.)

Item No. **Caption and Instructions**

47 (cont.) This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income; the resulting amount would be the eligible retained income to be reported in this item 47. Thus, if the institution had declared dividends on its common stock during each calendar quarter in 2015 and had no other distributions during 2015, the institution would reduce its net income amount by the total amount of the dividends declared in 2015 and report the resulting amount as its eligible net income in this item 47.

As an additional example, the amount of eligible retained income to be reported in this item 47 for the June 30, 2016, report date would be based on the net income attributable to the institution for the four calendar quarters ending on March 31, 2016. This net income amount would be calculated by:

(1) Subtracting the net income attributable to the institution most recently reported in Schedule RI, item 14, for March 31, 2015 (i.e., after adjustments for amended Reports of Income), from the net income attributable to the institution most recently reported in Schedule RI, item 14, for December 31, 2015 (i.e., after adjustments for amended Reports of Income), and
(2) Adding the result from (1) above to the net income attributable to the institution most recently reported in Schedule RI, item 14, for March 31, 2016 (i.e., after adjustments for amended Reports of Income).

This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution's common stock between April 1, 2015, and March 31, 2016); the resulting amount would be the eligible retained income to be reported in this item 47.

48 **Distributions and discretionary bonus payments during the quarter.** Report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

As defined in section 2 of the regulatory capital rules, "distribution" means:

(1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
   (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
   (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;
(2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;
(3) A dividend declaration or payment on any tier 1 capital instrument;
(4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or
(5) Any similar transaction that the institution's primary federal regulator determines to be in substance a distribution of capital.

Part I. (cont.)

Item No. **Caption and Instructions**

48 (cont.) As defined in section 2 of the regulatory capital rules, "discretionary bonus payment" means a payment made to an executive officer of an institution, where:

(1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;
(2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and
(3) The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, "executive officer" means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.

Part II. (cont.)

Item No. **Caption and Instructions**

3.a (cont.)

- Federal funds sold that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - o *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - o The portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by foreign central governments and exposures to foreign banks.

3.b **Securities purchased under agreements to resell.** Report in columns A and B the amount of securities purchased under agreements to resell (securities resale agreements, i.e., reverse repos) reported in Schedule RC, item 3.b, excluding those securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those securities resale agreements reported in Schedule RC, item 3.b, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A.

- Note: For purposes of risk weighting, please distribute on-balance sheet securities purchased under agreements to resell reported in Schedule RC, item 3.b, within the risk-weight categories in Schedule RC-R, Part II, item 16, “Repo-style transactions.” Banks should report their securities purchased under agreements to resell in item 16 in order for institutions to calculate their exposure, and thus risk-weighted assets, based on master netting set agreements covering repo-style transactions.

4 **Loans and leases held for sale.** Report in column A of the appropriate subitem the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, excluding those HFS loans and leases that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those HFS loans and leases reported in Schedule RC, item 4.a, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of the amounts reported in column A for items 4.a through 4.d of Schedule RC-R, Part II, plus the carrying value of HFS loans and leases that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.a.

Part II. (cont.)

Item No. Caption and Instructions

4.a **Residential mortgage exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*[11a] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- HFS loans secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- HFS loans secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d,

as these HFS loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

[11a] Statutory multifamily mortgage means a loan secured by a multifamily residential property that meets the requirements under Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, and that meets the following criteria:
(1) The loan is made in accordance with prudent underwriting standards;
(2) The principal amount of the loan at origination does not exceed 80 percent of the value of the property (or 75 percent of the value of the property if the loan is based on an interest rate that changes over the term of the loan) where the value of the property is the lower of the acquisition cost of the property or the appraised (or, if appropriate, evaluated) value of the property;
(3) All principal and interest payments on the loan must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan, or in the case where an existing owner is refinancing a loan on the property, all principal and interest payments on the loan being refinanced must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan;
(4) Amortization of principal and interest on the loan must occur over a period of not more than 30 years and the minimum original maturity for repayment of principal must not be less than 7 years;
(5) Annual net operating income (before making any payment on the loan) generated by the property securing the loan during its most recent fiscal year must not be less than 120 percent of the loan's current annual debt service (or 115 percent of current annual debt service if the loan is based on an interest rate that changes over the term of the loan) or, in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution; and
(6) The loan is not more than 90 days past due, or on nonaccrual.

A loan that meets the requirements of Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 is a loan:
(i) secured by a first lien on a residence consisting of more than 4 dwelling units;
(ii) under which
  (I) the rate of interest does not change over the term of the loan, (b) the principal obligation does not exceed 80 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 120 percent; or
  (II) the rate of interest changes over the term of the loan, (b) the principal obligation does not exceed 75 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment , 1 of any debt service on the loan) to annual debt service on the loan is not less than 115 percent;
(iii) under which
  (I) amortization of principal and interest occurs over a period of not more than 30 years;
  (II) the minimum maturity for repayment of principal is not less than 7 years; and
  (III) timely payment of all principal and interest, in accordance with the terms of the loan, occurs for a period of not less than 1 year; and
(iv) that meets any other underwriting characteristics that the appropriate Federal banking agency may establish, consistent with the purposes of the minimum acceptable capital requirements to maintain the safety and soundness of financial institutions.

Part II. (cont.)

Item No. Caption and Instructions

4.a (cont.) Exclude from this item:

- HFS loans secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- HFS 1-4 family residential construction loans reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.

These HFS loans should be reported in Schedule RC-R, Part II, item 4.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 4.d.

- *In column C–0% risk weight*, include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

  Notes:
  1. Refer to the definition of "residential mortgage exposure" in §.2 *of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in* §.32 *of the regulatory capital rules.*
  2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
  - *A property is owner-occupied or rented;*
  - *The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.*
  - *The loan is not 90 days or more past due or on nonaccrual;*
  - *The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury's HAMP).*
  - *If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.*

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Part II. (cont.)

Item No. Caption and Instructions

4.a (cont.)

3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
4. A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

- *In column I–100% risk weight*, include the carrying value of HFS loans that are *residential mortgage exposures* reported in Schedule RC, item 4.a, that are not included in columns C, G, H, or R. Include HFS loans that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Include HFS loans that are *residential mortgage exposures* that have been restructured or modified, except:
  - o Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
  - o The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS exposure reported in Schedule RC, item 4.a, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the carrying value of the portion of an HFS exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

Part II. (cont.)

Item No. Caption and Instructions

4.b **High volatility commercial real estate exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that are high volatility commercial real estate (HVCRE) exposures,[12] including HVCRE exposures that are 90 days or more past due or in nonaccrual status.

- *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE exposures collateralized by deposits at the reporting institution.

- *In column G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.a, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

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[12] HVCRE exposure means a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development, or construction (ADC) of real property, unless the facility finances:
(1) One- to four-family residential properties;
(2) Real property that:
  (i) would qualify as an investment in community development under 12 U.S.C. 338a or 12 U.S.C. 24 (Eleventh), as applicable, or as a ''qualified investment'' under [12 CFR part 25 (national bank), 12 CFR part 195 (federal savings association) (OCC); 12 CFR part 228 (Board); 12 CFR part 345 (FDIC)], and
  (ii) is not an ADC loan to any entity described in [12 CFR part 25.12(g)(3) (national banks) and 12 CFR 195.12(g)(3) (federal savings associations) (OCC); 12 CFR 208.22(a)(3) or 228.12(g)(3) (Board); 12 CFR 345.12(g)(3) (FDIC)], unless it is otherwise described in paragraph (1), (2)(i), (3) or (4) of this definition;
(3) The purchase or development of agricultural land, which includes all land known to be used or usable for agricultural purposes (such as crop and livestock production), provided that the valuation of the agricultural land is based on its value for agricultural purposes and the valuation does not take into consideration any potential use of the land for non-agricultural commercial development or residential development; or
(4) Commercial real estate projects in which:
  (i) the loan-to-value ratio is less than or equal to the applicable maximum supervisory loan-to-value ratio in the real estate lending standards at [12 CFR part 34, subpart D (national banks) and 12 CFR part 160, subparts A and B (federal savings associations) (OCC); 12 CFR part 208, appendix C (Board); 12 CFR part 365, subpart A (state nonmember banks) and 12 CFR 390.264 and 390.265 (state savings associations) (FDIC)];
  (ii) The borrower has contributed capital to the project in the form of cash or unencumbered readily marketable assets (or has paid development expenses out-of-pocket) of at least 15 percent of the real estate's appraised "as completed" value; and
  (iii) The borrower contributed the amount of capital required by paragraph (4)(ii) of this definition before the bank advances funds under the credit facility, and the capital contributed by the borrower, or internally generated by the project, is contractually required to remain in the project throughout the life of the project. The life of a project concludes only when the credit facility is converted to permanent financing or is sold or paid in full. Permanent financing may be provided by the bank that provided the ADC facility as long as the permanent financing is subject to the bank's underwriting criteria for long-term mortgage loans.

Part II. (cont.)

Item No. Caption and Instructions

4.d (cont.)

- *In column G–20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFS covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight,* include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the carrying value of HFS loans and leases reported in Schedule RC, item 4.a, that are not included in columns C through H, J, or R. This item would include 1-4 family construction loans reported in Schedule RC-C, Part I, item 1.a.(1) and loans secured by multifamily residential properties reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than $1 million. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS loans and leases, including HFS eligible margin loans, reported in Schedule RC, item 4.a, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - Include in column R the carrying value of the portion of such an HFS loan or lease that is secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively; however, the bank must apply the same approach for all eligible margin loans. In addition, if the bank applies the Simple Approach, it must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure that is secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

Part II. (cont.)

Item No. **Caption and Instructions**

4.d (cont.)

- All other HFS loans and leases that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II:*
  - The carrying value of other loans and leases held for sale reported in Schedule RC, item 4.a, that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above.

5 **Loans and leases, net of unearned income.** Report in column A of the appropriate subitem the carrying value of loans and leases, net of unearned income, reported in Schedule RC, item 4.b, excluding those loans and leases, net of unearned income, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those loans and leases, net of unearned income, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of the amounts reported in column A for items 5.a through 5.d of Schedule RC-R, Part II, plus the carrying value of loans and leases, net of unearned income, that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.b.

5.a **Residential mortgage exposures.** Report in column A the carrying value of loans, net of unearned income, reported in Schedule RC, item 4.b, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*[12a] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- Loans, net of unearned income, secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- Loans, net of unearned income, secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d,

as these loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

Exclude from this item:

- Loans, net of unearned income, secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- 1-4 family residential construction loans, net of unearned income, reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures,

These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 5.d.

- *In column C–0% risk weight*, include the portion of any exposure, net of unearned income, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a

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[12a] See the instructions for Schedule RC-R, Part II, item 4.a, above for the definition of statutory multifamily mortgage.

Part II. (cont.)

Item No. **Caption and Instructions**

5.a (cont.) guarantee that qualifies for the zero percent risk weight. This would include loans and leases, net of unearned income, collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans, net of unearned income, included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan, net of unearned income, which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans, net of unearned income, covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of loans, net of unearned income, secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans, net of unearned income, that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan, net of unearned income, which meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

  Notes:
  1. Refer to the definition of "residential mortgage exposure" in §.2 *of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in* §.32 *of the regulatory capital rules.*
  2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
  - *A property is owner-occupied or rented;*
  - *The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.*
  - *The loan is not 90 days or more past due or on nonaccrual;*
  - *The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury's HAMP).*
  - *If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.*

  3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
  4. A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

- *In column I–100% risk weight*, include the carrying value of loans, net of unearned income, related to residential mortgages exposures reported in Schedule RC, item 4.b, that are not included in columns C, G, H, or R. Include loans, net of unearned income, that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is

Part II. (cont.)

Item No. Caption and Instructions

5.a (cont.)

secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans, net of unearned income, that are *residential mortgage exposures* that have been restructured or modified, except

- ○ Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
- o The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loan, net of unearned income, reported in Schedule RC, item 4.b, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - ○ Include in column R the carrying value of the portion of a loan exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan exposure secured by such collateral. Any remaining portion of the loan exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

5.b **High volatility commercial real estate exposures.** Report in column A the portion of the carrying value of loans, net of unearned income, reported in Schedule RC, item 4.b, that are high volatility commercial real estate (HVCRE) exposures,[13] including HVCRE exposures that are 90 days or more past due or in nonaccrual status.

- *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases, net of unearned income, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans, net of unearned income, collateralized by deposits at the reporting institution.

- *In column G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases, net of unearned income, which is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.

[13] See the instructions for Schedule RC-R, Part II, item 4.b, above for the definition of HVCRE exposure.

Part II. (cont.)

Item No.	Caption and Instructions

5.b (cont.)

- *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases, net of unearned income, which is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight

- *In column I–100% risk weight,* include the portion of any HVCRE exposure included in loans and leases, net of unearned income, which is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.b, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases, net of unearned income, reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the carrying value of the portion of an HVCRE exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HVCRE exposure that is secured by such collateral. Any remaining portion of the exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

5.c **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases, net of unearned income, reported in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include sovereign exposures or residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, items 5.d and 5.a, respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 5.b).

- *In column C–0% risk weight,* include the portion of loans and leases, net of unearned income, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases, net of unearned income, collateralized by deposits at the reporting institution.

Part II. (cont.)

Item No. **Caption and Instructions**

5.c (cont.)

- *In column G–20% risk weight,* include the portion of loans and leases, net of unearned income, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases, net of unearned income, covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases, net of unearned income, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight,* include the portion of loans and leases, net of unearned income, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight,* include the carrying value of loans and leases, net of unearned income, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases, net of unearned income, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - Include in column R the carrying value of the portion of a loan or lease, net of unearned income, that is 90 days or more past due or in nonaccrual status that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease, net of unearned income, that is secured by such collateral. Any remaining portion of the loan or lease exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

<u>Banks, U.S. and Foreign (cont.)</u>:

The following table summarizes these contrasting categories of banks considered as customers as used in the Reports of Condition and Income ("X" indicates inclusion; no entry indicates exclusion.)

	"U.S. banks"	"Commercial banks in the U.S."	"Foreign banks"	"Banks in foreign countries"
U.S. branches of U.S. banks (including IBFs)	X	X		
Foreign branches of U.S. banks	X			X
Foreign branches of foreign banks			X	X
U.S. branches and agencies of foreign banks		X	X	

<u>Commercial banks in the U.S.</u> – The detailed institutional composition of "commercial banks in the U.S." includes:

(1) <u>the U.S.-domiciled head offices and branches</u> of:

(a) national banks;
(b) state-chartered commercial banks;
(c) trust companies that perform a commercial banking business;
(d) industrial banks;
(e) private or unincorporated banks;
(f) International Banking Facilities (IBFs) of U.S. banks;
(g) Edge and Agreement corporations; and

(2) the <u>U.S.-domiciled</u> branches and agencies of foreign banks (as defined below).

This coverage includes the U.S. institutions listed above that are owned by foreigners. <u>Excluded</u> from commercial banks in the U.S. are branches located in foreign countries of U.S. banks.

U.S. savings and loan associations and savings banks are treated as "other depository institutions in the U.S." for purposes of the Reports of Condition and Income.

<u>U.S. branches and agencies of foreign banks</u> – U.S. <u>branches</u> of foreign banks include any offices or places of business of foreign banks that are located in the United States at which deposits are accepted. U.S. <u>agencies</u> of foreign banks include any offices or places of business of foreign banks that are located in the United States at which credit balances are maintained incidental to or arising out of the exercise of banking powers but at which deposits may not be accepted from citizens or residents of the United States.

Banks, U.S. and Foreign (cont.):

For purposes of the Reports of Condition and Income, the term "U.S. branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of foreign banks;
(2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
(3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Banks in foreign countries –The institutional composition of "banks in foreign countries" includes:

(1) the foreign-domiciled head offices and branches of:
  (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and Edge and Agreement corporations);
  (b) foreign savings banks or discount houses;
  (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;
  (d) other similar foreign institutions that accept short-term deposits; and

(2) the foreign-domiciled branches of U.S. banks.

See also "International Banking Facility (IBF)."

<u>Banks in Foreign Countries:</u> <u>See</u> "banks, U.S. and foreign."

<u>Bill-of-Lading Draft:</u> <u>See</u> "commodity or bill-of-lading draft."

<u>Borrowings and Deposits in Foreign Offices:</u> Borrowings in foreign offices include assets rediscounted with central banks, certain participations sold in loans and securities, government fundings of loans, borrowings from the Export-Import Bank, and rediscounted trade acceptances. Federal funds sold and repurchase agreements in foreign offices should be reported in accordance with the Glossary entries for "federal funds transactions" and "repurchase/resale agreements." Liability accounts such as accruals and allocated capital shall not be reported as borrowings. Deposits consist of such other short-term and long-term liabilities issued or undertaken as a means of obtaining funds to be used in the banking business and include those liabilities generally characterized as placements and takings, call money, and deposit substitutes.

<u>Brokered Deposits:</u> As defined in Section 337.6(a) of the FDIC's regulations, the term "brokered deposit" means "any deposit that is obtained, directly or indirectly, by or through any deposit broker." Brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

The meaning of the term "brokered deposit" depends on the meaning of the term "deposit broker." The term "deposit broker" is defined broadly in Section 29(g) of the Federal Deposit Insurance Act and Section 337.6(a) of the FDIC's regulations and means:

(1) any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions, or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties, and
(2) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

Section 337.6(a) of the FDIC's regulations further provides that the definition of "deposit broker" is subject to a list of exceptions. According to the list of exceptions, the following parties are not treated as a deposit broker:

(1) an insured depository institution, with respect to funds placed with that depository institution;
(2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
(3) a trust department of an insured depository institution, if the trust or other fiduciary relationship in question has not been established for the primary purpose of placing funds with insured depository institutions;
(4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
(5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
(6) the trustee of a testamentary account;
(7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
(8) a trustee or custodian of a pension or profit-sharing plan qualified under Section 401(d) or 403(a) of the Internal Revenue Code of 1986;

Brokered Deposits (cont.):

(9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions;[1] or

(10) an insured depository institution acting as an intermediary or agent of a U.S. government department or agency for a government sponsored minority or women-owned depository institution deposit program.

Notwithstanding these ten exceptions, the term “deposit broker” (as amended on September 23, 1994, by the Riegle Community Development and Regulatory Improvement Act of 1994) includes any insured depository institution that is not well capitalized (as defined in Section 38 of the Federal Deposit Insurance Act, Prompt Corrective Action), and any employee of any such institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest (with respect to such deposits) which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions in such depository institution's normal market area.[2] Only those deposits accepted, renewed, or rolled over on or after June 16, 1992, in connection with this form of deposit solicitation are to be reported as brokered deposits. For further information on the solicitation and acceptance of brokered deposits by insured depository institutions, see Section 337.6(b) of the FDIC's regulations.

In addition, deposit instruments of the reporting bank that are sold to brokers, dealers, or underwriters (including both bank affiliates of the reporting bank and nonbank subsidiaries of the reporting bank's parent holding company) who then reoffer and/or resell these deposit instruments to one or more investors, regardless of the minimum denomination which the investor must purchase, are considered brokered deposits.

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank’s deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., “XYZ Corporation as custodian for the benefit of others,” or “Custodial account of XYZ Corporation”). Unless the custodian meets one of the specific exceptions from the “deposit broker” definition in Section 29 of the Federal Deposit Insurance Act and Section 337.6(a) of the FDIC’s regulations, these custodial accounts should be reported as brokered deposits in Schedule RC-E, Deposit Liabilities.

A deposit listing service whose only function is to provide information on the availability and terms of accounts is not facilitating the placement of deposits and therefore is not a deposit broker per se. However, if a deposit broker uses a deposit listing service to identify an institution offering a high rate on deposits and then places its customers’ funds at that institution, the deposits would be brokered deposits and the institution should report them as such in Schedule RC-E. The designation of these deposits as brokered deposits is based not on the broker’s use of the listing service but on the placement of the deposits in the institution by the deposit broker.

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[1] For purposes of applying this ninth exception from the definition of deposit broker, "primary purpose" does not mean "primary activity," but should be construed as "primary intent." Whether the “primary purpose” exception applies should be determined based on the meaning of this exception as stated in the FDIC’s regulations and as interpreted in the FDIC’s guidance.

[2] Any deposit accepted, renewed, or rolled over by a well capitalized institution before September 23, 1994, in connection with this form of deposit solicitation should continue to be reported as a brokered deposit as long as the deposit remains outstanding under the terms in effect before September 23, 1994. Notwithstanding the amendment to the "deposit broker" definition, all institutions that obtain deposits, directly or indirectly, by or through any other deposit broker must report such funds as brokered deposits in the Report of Condition.

Brokered Deposits (cont.):

Fully insured brokered deposits are brokered deposits (including brokered deposits that represent retirement deposit accounts as defined in Schedule RC-O, Memorandum item 1) with balances of $250,000 or less or with balances of more than $250,000 that have been participated out by the deposit broker in shares of $250,000 or less. As more fully described in the instructions for Schedule RC-E, (part I on the FFIEC 031), Memorandum item 1.c, fully insured brokered deposits also include (a) certain brokered certificates of deposit issued in $1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds $250,000 and (b) certain brokered transaction accounts and money market deposit accounts denominated in amounts of $0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers.

For additional information on brokered deposits, refer to the FDIC's "Guidance on Identifying, Accepting, and Reporting Brokered Deposits – Frequently Asked Questions" at https://www.fdic.gov/news/news/financial/2015/fil15002a.pdf.

Broker's Security Draft: A broker's security draft is a draft with securities or title to securities attached that is drawn to obtain payment for the securities. This draft is sent to a bank for collection with instructions to release the securities only on payment of the draft.

Business Combinations: The accounting and reporting standards for business combinations are set forth in ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"). ASC Topic 805 requires that all business combinations, which are defined as the acquisition of assets and assumption of liabilities that constitute a business, be accounted for using the acquisition method of accounting. The formation of a joint venture, the acquisition of a group of assets that do not constitute a business, and a transfer of net assets or exchange of equity interests between entities under common control are not considered business combinations and therefore are not accounted for using the acquisition method of accounting.

Acquisition method – Under the acquisition method, the acquirer in a business combination shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"). The acquisition date is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree, i.e., the closing date. ASC Topic 805 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values and the acquirer may not recognize a separate valuation allowance (e.g., allowance for loan and lease losses) for the contractual cash flows that are deemed to be uncollectible as of that date. The consideration transferred in a business combination shall be calculated as the sum of the acquisition-date fair values of the assets (including any cash) transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Acquisition-related costs are costs the acquirer incurs to effect a business combination such as finder's fees; advisory, legal, accounting, valuation, and other professional or consulting fees; and general administrative costs. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received. The cost to register and issue debt or equity securities shall be recognized in accordance with other applicable generally accepted accounting principles.

ASC Topic 805 provides guidance for recognizing particular assets acquired and liabilities assumed in a business combination. Acquired assets may be tangible (such as securities or fixed assets) or intangible, as discussed in the following paragraph. An acquiring entity must not recognize the goodwill, if any, or the deferred income taxes recorded by an acquired entity before the business combination. However, a deferred tax liability or asset must be recognized for differences between the carrying values assigned in the business combination and the tax bases of the recognized assets acquired and liabilities assumed, in accordance with ASC Topic 740, Income Taxes (formerly FASB Statement No. 109, "Accounting for Income Taxes," and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"). (For further information, see the Glossary entry for "income taxes.")

Business Combinations (cont.):

Under ASC Topic 805, an intangible asset must be recognized separately from goodwill if it arises from contractual or other legal rights, regardless of whether the rights are transferable or separable. Otherwise, an intangible asset must be recognized separately from goodwill only if it is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged individually or together with a related contract, identifiable asset, or liability. Examples of intangible assets that must be recognized separately from goodwill are core deposit intangibles, purchased credit card relationships, servicing assets, favorable leasehold rights, trademarks, trade names, internet domain names, and noncompetition agreements. However, an institution that is a private company, as defined in U.S. GAAP, may elect the private company accounting alternative for the recognition of certain identifiable intangible assets acquired in a business combination provided by ASC Subtopic 805-20, Business Combinations – Identifiable Assets and Liabilities, and Any Noncontrolling Interest, if it also has adopted the private company goodwill accounting alternative provided by ASC Subtopic 350-20, Intangibles–Goodwill and Other – Goodwill. Intangible assets that are recognized separately from goodwill must be reported in Schedule RC, item 10.b, "Other intangible assets," and in Schedule RC-M, item 2. Refer to the Glossary entry for “goodwill” for further information on the private company accounting alternative for identifiable intangible assets. <u>See also</u> the Glossary entries for “private company” and “public business entity.”

In general, the amount recognized as goodwill in a business combination is the excess of the sum of the consideration transferred and the fair value of any noncontrolling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is reported in Schedule RC, item 10.a. An acquired intangible asset that does not meet the criteria described in the preceding paragraph must be treated as goodwill. After initial recognition, goodwill must be accounted for in accordance with ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets") and the Glossary entry for “goodwill.”

In contrast, if the total acquisition-date amount of the identifiable net assets acquired exceeds the consideration transferred plus the fair value of any noncontrolling interest in the acquiree (i.e., a bargain purchase), the acquirer shall reassess whether it has correctly identified all of the assets acquired and all the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. If that excess remains after the review, the acquirer shall recognize that excess in earnings as a gain attributable to the acquirer on the acquisition date and report the amount in Schedule RI, item 5.l, "Other noninterest income."

Under the acquisition method, the historical equity capital balances of the acquired business are *not* to be carried forward to the acquirer’s consolidated balance sheet. The operating results of the acquiree are to be included in the income and expenses of the acquirer <u>only</u> from the acquisition date. In addition, if the ownership interests in the acquiree were obtained in a series of purchase transactions, the equity interest in the acquiree previously held by the acquirer is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in the acquirer’s earnings.

<u>Pushdown accounting</u> – Pushdown accounting is an acquiree’s establishment of a new accounting basis in its separate financial statements when an acquirer obtains control of the acquired entity. On November 18, 2014, the FASB issued ASU No. 2014-17, “Pushdown Accounting,” which amended ASC Subtopic 805-50, Business Combinations–Related Issues, and took effect upon issuance. Under ASU 2014-17, an acquiree that retains its separate corporate existence may apply pushdown accounting upon a change-in-control event. A change-in-control event occurs when an acquirer obtains a controlling financial interest, as defined by ASC Subtopic 810-10, Consolidation–Overall (formerly Accounting Research Bulletin No. 51, “Consolidated Financial Statements”), in the acquiree. A controlling financial interest typically requires ownership of more than 50 percent of the voting rights in an acquired entity.

Business Combinations (cont.):

When an acquiree elects pushdown accounting, it must report in its separate financial statements the new basis of accounting established by the acquirer under which the acquiree's identifiable assets, liabilities, and noncontrolling interests are restated to their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820. The assets acquired, including goodwill, and liabilities assumed, measured at their acquisition-date fair values, are reported in the separate financial statements of the acquired institution and the consolidated financial statements of the institution's parent. However, any bargain purchase gain recognized by the acquirer when applying the acquisition method should not be reported in the acquired institution's income statement (Schedule RI). The effect of any bargain purchase gain recognized by the acquirer should be reflected in the acquisition-date measurement of the acquired institution's surplus (additional paid-in capital) account, not in the acquired institution's income statement.

An acquired institution that retains its separate corporate existence may, for purposes of its Call Report, elect pushdown accounting in accordance with ASU 2014-17 if the change-in-control event for the business combination occurred on or after October 1, 2014. Prior to the issuance of ASU 2014-17, pushdown accounting for business combinations, including those involving collaborative groups, was permitted for Call Report purposes when 80 percent or more voting control was obtained and required when voting control was 95 percent or more. An institution acquired in a business combination before October 1, 2014, that retained its separate legal existence should not change the pushdown treatment applied to the acquisition because of the issuance of ASU 2014-17. It should be noted that after a parent obtains a controlling financial interest in an entity through a business combination, any subsequent increase in the parent's ownership interest in the acquiree is not a change in control. However, if a parent's ownership becomes a noncontrolling interest and the parent later regains control of the acquiree, the latter transaction would be a change-in-control event at which a new pushdown election could be made in accordance with ASC Subtopic 805-50.

In the Consolidated Reports of Condition and Income for the remainder of the year in which an acquired institution elects to apply pushdown accounting, the institution shall report the initial increase or decrease in its equity capital that results from the application of pushdown accounting in item 7, "Changes incident to business combinations, net," of Schedule RI-A, Changes in Bank Equity Capital. In addition, in the year an acquired institution elects pushdown accounting, its income statements (Schedule RI) for periods after its acquisition should only include amounts from the acquisition date through the end of the calendar year-to-date reporting period. No income or expense for the portion of the calendar year prior to the date of the change-in-control event should be included in these income statements.

The agencies note that the pushdown accounting election available under ASU 2014-17 can be used to produce a particular result in the Call Report that may not be reflective of the economic substance of the underlying business combination. Therefore, an institution's primary federal regulator reserves the right to require or prohibit the institution's use of pushdown accounting for Call Report purposes based on the regulator's evaluation of whether the election best reflects the facts and circumstances of the business combination.

<u>Transactions between entities under common control</u> – A transaction in which net assets or equity interests (e.g., voting shares) that constitute a business are transferred between entities under common control is not accounted for as a business combination. The method used to account for such transactions is similar to the pooling-of-interests method. In accordance with ASC Subtopic 805-50, when applying a method similar to the pooling-of-interests method to a transfer of net assets or an exchange of equity interests between entities under common control, the entity that receives the net assets or equity interests shall initially measure the recognized assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, for example, because pushdown accounting had not been applied, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Consequently, and without regard to

Business Combinations (cont.):

the pushdown accounting election made by the acquiree, if a parent transfers the acquiree to another entity under common control or merges the acquiree with another entity under common control, the receiving entity accounts for the acquiree using the parent's historical cost for the net assets or equity interests in the acquiree. The parent's historical cost includes the values of the acquiree's assets (including goodwill) and liabilities that were remeasured at fair value on the acquisition date of the business combination. If there has been a change in reporting entity as defined by ASC Subtopic 250-10, Accounting Changes and Error Corrections–Overall (formerly FASB Statement No. 154, "Accounting Changes and Error Corrections"), for the year in which a transaction between entities under common control occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the entities had combined at the beginning of the year. The portion of the adjustment necessary to conform the accounting methods applicable to the current period must also be allocated to income and expense for the period.

Call Option: See "derivative contracts."

Goodwill: According to ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"), goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The private company accounting alternative for identifiable intangible assets acquired in a business combination is discussed in a subsection of this Glossary entry. In addition, see "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.

Subsequent Measurement of Goodwill – Goodwill should not be amortized, but must be tested for impairment at the reporting unit level at least annually, unless an institution meets the definition of a private company, as defined in U.S. GAAP, and elects the goodwill amortization accounting alternative described below. Any impairment losses recognized on goodwill during the year-to-date reporting period should be reported in Schedule RI, item 7.c.(1), "Goodwill impairment losses," except those impairment losses associated with discontinued operations, which should be reported on a net-of-tax basis in Schedule RI, item 11. Goodwill, net of any impairment losses, should be reported on the balance sheet in Schedule RC, item 10.a.

Private Company Accounting Alternative for Goodwill – ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"), generally permits a private company, as defined in U.S. GAAP, to elect an accounting alternative for goodwill under which goodwill is amortized on a straight-line basis over a period of ten years (or less than ten years if more appropriate) and a simplified impairment model is applied to goodwill. In addition, if a private company chooses to adopt the goodwill accounting alternative, the private company is required make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity or a reporting unit, as appropriate under the private company's accounting policy election, may be below its carrying amount. U.S. GAAP for a public business entity does not permit goodwill to be amortized, instead requiring goodwill to be tested for impairment at the reporting unit level annually and between annual tests in certain circumstances. For information on the distinction between a private company and a public business entity, see the Glossary entry for "public business entity."

A bank or savings association that meets the definition of a private company is permitted, but not required to adopt the goodwill amortization accounting alternative. If a private institution issues U.S. GAAP financial statements and chooses to adopt the private company alternative, it should apply the goodwill accounting alternative in its Call Report in a manner consistent with its reporting of goodwill in its financial statements.

Goodwill amortization expense should be reported in item 7.c.(1) of the Call Report income statement (Schedule RI) unless the amortization is associated with a discontinued operation, in which case the goodwill amortization should be included within the results of discontinued operations and reported in Schedule RI, item 11.

Goodwill Impairment Testing – ASC Subtopic 350-20 provides guidance for testing and reporting goodwill impairment losses, a summary of which follows. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Because the fair value of goodwill can be measured only as a residual and cannot be measured directly, ASC Subtopic 350-20 includes a methodology for estimating the implied fair value of goodwill for impairment measurement purposes.

Whether or not the reporting institution is a subsidiary of a holding company or other company, the institution's goodwill must be tested for impairment using the institution's reporting units (unless the institution is a private company that has elected the goodwill accounting alternative and has made an accounting policy election to test goodwill for impairment at the entity level). Goodwill should be assigned to reporting units in accordance with ASC Subtopic 350-20. The institution itself may be a reporting unit.

Goodwill (cont.):

Goodwill of a reporting unit must be tested for impairment annually and between annual tests upon the occurrence of a triggering event, i.e., if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. However, If an institution is a private company that has elected the goodwill accounting alternative, goodwill must be tested for impairment only upon the occurrence of a triggering event. Examples of such events or circumstances include a significant adverse change in the business climate, unanticipated competition, a loss of key personnel, and a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of. In addition, goodwill must be tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

When testing the goodwill of a reporting unit[1] for impairment, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Subtopic 350-20. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). However, an institution may choose to bypass the qualitative assessment option for any reporting unit in any period and proceed directly to performing the two-step quantitative goodwill impairment test described below.

Qualitative Assessment – If an institution performs a qualitative assessment and, after considering all relevant events and circumstances, determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step quantitative goodwill impairment test. In other words, if it is more likely than not that the fair value of a reporting unit is greater than its carrying amount; an institution would not have to quantitatively test the unit's goodwill for impairment.

However, if the institution instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the two-step quantitative goodwill impairment test described below.

ASC Subtopic 350-20 includes examples of events and circumstances that an institution should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Because the examples are not all-inclusive, other relevant events and circumstances also must be considered.

Quantitative Impairment Test –

- Step 1: The first step of the goodwill impairment test compares the fair value of a reporting unit[2] with its carrying amount, including goodwill. If the carrying amount of a reporting unit is greater than zero[3] and its fair value exceeds its carrying amount, the reporting unit's goodwill is considered not impaired and the second step of the impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any.

[1] For purposes of the discussions of goodwill impairment testing, the qualitative assessment, and the quantitative impairment test, if an institution is a private company that has elected the goodwill accounting alternative and also has elected to test goodwill for impairment at the entity level, references to the reporting unit should be read as references to the entity.

[2] The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date.

[3] An institution should refer ASC Subtopic 350-20 for guidance on applying the quantitative impairment test if the carrying amount of a reporting unit is zero or negative.

Goodwill (cont.):

- Step 2: The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill[4] with the carrying amount of that goodwill. If the implied fair value of the reporting unit's goodwill exceeds the carrying amount of that goodwill, the goodwill is considered not impaired. In contrast, if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in earnings in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

After an impairment loss is recognized on a reporting unit's goodwill, the adjusted carrying amount of that goodwill (i.e., the carrying amount of the goodwill before recognizing the impairment loss less the amount of the impairment loss) shall be its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is completed.

Disposal of a Reporting Unit or a Business – When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit must be included in the carrying amount of the reporting unit when determining the gain or loss on disposal. When a portion of a reporting unit (or a portion of the entity if the institution is a private company that has elected the goodwill accounting alternative and also has elected to test goodwill for impairment at the entity level) that constitutes a business is to be disposed of, goodwill associated with that business must be included in the carrying amount of the business in determining the gain or loss on disposal. Otherwise, an institution may not remove goodwill from its balance sheet, for example, by "selling" or "dividending" this asset to its parent holding company or another affiliate.

Accounting by Private Companies for Identifiable Intangible Assets Acquired in a Business Combination – ASC Subtopic 805-20, Business Combinations – Identifiable Assets and Liabilities, and Any Noncontrolling Interest, provides an accounting alternative that permits a private company, as defined in U.S. GAAP, to simplify the accounting for certain intangible assets. This accounting alternative applies when a private company is required to recognize or otherwise consider the fair value of intangible assets as a result of certain transactions, including when applying the acquisition method to a business combination under ASC Topic 805. A private company that elects the accounting alternative for identifiable intangible assets should no longer recognize separately from goodwill:

- Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of a business, and
- Noncompetition agreements.

However, because mortgage servicing rights and core deposit intangibles are regarded as capable of being sold or licensed independently, a private company that elects this accounting alternative must recognize these intangible assets separately from goodwill, initially measure them at fair value, and subsequently measure them in accordance with ASC Topic 350.

A private company that elects the accounting alternative for identifiable intangible assets in ASC Subtopic 805-20 also must adopt the private company goodwill accounting alternative in ASC Subtopic 350-20, which is described above in this Glossary entry. However, a private company that elects the goodwill accounting alternative in ASC Subtopic 350-20 is not required to adopt the accounting alternative for identifiable intangible assets.

A private company's decision to adopt the accounting alternative for identifiable intangible assets must be made upon the occurrence of the first business combination (or other transaction within the scope of

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[4] The implied fair value of goodwill should be determined in the same manner as the amount of goodwill recognized in a business combination is determined. That is, an institution must assign the fair value of a reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

<u>Goodwill (cont.):</u>
the alternative) in fiscal years beginning after December 15, 2015. The effective date of the private company's decision to adopt the accounting alternative for identifiable intangible assets depends on the timing of that first transaction as described in the applicable transition guidance in ASC Subtopic 805-20.[5] Customer-related intangible assets and noncompetition agreements that exist as of the beginning of the period of adoption should continue to be accounted for separately from goodwill, i.e., such existing intangible assets should not be combined with goodwill.

If an institution that is a private company issues U.S. GAAP financial statements and adopts the accounting alternative for identifiable intangible assets, it should apply this accounting alternative in its Call Report in a manner consistent with its reporting of intangible assets in its financial statements.

<u>Hypothecated Deposit:</u> A hypothecated deposit is the aggregation of periodic payments on an installment contract received by a reporting institution in a state in which, under law, such payments are not immediately used to reduce the unpaid balance of the installment note, but are accumulated until the sum of the payments equals the entire amount of principal and interest on the contract, at which time the loan is considered paid in full. For purposes of these reports, hypothecated deposits are to be netted against the related loans.

Deposits that simply serve as collateral for loans are not considered hypothecated deposits for purposes of these reports.

<u>See also</u> "deposits."

<u>IBF:</u> <u>See</u> "International Banking Facility (IBF)."

<u>Income Taxes:</u> All banks, regardless of size, are required to report income taxes (federal, state and local, and foreign) in the Reports of Condition and Income on an accrual basis. Note that, in almost all cases, applicable income taxes as reported on the Report of Income <u>will differ</u> from amounts reported to taxing authorities. The applicable income tax expense or benefit that is reflected in the Report of Income should include both taxes currently paid or payable (or receivable) and deferred income taxes. The following discussion of income taxes is based on ASC Topic 740, Income Taxes (formerly FASB Statement No. 109, "Accounting for Income Taxes," and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes").

Applicable income taxes in the year-end Report of Income shall be the sum of the following:

(1) Taxes currently paid or payable (or receivable) for the year determined from the bank's federal, state, and local income tax returns for that year. Since the bank's tax returns will not normally be prepared until after the year-end Reports of Condition and Income have been completed, the bank must estimate the amount of the current income tax liability (or receivable) that will ultimately be reported on its tax returns. Estimation of this liability (or receivable) may involve consultation with the bank's tax advisers, a review of the previous year's tax returns, the identification of significant expected differences between items of income and expense reflected on the Report of Income and on the tax returns, and the identification of expected tax credits.)

and

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5 If the first transaction occurs in the private company's first fiscal year beginning after December 15, 2015, the adoption of the accounting alternative will be effective for that fiscal year's annual financial reporting period and all interim and annual periods thereafter. If the first transaction occurs in a fiscal year beginning after December 15, 2016, the adoption of the accounting alternative will be effective in the interim period that includes the date of the transaction and subsequent interim and annual periods thereafter. Early application of the intangibles accounting alternative is permitted for any annual or interim period for which a private company's financial statements have not yet been made available for issuance.

Income Taxes (cont.):

(2) Deferred income tax expense or benefit measured as the change in the net deferred tax assets or liabilities for the period reported. Deferred tax liabilities and assets represent the amount by which taxes payable (or receivable) are expected to increase or decrease in the future as a result of "temporary differences" and net operating loss or tax credit carryforwards that exist at the reporting date.

The actual tax liability (or receivable) calculated on the bank's tax returns may differ from the estimate reported as currently payable or receivable on the year-end Report of Income. An amendment to the bank's year-end and subsequent Reports of Condition and Income may be appropriate if the difference is significant. Minor differences should be handled as accrual adjustments to applicable income taxes in Reports of Income during the year the differences are detected. The reporting of applicable income taxes in the Report of Income for report dates other than year-end is discussed below under "interim period applicable income taxes."

When determining the current and deferred income tax assets and liabilities to be reported in any period, a bank's income tax calculation contains an inherent degree of uncertainty surrounding the realizability of the tax positions included in the calculation. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. For each tax position taken or expected to be taken in a tax return, a bank must evaluate whether the tax position is more likely than not, i.e., more than a 50 percent probability, to be sustained upon examination by the appropriate taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, a bank should presume that the taxing authority examining the position will have full knowledge of all relevant information. A bank's assessment of the technical merits of a tax position should reflect consideration of all relevant authoritative sources, e.g., tax legislation and statutes, legislative intent, regulations, rulings, and case law, and reflect the bank's determination of the applicability of these sources to the facts and circumstances of the tax position. A bank must evaluate each tax position without consideration of the possibility of an offset or aggregation with other positions. No tax benefit can be recorded for a tax position that fails to meet the more-likely-than-not recognition threshold.

Each tax position that meets the more-likely-than-not recognition threshold should be measured to determine the amount of benefit to recognize in the Reports of Condition and Income. The tax position is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. When measuring the tax benefit, a bank must consider the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances, and information available at the reporting date. A bank may not use the valuation allowance associated with any deferred tax asset as a substitute for measuring this tax benefit or as an offset to this amount.

If a bank's assessment of the merits of a tax position subsequently changes, the bank should adjust the amount of tax benefit it has recognized and accrue interest and penalties for any underpayment of taxes in accordance with the tax laws of each applicable jurisdiction. In this regard, a tax position that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent quarterly reporting period in which the threshold is met. A previously recognized tax position that no longer meets the more-likely-than-not recognition threshold should be derecognized in the first subsequent quarterly reporting period in which the threshold is no longer met.

<u>Temporary differences</u> result when events are recognized in one period on the bank's books but are recognized in another period on the bank's tax return. These differences result in amounts of income

Income Taxes (cont.):

or expense being reported in the Report of Income in one period but in another period in the tax returns. There are two types of temporary differences. Deductible temporary differences reduce taxable income in future periods. Taxable temporary differences result in additional taxable income in future periods.

For example, a bank's provision for loan and lease losses is expensed for financial reporting purposes in one period. However, for some banks, this amount may not be deducted for tax purposes until the loans are actually charged off in a subsequent period. This deductible temporary difference "originates" when the provision for loan and lease losses is recorded in the financial statements and "turns around" or "reverses" when the loans are subsequently charged off, creating tax deductions. Other deductible temporary differences include writedowns of other real estate owned, the recognition of loan origination fees, and other postemployment benefits expense.

Depreciation can result in a taxable temporary difference if a bank uses the straight-line method to determine the amount of depreciation expense to be reported in the Report of Income but uses an accelerated method for tax purposes. In the early years, tax depreciation under the accelerated method will typically be larger than book depreciation under the straight-line method. During this period, a taxable temporary difference originates. Tax depreciation will be less than book depreciation in the later years when the temporary difference reverses. Therefore, in any given year, the depreciation reported in the Report of Income will differ from that reported in the bank's tax returns. However, total depreciation taken over the useful life of the asset will be the same under either method. Other taxable temporary differences include the undistributed earnings of unconsolidated subsidiaries and associated companies and amounts funded to pension plans that exceed the recorded expense.

Some events do not have tax consequences and therefore do not give rise to temporary differences. Certain revenues are exempt from taxation and certain expenses are not deductible. These events were previously known as "permanent differences." Examples of such events (for federal income tax purposes) are interest received on certain obligations of states and political subdivisions in the U.S., premiums paid on officers' life insurance policies where the bank is the beneficiary, and 70 percent of cash dividends received on the corporate stock of domestic U.S. corporations owned less than 20 percent.

Deferred tax assets shall be calculated at the report date by applying the "applicable tax rate" (defined below) to the bank's total deductible temporary differences and operating loss carryforwards. A deferred tax asset shall also be recorded for the amount of tax credit carryforwards available to the bank. Based on the estimated realizability of the deferred tax asset, a valuation allowance should be established to reduce the recorded deferred tax asset to the amount that is considered "more likely than not" (i.e., greater than 50 percent chance) to be realized.

Deferred tax liabilities should be calculated by applying the "applicable tax rate" to total taxable temporary differences at the report date.

Operating loss carrybacks and carryforwards and tax credit carryforwards -- When a bank's deductions exceed its income for federal income tax purposes, it has sustained an operating loss. An operating loss that occurs in a year following periods when the bank had taxable income may be carried back to recover income taxes previously paid. The tax effects of any loss carrybacks that are realizable through a refund of taxes previously paid is recognized in the year the loss occurs. In this situation, the applicable income taxes on the Report of Income will reflect a credit rather than an expense. Banks may carry back operating losses for two years.

Income Taxes (cont.):

Purchase business combinations -- In purchase business combinations (as described in the Glossary entry for "business combinations"), banks shall recognize as a temporary difference the difference between the tax basis of acquired assets or liabilities and the amount of the purchase price allocated to the acquired assets and liabilities (with certain exceptions specified in ASC Topic 740). As a result, the acquired asset or liability shall be recorded gross and a deferred tax asset or liability shall be recorded for any resulting temporary difference.

In a purchase business combination, a deferred tax asset shall generally be recognized at the date of acquisition for deductible temporary differences and net operating loss and tax credit carryforwards of either company in the transaction, net of an appropriate valuation allowance. The determination of the valuation allowance should consider any provisions in the tax law that may restrict the use of an acquired company's carryforwards.

Subsequent recognition (i.e., by elimination of the valuation allowance) of the benefit of deductible temporary differences and net operating loss or tax credit carryforwards not recognized at the acquisition date will depend on the source of the benefit. If the valuation allowance relates to deductible temporary differences and carryforwards of the acquiring company established before the acquisition, then subsequent recognition is reported as a reduction of income tax expense. If the benefit is related to the acquired company's deductible temporary differences and carryforwards, then the benefit is subsequently recognized by first reducing any goodwill related to the acquisition, then by reducing all other noncurrent intangible assets related to the acquisition, and finally, by reducing income tax expense.

Alternative Minimum Tax – Any taxes a bank must pay in accordance with the alternative minimum tax (AMT) shall be included in the bank's current tax expense. Amounts of AMT paid can be carried forward in certain instances to reduce the bank's regular tax liability in future years. The bank may record a deferred tax asset for the amount of the AMT credit carryforward, which shall then be evaluated in the same manner as other deferred tax assets to determine whether a valuation allowance is needed.

Other tax effects – A bank may have transactions or items that are reportable in Schedule RI-A of the Report of Income such as "Restatements due to corrections of material accounting errors and changes in accounting principles," and, on the FFIEC 031 only, "Foreign currency translation adjustments" that are included in “Other comprehensive income.” These transactions or other items will enter into the determination of taxable income in some year (not necessarily the current year), but are not included in the pretax income reflected in Schedule RI of the Report of Income. They shall be reported in Schedule RI-A net of related income tax effects. These effects may increase or decrease the bank's total tax liability calculated on its tax returns for the current year or may be deferred to one or more future periods.

For further information, see ASC Topic 740.

Income Taxes (cont.):
The following table has been included to aid banks in calculating their "applicable income taxes" for purposes of the Consolidated Reports of Condition and Income. The table includes the tax rates in effect for the years presented.

FEDERAL INCOME TAX RATES APPLICABLE TO BANKS

Year	First $25,000	Second $25,000	Third $25,000	Fourth $25,000	Over $100,000	Capital Gains	Alternative Minimum Tax
1993 to date	15%	15%	25%	34%	[1]	Regular tax rates	20%

Intangible Assets: See "business combinations" and the instruction to Report of Condition Schedule RC-M, item 2.

Interest-Bearing Account: See "deposits."

Interest Capitalization: See "capitalization of interest costs."

Interest Rate Swaps: See "derivative contracts."

Internal-Use Computer Software: Guidance on the accounting and reporting for the costs of internal-use computer software is set forth in ASC Subtopic 350-40, Intangibles-Goodwill and Other – Internal-Use Software (formerly AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 350-40.

Internal-use computer software is software that meets both of the following characteristics:

(1) The software is acquired, internally developed, or modified solely to meet the bank's internal needs; and

(2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

ASC Subtopic 350-40 identifies three stages of development for internal-use software: the preliminary project stage, the application development stage, and the post-implementation/operation stage. The processes that occur during the preliminary project stage of software development are the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives. The application development stage involves the design of the chosen path (including software configuration and software interfaces), coding, installation of software to hardware, and testing (including the parallel processing phase). Generally, training and application maintenance occur during the post-implementation/operation stage. Upgrades of and enhancements to existing internal-use software, i.e., modifications to software that result in additional functionality, also go through the three aforementioned stages of development.

[1] A 39% tax rate applies to taxable income from $100,001 to $335,000; a 34% tax rate applies to taxable income from $335,001 to $10,000,000; a tax rate of 35% applies to taxable income from $10,000,001 to $15,000,000; a tax rate of 38% applies to taxable income from $15,000,001 to $18,333,333; and a 35% tax rate applies to taxable income over $18,333,333.

Pass-through Reserve Balances (cont.):
pass the reserves through to a Federal Reserve Bank. This second type of account is called a "pass-through account," and a depository institution passing its reserves to the Federal Reserve through a correspondent is referred to here as a "respondent." This pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal Reserve. The required reporting of the "pass-through reserve balances" reflects this structure of asset/debt relationships.

In the balance sheet of the respondent bank, the pass-through reserve balances are to be treated as a claim on the correspondent (not as a claim on the Federal Reserve) and, as such, are to be reflected in the balance sheet of the Report of Condition, Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," or item 1.b, "Interest-bearing balances," as appropriate. For respondent banks with foreign offices or with $300 million or more in total assets, the pass-through reserve balances would also be reflected in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S."

In the balance sheet of the correspondent bank, the pass-through reserve balances are to be treated as balances due to respondents and, to the extent that the balances have actually been passed through to the Federal Reserve, as balances due from the Federal Reserve. The balances due to respondents are to be reflected in the balance sheet of the Report of Condition, Schedule RC, item 13.a, "Deposits in domestic offices," and on in Schedule RC-E, Deposit Liabilities, (part I), item 4.[1] The balances due from the Federal Reserve are to be reflected on the balance sheet in Schedule RC, item 1.b, "Interest-bearing balances," and, for correspondent banks with foreign offices or with $300 million or more in total assets, in Schedule RC-A, item 4.

The reporting of pass-through reserve balances by correspondent and respondent banks differs from the required reporting of excess balance accounts by participants and agents, which is described in the Glossary entry for “excess balance accounts.”

Perpetual Preferred Stock: See "preferred stock."

Placements and Takings: Placements and takings are deposits between a foreign office of the reporting bank and a foreign office of another bank and are to be treated as due from or due to depository institutions. Such transactions are always to be reported gross and are not to be netted as reciprocal balances.

Preauthorized Transfer Account: See "deposits."

Preferred Stock: Preferred stock is a form of ownership interest in a bank or other company which entitles its holders to some preference or priority over the owners of common stock, usually with respect to dividends or asset distributions in a liquidation.

Limited-life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock or common stock at a stated date.

Perpetual preferred stock is preferred stock that does not have a stated maturity date or that cannot be redeemed at the option of the holder. It includes those issues of preferred stock that automatically convert into common stock at a stated date.

[1] When an Edge or Agreement Corporation acts as a correspondent, its balances due to respondents are to be reflected on the FFIEC 031 report form in Schedule RC, item 13.b, "Deposits in foreign offices," and in Schedule RC-E, part II, item 2.

Premiums and Discounts: A premium arises when a bank purchases a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium, which all banks are required to amortize.

A discount arises when a bank purchases a security, loan, or other asset at a price below its par or face value, typically because the current level of interest rates for such assets is greater than its contract or stated rate of interest. A discount is also present on instruments that do not have a stated rate of interest such as U.S. Treasury bills and commercial paper. The difference between par or face value and the purchase price represents the discount that all banks are required to accrete.

Premiums and discounts are accounted for as adjustments to the yield on an asset over the life of the asset. A premium must be amortized and a discount must be accreted from date of purchase to maturity, not to call or put date. The preferable method for amortizing premiums and accreting discounts involves the use of the interest method for accruing income on the asset. The objective of the interest method is to produce a constant yield or rate of return on the carrying value of the asset (par or face value plus unamortized premium or less unaccreted discount) at the beginning of each amortization period over the asset's remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable if the results are not materially different from the interest method.

A premium or discount may also arise when the reporting bank, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable. The market value of the note would be its present value as determined by discounting all future payments on the note using an appropriate interest rate, i.e., a rate comparable to that on new loans of similar risk. The difference between the face amount and the recorded value of the note is a premium or discount. This discount or premium shall be accounted for as an adjustment of the interest income or expense over the life of the note using the interest method described above.

For further information, see ASC Subtopic 835-30, Interest – Imputation of Interest (formerly APB Opinion No. 21, "Interest on Receivables and Payables").

Private Company: A private company is a business entity that is not a public business entity. For further information, see the Glossary entry for "public business entity."

Public Business Entity: Accounting Standards Update No. 2013-12, "Definition of a Public Business Entity," added this term to the Master Glossary in the Accounting Standards Codification. The definition states that a business entity, such as bank or savings association, that meets any one of five specified criteria is a public business entity for reporting purposes under U.S. GAAP. This also applies for Call Report purposes. In contrast, a private company is a business entity that is not a public business entity. An institution that is a public business entity is not permitted to apply private company accounting alternatives when preparing its Call Report.

As defined in the ASC Master Glossary, a business entity is a public business entity if it meets any one of the following criteria:

- It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).

Public Business Entity (cont.):

- It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC (such as one of the federal banking agencies).
- It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.
- It has issued debt or equity securities that are traded, listed, or quoted on an exchange or an over-the-counter market, which includes an interdealer quotation or trading system for securities not listed on an exchange (for example, OTC Markets Group, Inc., including the OTC Pink Markets, or the OTC Bulletin Board).
- It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including footnotes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

The Master Glossary also explains that if an entity meets the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC, but not for other reporting purposes or for Call Report purposes.

If a bank or savings association does not meet any one of the first four criteria, it would need to consider whether it meets both of the conditions included in the fifth criterion to determine whether it would be a public business entity. With respect to the first condition under the fifth criterion, a stock institution must determine whether it has a class of securities not subject to contractual restrictions on transfer, which the FASB has stated means that the securities are not subject to management preapproval on resale. A contractual management preapproval requirement that lacks substance would raise questions about whether the stock institution meets this first condition.

If an institution is a wholly owned subsidiary of a holding company, an implicit contractual restriction on transfer is presumed to exist on the institution's common stock; therefore, if the institution has issued no other debt or equity securities, the institution would not meet the first condition of the fifth criterion. A mutual institution that has issued no debt securities also does not meet the first condition of the fifth criterion. In all other scenarios (e.g., a closely-held bank or a Subchapter S bank that is not a wholly owned subsidiary of a holding company), an institution should assess whether contractual restrictions on transfer exist on its securities based on its individual facts and circumstances.

With respect to the second condition under the fifth criterion, an insured depository institution with $500 million or more in total assets as of the beginning of its fiscal year is required by Section 36 of the Federal Deposit Insurance Act and Part 363 of the FDIC's regulations, "Annual Independent Audits and Reporting Requirements," to prepare and make publicly available audited annual U.S. GAAP financial statements. In certain circumstances, an insured depository institution with $500 million or more in total assets that is a subsidiary of a holding company may choose to satisfy this annual financial statement requirement at a holding company level rather than at the institution level. An insured depository institution of this size that satisfies the financial statement requirement of Section 36 and Part 363 at either the institution level or the holding company level would meet the fifth criterion's second condition.

Purchase Acquisition: See "business combinations."

Purchased Credit-Impaired Loans and Debt Securities: Purchased credit-impaired loans and debt securities are loans and debt securities that an institution has purchased or otherwise acquired by completion of a transfer, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan or debt security and it is probable, at the acquisition date, that the institution will be unable to collect all contractually required

Purchased Credit-Impaired Loans and Debt Securities (cont.):

payments receivable. Such loans and debt securities must be accounted for in accordance with ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"). ASC Subtopic 310-30 does not apply to loans that an institution has originated.

Under ASC Subtopic 310-30, a purchased credit-impaired loan or debt security is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). ASC Subtopic 310-30 limits the yield that may be accreted on the loan or debt security (the accretable yield) to the excess of the institution's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the asset over the institution's initial investment in the asset. The excess of the contractually required payments receivable on the loan or debt security over the cash flows expected to be collected, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable