Instructions for Preparation of Consolidated Reports of Condition and Income

FFIEC 031 and FFIEC 041

As of March 31, 2017

Redlined Copy
Showing Changes Made to
the Most Recent (September 30, 2016)
Version of the Instructions
for the FFIEC 031 and FFIEC 041 Call Reports
(Includes Pages with Changes Only)

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Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)

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GLOSSARY (cont.)

GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-V constitute the FFIEC 031 and FFIEC 041 versions of the Consolidated Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the FFIEC 031 and FFIEC 041 versions of the Consolidated Report of Income and its supporting schedules. The Consolidated Reports of Condition and Income are commonly referred to as the Call Report. For purposes of these General Instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

Unless the context indicates otherwise, the term "bank" in the Call Report instructions refers to both banks and savings associations.

WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, insured state nonmember bank, and savings association is required to file a consolidated Call Report normally as of the close of business on the last calendar day of each calendar quarter, i.e., the report date. The specific reporting requirements depend upon the size of the bank and whether it has any "foreign" offices. Banks must file the appropriate forms as described below:

(1) BANKS WITH FOREIGN OFFICES: Banks of any size that have any "foreign" offices (as defined below) must file quarterly the *Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices* (FFIEC 031). For purposes of these reports, all of the following constitute "foreign" offices:

(a) An International Banking Facility (IBF);
(b) A branch or consolidated subsidiary in a foreign country; and
(c) A majority-owned Edge or Agreement subsidiary.

In addition, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary in Puerto Rico or a U.S. territory or possession is a "foreign" office. However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a "domestic" office.

(2) BANKS WITHOUT FOREIGN OFFICES: Banks ~~of *any* size~~ that have ~~only~~ domestic offices only must file quarterly either:

(a) ~~t~~The *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only* (FFIEC 041); or
(b) The *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $1 Billion* (FFIEC 051).

as appropriate to the reporting institution. An institution eligible to file the FFIEC 051 report (as discussed below) may choose instead to file the FFIEC 041 report.

For banks chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary in one of the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a "domestic" office.

For those institutions filing the FFIEC 051, a separate instruction book covers this report form. Please refer to this separate instruction book for the General Instructions for the FFIEC 051 report form.

Eligibility to File the FFIEC 051

Institutions with domestic offices only and total assets less than $1 billion, excluding those that are advanced approaches institutions for regulatory capital purposes,[1] are eligible to file the FFIEC 051 Call Report. An institution's total assets are measured as of June 30 each year to determine the institution's eligibility to file the FFIEC 051 beginning in March of the following year.

For an institution otherwise eligible to file the FFIEC 051, the institution's primary federal regulatory agency, jointly with the state chartering authority, if applicable, may require the institution to file the FFIEC 041 instead based on supervisory needs. In making this determination, the appropriate agency will consider criteria including, but not limited to, whether the eligible institution is significantly engaged in one or more complex, specialized, or other higher risk activities, such as those for which limited information is reported in the FFIEC 051 compared to the FFIEC 041 (trading; derivatives; mortgage banking; fair value option usage; servicing, securitization, and asset sales; and variable interest entities). The agencies anticipate making such determinations only in a limited number of cases.

[1] In general, an advanced approaches institution, as defined in the regulatory capital rules, has consolidated total assets equal to $250 billion or more, has consolidated total on-balance sheet foreign exposure equal to $10 billion or more, is a subsidiary of a depository institution or holding company that uses the advanced approaches to calculate its total risk-weighted assets, or elects to use the advanced approaches to calculate its total risk-weighted assets. The regulatory capital rules are set forth in 12 CFR Part 3 for national banks and federal savings associations; 12 CFR Part 217 for state member banks; and 12 CFR Part 324 for state nonmember banks and state savings associations.

Close of Business

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Call Report (e.g., adjustments of accruals, posting of items held in suspense on the report date to their proper accounts, and other quarter-end adjusting entries) should be reported in the Call Report as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

With respect to deposits received by the reporting bank after the cut-off time for posting them to individual customer accounts for a report date (i.e., so-called "next day deposits" or "late deposits"), but which are nevertheless posted in any manner to the reporting bank's general ledger accounts for that report date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, item 1, and may also be reported in Schedule RC, Balance Sheet, item 13, “Deposits,” and Schedule RC-E, Deposit Liabilities. However, the use of memorandum accounts outside the reporting bank's general ledger system for control over "next day" or "late deposits" received on the report date does not in and of itself make such deposits reportable in Schedule RC-O and Schedules RC and RC-E.

Frequency of Reporting[1]

Each institution is~~The reports are~~ required to ~~be~~ submit~~ted~~ a Call Report quarterly ~~by all banks~~as of the report date. However, for banks with fiduciary powers, the reporting frequency for Schedule RC-T, Fiduciary and Related Services, depends on their total fiduciary assets and their gross fiduciary and related services income. Banks with total fiduciary assets greater than $250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete the applicable items of Schedule RC-T quarterly. All other banks with fiduciary powers must complete the applicable items of Schedule RC-T annually as of the December 31 report date.

In addition, the following items are to be completed annually rather than quarterly:

(1) Schedule RC, Memorandum item 1, on the level of external auditing work performed for the bank, and Memorandum item 2, on the bank’s fiscal year-end date, are to be reported as of the March 31 report date;

(2) Schedule RC-E, Memorandum item 1.e, "Preferred deposits," is to be reported as of the December 31 report date; and

(3) Schedule RC-C, Memorandum items 15.a.(1) through 15.c.(2), and Schedule RC-L, items 1.a.(1) and (2), on reverse mortgages are to be reported as of the December 31 report date.

In addition, in Schedule RC-M, information on “International remittance transfers offered to consumers,” is to be provided in item 16.a and, if appropriate, in items 16.c and 16.d semiannually as of the June 30 and December 31 report dates. Item 16.b is to be completed annually as of the June 30 report date only.

Differences in Detail of Reports

The amount of detail required to be reported varies between the ~~two~~three versions of the Call R~~r~~eport forms, with the report form~~s~~ for banks with foreign offices (FFIEC 031) having more detail than the report form~~s~~ for banks with domestic offices only (FFIEC 041). The report form for banks with domestic offices only and total assets less than $1 billion (FFIEC 051) has the least amount of detail of the three reports.

Furthermore, as discussed below under Shifts in Reporting Status, the amount of detail also varies within ~~both~~each report form~~s~~, primarily based on the size of the bank. See the General Instructions section of the instruction book for the FFIEC 051 for information on the differences in the level of detail within the FFIEC 051 report form.~~In general, the FFIEC 041 report form requires the least amount of detail from banks with less than $100 million in total assets.~~

[1] The reporting frequency for particular schedules and data items differs on the three versions of the Call Report. Please see the General Instructions for the FFIEC 031 and the FFIEC 041 for a listing of data items reported less frequently than quarterly on those report forms.

Differences in the level of detail within both the FFIEC 031 and 041 report forms are as follows:

(1) Banks that reported closed-end loans with negative amortization features secured by 1-4 family residential properties in Schedule RC-C, part I, item 1.c.(2)(a), with an amount that exceeded the lesser of $100 million or 5 percent of total loans and leases held for investment and held for sale~~, net of unearned income,~~ in domestic offices as of the previous December 31 report date must report certain information about these loans in Schedule RC-C, part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12.

(2) Banks that had construction, land development, and other land loans (in domestic offices) that exceeded 100 percent of total risk-based capital as of the previous December 31 report date must report certain information about such loans with interest reserves in Schedule RC-C, part I, Memorandum item 13.

(3) Banks reporting average trading assets of $2 million or more for any of the four preceding quarters must complete Schedule RC-D, Trading Assets and Liabilities, items 1 through 15 and Memorandum items 1 through 4. In addition, banks reporting average trading assets of $1 billion or more for any of the four preceding quarters must complete Memorandum items 5 through 10 of Schedule RC-D.

(4) Banks reporting average trading assets of $~~2~~10 million or more for any quarter of the preceding calendar year must provide a breakdown of their trading revenue by risk exposure in Schedule RI, Memorandum items 8.a through 8.e. In addition, banks with $100 billion or more in total assets that are required to complete Memorandum items 8.a through 8.e must report the impact on trading revenue of certain changes in creditworthiness in Schedule RI, Memorandum items 8.f ~~and~~through 8.~~g~~h.

(5) Banks reporting in Schedule RC-M, item 16.b, that they provided more than 100 international remittance transfers in the previous calendar year or that they estimate that they will provide more than 100 international remittance transfers in the current calendar year must report certain additional information on their international remittance transfer activities during specified periods in Schedule RC-M, items 16.c and 16.d.

(6) Banks with less than $1 billion in total assets at which (a) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan originations and purchases for resale from all sources during a calendar quarter, or (b) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan sales during a calendar quarter, or (c) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loans held for sale at calendar quarter-end exceed $10 million for two consecutive quarters must complete Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities, beginning the second quarter and continue to complete the schedule through the end of the calendar year.

(7) Banks that (a) had $500 million or more in total assets as of the beginning of their fiscal year or (b) had less than $500 million in total assets as of the beginning of their fiscal year and either have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings or are required to complete Schedule RC-D, Trading Assets and Liabilities, must complete Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis.

(8) Banks that are advanced approaches institutions, as defined in the agencies' regulatory capital rules, must complete certain additional items in Schedule RC-R, Regulatory Capital.

(9) Banks servicing more than $10 million in financial assets other than 1-4 family residential mortgages must report the volume of such servicing in Schedule RC-S, Memorandum item 2.c.

(10) Banks with total fiduciary assets greater than $100 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on their fiduciary and related services income and on fiduciary settlements and losses in Schedule RC-T.

(11) Banks that are "large institutions" or "highly complex institutions," as defined for deposit insurance assessment purposes in the FDIC's regulations, which generally are banks with $10 billion or more in total assets, must report additional data in Schedule RC-O, Memorandum items 6 through 18.

In addition, within the FFIEC 031 report form, banks whose foreign office assets, revenues, or net income account for more than 10 percent of the bank's consolidated total assets, total revenues, or net income must complete Schedule RI-D, Income from Foreign Offices.

Shifts in Reporting Status

All shifts in reporting status within the FFIEC 031 and the FFIEC 041 report forms (except as noted below) are to begin with the March Call Report. Such a shift will take place only if the reporting bank's total assets (or, in one case, loans) as reflected in the Consolidated Report of Condition for June of the previous calendar year equal or exceed the following criteria:

(1) On the FFIEC 041 report form, *when total assets equal or exceed $100 million*, a bank must begin to complete Schedule RC-K, items 7 and 13, for the quarterly averages of "Trading assets" and "Other borrowed money."

(2) On the FFIEC 041 report form, *when loans to finance agricultural production and other loans to farmers exceed 5 percent of total loans and leases held for investment and held for sale~~, net of unearned income~~,* at a bank with less than $300 million in total assets, the bank must begin to report the following information for these agricultural loans: interest and fee income, quarterly average, past due and nonaccrual loans, and charge-offs and recoveries.

(3) On the FFIEC 041 report form, *when total assets equal or exceed $300 million*, a bank must begin to complete:

- Certain Memorandum items providing ~~additional detail~~the following information on ~~the composition of the~~ loans to finance agricultural production and other loans to farmers: interest and fee income, quarterly average,~~lease portfolio in Schedule RC-C, part I, Loans and Leases;~~ past due and nonaccrual loans~~ and leases in Schedule RC-N;~~, ~~and loan and lease~~ charge-offs and recoveries, and, if certain additional criteria are met, troubled debt restructurings~~ in Schedule RI-B, part I~~;
- Schedule RC-A, Cash and Balances Due From Depository Institutions;
- Schedule RC-L, items 1.b.(1) and (2), on credit card lines by type of customer;[1]
- Schedule RC-N, Memorandum item 6, on past due derivative contracts; and

- Schedule RI, Memorandum item 10, "Credit losses on derivatives."

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[1] In addition, a bank with less than $300 million in total assets must begin to complete these items when credit card lines equal or exceed $300 million. These total asset and credit card line thresholds also apply to the FFIEC 031 report form.

(4) On both the FFIEC 031 and FFIEC 041 report forms, *when total assets equal or exceed $1 billion*, a bank must begin to complete:

- Schedule RI, Memorandum item 2, “Income from the sale and servicing of mutual funds and annuities (in domestic offices)”;
- Schedule RI, Memorandum item 15, “Components of service charges on deposit accounts (in domestic offices)” (if the bank answered “Yes” to Schedule RC-E, Memorandum item 5, which asks whether the bank offers one or more consumer deposit account products);
- Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses;
- Schedule RC-B, Memorandum items 5.a through 5.f, which provide a breakdown of the bank’s holdings of asset-backed securities;
- Schedule RC-E, Memorandum items 6 and 7, on the amount of deposits in transaction and nontransaction savings consumer deposit account products (if the bank answered “Yes” to Schedule RC-E, Memorandum item 5, which asks whether the bank offers one or more consumer deposit account products);
- Schedule RC-L, items 2.a and 3.a, on financial and performance standby letters of credit conveyed to others;
- Schedule RC-O, Memorandum item 2, “Estimated amount of uninsured deposits (in domestic offices of the bank and in insured branches in Puerto Rico and U.S. territories and possessions), including related interest accrued and unpaid”;
- Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities; and
- Schedule RC-S, Memorandum item 3, on credit enhancements and unused commitments provided to “Asset-backed commercial paper conduits.”

(5) On both the FFIEC 031 and FFIEC 041 report forms, *when total assets equal or exceed $10 billion*, a bank must begin to complete:

- Schedule RI, Memorandum items 9.a and 9.b on amounts of net gains (losses) on credit derivatives; and
- Schedule RC-L, item 16, “Over-the-counter derivatives.”

(6) On the FFIEC 031 report form, *when total assets equal or exceed $10 billion*, a bank must begin to complete Schedule RC-E, Part II, items 1 through 6, on the amount of deposits in foreign offices by type of depositor.

Once a bank reaches the $100 million, $300 million, $1 billion, or $10 billion total asset threshold or exceeds the agricultural loan percentage or credit card lines threshold and begins to report the additional required information described above, it *must* continue to report the additional information in subsequent years ~~without regard to whether it later falls below the~~unless its total assets, loan percentage, or credit card lines ~~threshold.~~subsequently fall to less than the applicable threshold for four consecutive quarters. In this case, the institution may cease reporting the data items to which the threshold applies in the quarter after the four consecutive quarters in which its total assets, agricultural loans, or credit card lines have fallen below the applicable threshold. However, if the institution exceeds the threshold as of a subsequent June 30 report date, the data items would again be required to be reported in March of the following year.

For example, if June 30, 2016, is the first June 30 as of which an institution reports $10 billion or more in total assets, the institution must begin reporting the data items to which the $10 billion total assets threshold applies as of the March 31, 2017, report date. If the institution reports less than $10 billion in total assets each quarter-end from September 30, 2016, through June 30, 2017, it may cease reporting the data items applicable to institutions with $10 billion or more in total assets beginning September 30, 2017. In contrast, if instead the institution reports $10 billion or more in total assets as of September 30 and December 31, 2016, but then reports less than $10 billion in total assets each quarter-end from March 31, 2017, through December 31, 2017, it may cease reporting the data items applicable to institutions with $10 billion or more in total assets beginning March 31, 2018.

Other shifts in reporting status occur when:

(1) A bank with domestic offices only establishes or acquires any "foreign" office. The bank must begin filing the FFIEC 031 report form (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of *all* its "foreign" offices must continue filing the FFIEC 031 report form through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.

(2) An institution is involved in a business combination, a transaction between entities under common control, or a branch acquisition that is not a business combination. Beginning with the first quarterly report date following the effective date of a such a transaction involving an institution and one or more other depository institutions, the resulting institution, regardless of its size prior to the transaction, must (a) file the FFIEC 031 report form if it acquires any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form if its consolidated total assets or agricultural loans after the consummation of the transaction surpass the $100 million, $300 million, $1 billion, or $10 billion total asset threshold or the agricultural loan percentage.

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured bank, it must (a) file the FFIEC 031 report form if it has any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form based on its total assets and agricultural loans at the time it becomes an FDIC-insured bank.

ORGANIZATION OF THE INSTRUCTION BOOK~~S~~

This instruction book covers both the FFIEC 031 and 041 report forms.[1] It is divided into the following sections:

(1) The General Instructions describe overall reporting requirements.

(2) The Line Item Instructions for each schedule of the Consolidated Report of Income.

(3) The Line Item Instructions for each schedule of the Consolidated Report of Condition.

The instructions and definitions in sections (2) and (3) are not necessarily self-contained; reference to more detailed treatments in the Glossary may be needed.

(4) The Glossary presents, in alphabetical order, definitions and discussions of accounting issues and other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of these reports. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting or reporting.

In determining the required treatment of particular transactions or portfolio items or in determining the definitions and scope of the various items, the General Instructions, the line item instructions, and the Glossary (all of which are extensively cross-referenced) must be used jointly. A single section does not necessarily give the complete instructions for completing all the items of the reports.

The instruction book for the FFIEC 031 and FFIEC 041 report forms is available on the Internet on the FFIEC's ~~W~~web~~-~~site (http://www.ffiec.gov/ffiec_report_forms.htm) and on the FDIC's ~~W~~web~~-~~site (https://www.fdic.gov/regulations/resources/call/call.html).

[1] A separate instruction book covers the FFIEC 051 report form.

PREPARATION OF THE REPORTS

Banks are required to prepare and file the Call Report in accordance with these instructions. All reports shall be prepared in a consistent manner.

The bank's financial records shall be maintained in such a manner and scope so as to ensure that the Call Report can be prepared and filed in accordance with these instructions and reflect a fair presentation of the bank's financial condition and results of operations.

Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the bank's primary federal bank supervisory agency (i.e., the Federal Reserve Banks, the OCC, or the FDIC). Such inquiries will be referred for resolution to the ~~Reports~~ Task Force on Reports of the Federal Financial Institutions Examination Council (FFIEC). Regardless of whether a bank requests an interpretation of a matter appearing in these instructions, when a bank's primary federal bank supervisory agency's interpretation of the instructions differs from the bank's interpretation, the supervisory agency may require the bank to prepare its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

SIGNATURES

Either the cover (signature) page of any agency-supplied sample set of report forms, a photocopy of this cover page, or a copy of the cover page printed from the bank's report preparation software or from the FFIEC's or the FDIC's Web site should be used to fulfill the signature and attestation requirement.

Chief Financial Officer Declaration

The chief financial officer of the bank (or the individual performing an equivalent function) shall sign a declaration on the cover (signature) page attesting to the correctness of the Consolidated Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

Director Attestation

National banks, state member banks, and savings associations – The correctness of the Consolidated Reports of Condition and Income shall be attested to by at least three directors of the reporting bank, other than the officer signing the chief financial officer declaration, as indicated on the cover (signature) page.

State nonmember banks – The correctness of the Consolidated Reports of Condition and Income shall be attested to by at least two directors of the reporting bank, other than the officer signing the chief financial officer declaration, as indicated on the cover (signature) page.

SUBMISSION OF THE REPORTS

Each bank must file its Call Report data in one of the following two ways:

- A bank may use computer software to prepare and edit its report data and then electronically submit the ~~report~~data directly to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (https://cdr.ffiec.gov/cdr/).

- The institution may complete its report in paper form and arrange with a software vendor or another party to convert its paper report into the electronic format that can be processed by the CDR. The software vendor or other party then must electronically submit the institution's Call Report data file ~~containing the bank's Call Report~~ to the CDR.

The filing of a Call Report in paper form directly with the FDIC (for national and FDIC-supervised banks) or with the appropriate Federal Reserve District Bank (for state member banks) is not an acceptable method of submission.

Regardless of the method a bank uses to file its Call Report, the bank remains responsible for the accuracy of the data in its Call Report. Banks are required to submit a Call Report by the submission date (as defined below) that passes FFIEC-published validation criteria (validity edits and quality edits) or that contains explanations for any quality edits that are not passed. These validation criteria are published in advance of each quarter end. Specific "Guidelines for Resolving Edits" are available on the FFIEC's ~~W~~web~~-~~site (http://www.ffiec.gov/find/documents/resolvingedits.pdf).

In order to submit their completed reports to the CDR, banks (or third parties with whom they have made submission arrangements) must use software that meets the technical specifications for producing files that are able to be processed by the CDR. (These technical specifications are available on the FFIEC's web~~-~~site.) Vendors whose software has been successfully tested with regard to this ability are listed in each quarter's Financial Institution Letter for the Call Report. Alternatively, banks may develop their own reporting software and test directly with the CDR.

Submitted reports that are unable to be processed by the CDR, or that have not been adequately validated by the bank, will be rejected and will require correction and resubmission. In either case, if such resubmission is received by the CDR after the submission date for the report (as defined below), the submitting bank may be subject to the penalties prescribed for late submission.

Each bank is responsible for ensuring that the data reported each quarter reflects fully and accurately the data item reporting requirements for that report date, including any changes that may be made from time to time. This responsibility cannot be transferred or delegated to software vendors, servicers, or others outside the reporting bank.

A bank filing its Call Report with the CDR electronically or under the paper-based alternative must maintain in its files a signed and attested record of its completed report each quarter. This record should be either a computer printout showing at least the caption of each item in the Call Report and the reported amount, a computer-generated facsimile of the report form, or a copy of the printed report form. The signed cover page, as discussed under “Signatures” above, should be attached to the printout, computer-generated facsimile, or copy of the form that the bank places in its files.

State banks should refer to their appropriate state bank supervisory authority for information concerning state requirements for submitting copies of the Call Report filed with federal bank supervisory authorities.

Submission Date

The term "submission date" is defined as the date by which a bank's completed Call Report must be received in electronic form by the CDR. Except as indicated below, the CDR must receive the data file for a bank's Call Report, with all corrections made and all explanations provided consistent with the “Guidelines for Resolving Edits” (http://www.ffiec.gov/find/documents/resolvingedits.pdf), no more than 30 calendar days after the report date. For example, the March 31 report must be received by April 30 and the June 30 report by July 30.

Any bank contracting with a third party to convert its reports to the electronic format for the CDR must ensure that it delivers its hard-copy reports to the third party in sufficient time for (1) the third party to enter the data into the appropriate format; (2) the bank to research and resolve any identified edit exceptions; and (3) the third party to electronically transmit the original submission and any necessary resubmissions to the CDR by the submission deadline. Early submission is strongly encouraged so that the bank has ample time to research and resolve any edit exceptions identified through the submission process. No extensions of time for submitting reports are granted.

Any bank that has more than one foreign office, other than a "shell" branch or an IBF, may take an additional limited period of time to submit its Call Report. The CDR must receive the data file for such a bank's Call Report no more than 35 calendar days after the report date. ~~Eligible~~Such banks are urged to use the additional time only if absolutely necessary and to make every effort to report as soon as possible, preferably within the 30-day submission period.

Amended Reports

A bank's primary federal bank supervisory authority may require the filing of an amended Call Report if reports as previously submitted contain significant errors, as determined by the supervisory authority, in how the reporting bank classified or categorized items in the reports, i.e., on what line of the report an item has been reported.

When dealing with the recognition and measurement of events and transactions in the Call Report, amended reports may be required if a bank's primary federal bank supervisory authority determines that the reports as previously submitted contain errors that are material for the reporting bank. Materiality is a qualitative characteristic of accounting information that is addressed in ~~Financial Accounting Standards Board (~~FASB~~)~~ Concepts Statement No. 8, “Conceptual Framework for Financial Reporting,” as follows: "Information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information of a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates in the context of an individual entity’s financial report."

RETENTION OF REPORTS

In general, a bank should maintain in its files a signed and attested record of its completed Call Report, including any amended reports, and the related workpapers and supporting documentation[1] for five years after the report date, unless any applicable state requirements mandate a longer retention period. This five-year time period is consistent with the time period specified in Section 7(b)(5) of the Federal Deposit Insurance Act, which provides that each insured depository institution shall maintain all records necessary for the FDIC to verify the correctness of its deposit insurance assessments for no more than five years from the date of filing any certified statement, except when there is a dispute between the insured depository institution and the FDIC over the amount of any assessment, in which case the depository institution shall retain the records until the final determination of the issue.

SCOPE OF THE "CONSOLIDATED BANK" REQUIRED TO BE REPORTED IN THE SUBMITTED REPORTS

In their Call Reports submitted to the federal bank supervisory agencies, banks and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with U.S. generally accepted accounting principles (GAAP). All majority-owned subsidiaries shall be consolidated unless either the subsidiary is not "significant" or control of the subsidiary does not rest with the parent bank (see "Exclusions from the Coverage of the Consolidated Report" below). See the Glossary entry for "subsidiaries" for the definition of "significant subsidiary." Accordingly, the Call Report shall consolidate the operations of:

(1) The bank's head office;

(2) All branches of the bank, domestic and foreign;

(3) Any IBF established by the bank;

(4) All majority-owned Edge and Agreement subsidiaries, including their IBFs, their foreign and domestic branches, and their significant subsidiaries;

(5) All majority-owned foreign banks held directly by the reporting bank pursuant to Section 25 of the Federal Reserve Act;

(6) All other majority-owned subsidiaries that are "significant," including domestic subsidiaries that are commercial banks, savings banks, or savings and loan associations that must file separate Call Reports (or separate reports of a comparable nature) with any state or federal financial institutions supervisory authority;

(7) All nonsignificant majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis in both the Consolidated Report of Condition and the Consolidated Report of Income; and

(8) All variable interest entities (VIEs) in which the bank, or a consolidated subsidiary of the bank, has a controlling financial interest and, thus, is the primary beneficiary. For further information, refer to the Glossary entry for “variable interest entity.”

Each bank shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence according to the equity method of accounting. The equity method of accounting is described in the instructions for Schedule RC,

[1] Supporting documentation may include, but is not limited to, overdraft reports, trust department records, and records of other material adjustments to deposits.

item 8. (Refer to the Glossary entry for "subsidiaries" for the definitions of the terms subsidiary, associated company, and corporate joint venture.)

Exclusions from the Coverage of the Consolidated Report

Subsidiaries where control does not rest with the parent – If control of a majority-owned subsidiary does not rest with the parent bank because of legal or other reasons (e.g., the subsidiary is in bankruptcy), the subsidiary is not to be consolidated for purposes of the report.[1] Thus, the bank's investment in such a subsidiary is not eliminated in consolidation but will be reflected in the report in the balance sheet item for "Investments in unconsolidated subsidiaries and associated companies" (Schedule RC, item 8) or "Direct and indirect investments in real estate ventures" (Schedule RC, item 9), as appropriate. Other transactions of the bank with such a subsidiary will be reflected in the appropriate items of the report in the same manner as transactions with unrelated outside parties. Additional guidance on this topic is provided in accounting standards, including ASC Subtopic 810-10, Consolidation – Overall (formerly FASB Statement No. 94, "Consolidation of All Majority-Owned Subsidiaries").

Trust accounts – For purposes of the Call Report, the reporting bank's trust department is not to be consolidated into the reporting bank's balance sheet or income statement. However, information concerning the bank's trust activities must be reported in Schedule RC-T, Fiduciary and Related Services. Assets held in or administered by the bank's trust department and the income earned on such assets are excluded from all of the other schedules of the Call Report except when trust funds are deposited by the trust department of the reporting bank in the commercial or some other department of the reporting bank.

When such trust funds are deposited in the bank, they are to be reported as deposit liabilities in Schedule RC-E in the deposit category appropriate to the beneficiary. Interest paid by the bank on such deposits is to be reported as part of the reporting bank's interest expense.

However, there are two exceptions:

(1) *Uninvested trust funds (cash)* held in the bank's trust department, which are *not* included on the balance sheet of the reporting bank, *must* be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments; and

(2) The *fees* earned by the trust department for its fiduciary activities and the *operating expenses* of the trust department are to be reported in the bank's income statement (Schedule RI) on a gross basis as if part of the consolidated bank.

Custody accounts – All custody and safekeeping activities (i.e., the holding of securities, jewelry, coin collections, and other valuables in custody or in safekeeping for customers) are *not* to be reflected on any basis in the balance sheet of the Consolidated Report of Condition unless cash funds held by the bank in safekeeping for customers are commingled with the general assets of the reporting bank. In such cases, the commingled funds would be reported in the Consolidated Report of Condition as deposit liabilities of the bank.

RULES OF CONSOLIDATION

For purposes of these reports, all offices (i.e., branches, subsidiaries, VIEs, and IBFs) that are within the scope of the consolidated bank as defined above are to be reported on a consolidated basis. Unless the instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the caption shown. As part of the consolidation process, the results of all transactions and all intercompany balances (e.g., outstanding asset/debt relationships) between offices, subsidiaries, and other entities *included* in the scope of the consolidated bank are to be *eliminated* in the consolidation and must be *excluded* from the Call Report. (For example, eliminate in the consolidation (1) loans made by

[1] In contrast, by definition, control of a VIE is deemed to rest with the parent if the parent or its consolidated subsidiary has a controlling financial interest in the VIE and, thus, is the primary beneficiary, in which case the VIE must be consolidated for purposes of the Call Report.

the bank to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank and the corresponding cash or interest-bearing asset balance of the subsidiary, and (3) the intercompany interest income and expense related to such loans and deposits of the bank and its consolidated subsidiary.)

Exception: For purposes of reporting the total assets of captive insurance and reinsurance subsidiaries in Schedule RC-M, Memoranda, items 14.a and 14.b, only, banks should measure the subsidiaries' total assets before eliminating intercompany transactions between the consolidated subsidiary and other offices or subsidiaries of the consolidated bank. Otherwise, captive insurance and reinsurance subsidiaries should be reported on a consolidated basis as described in the preceding paragraph.

Subsidiaries of subsidiaries – For a subsidiary of a bank which is in turn the parent of one or more subsidiaries:

(1) Each subsidiary shall consolidate its majority-owned subsidiaries in accordance with the consolidation requirements set forth above.

(2) Each subsidiary shall account for any investments in unconsolidated subsidiaries, corporate joint ventures over which the bank exercises significant influence, and associated companies according to the equity method of accounting.

Noncontrolling (minority) interests – A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. Report noncontrolling interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 27.b, "Noncontrolling (minority) interests in consolidated subsidiaries," of the Consolidated Report of Condition. Report the portion of consolidated net income reported in Schedule RI, item 12, that is attributable to noncontrolling interests in consolidated subsidiaries of the bank in Schedule RI, item 13, of the Consolidated Report of Income.

Intrabank transactions – (For banks with foreign offices.) While all intrabank transactions are to be excluded from the Call Report, one intrabank relationship that is eliminated in consolidation is required to be identified and reported in the Report of Condition. Specifically, Schedule RC-H, Selected Balance Sheet Items for Domestic Offices, requires the reporting of the net amount of "due from" or "due to" balances between the domestic offices and the foreign offices of the consolidated bank.

Deposit insurance and FICO assessments – When one FDIC-insured institution that files the FFIEC 031 or FFIEC 041owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 (except item 9.a) and Memorandum items 1 through 3 (and Memorandum item 4 on the FFIEC 031 report) of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an "unconsolidated single FDIC certificate number basis." (However, an FDIC-insured institution that owns another FDIC-insured institution should complete item 9.a of Schedule RC-O by consolidating its subsidiary institution.) In contrast, when an FDIC-insured institution consolidates entities other than FDIC-insured institutions for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1 through 3 (and Memorandum item 4 on the FFIEC 031 report) of Schedule RC-O on a consolidated basis with respect to these other entities. However, all deposits of subsidiaries (except an insured depository institution subsidiary) that are consolidated and, therefore, eliminated from reported deposits on the balance sheet (Schedule RC, item 13.a or 13.b, as appropriate) must be reported in Schedule RC-O, items 1 through 3 and Memorandum items 1 and 2, as appropriate. Similarly, the interest accrued and unpaid on these deposits, which is eliminated in consolidation from reported other liabilities on the balance sheet (Schedule RC, item 20), also must be reported in these Schedule RC-O items.

“Large institutions” and “highly complex institutions,” including those that own another FDIC-insured institution as a subsidiary, should complete Memorandum items 6 through 18 of Schedule RC-O, as appropriate, on a fully consolidated basis.

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 CONSOLIDATED REPORT OF CONDITION

There are no federal requirements for a bank to publish the balance sheet of the Consolidated 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 Call 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, "Loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, 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

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 for the thousands. 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

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 F~~ASB~~inancial Accounting Standards ~~Codification~~Board (FASB) Accounting Standards Codification is referred to as the "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

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
~~1.a.(4)~~ -	1.a.(1)(e)	**Interest and fee income on loans to foreign governments and official institutions.** Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, Part I, item 7, "Loans to foreign governments and official institutions."
1.a.(5)	1.a.(1)(f)	**Interest and fee income on all other loans.** On the FFIEC 041, report interest, fees, and similar charges levied against or associated with loans reportable in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," item 3, "Loans to finance agricultural production and other loans to farmers," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Loans to nondepository financial institutions and other loans." On the FFIEC 031, report interest, fees, and similar charges levied against or associated with loans in domestic offices reportable in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Loans to nondepository financial institutions and other loans."
-	1.a.(2)	**Interest and fee income on loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report all interest, fees, and similar charges levied against or associated with all loans in foreign offices, Edge and Agreement subsidiaries, and IBFs reportable in Schedule RC-C, Part I, items 1 through 9.
1.a.(6)	1.a.(3)	**Total interest and fee income on loans.** On the FFIEC 041, report the sum of items 1.a.(1) through 1.a.(5) in item 1.a.(6). On the FFIEC 031, report the sum of items 1.a.(1)(a) through 1.a.(2) in item 1.a.(3).

FFIEC 031 and 041 Item No.	Caption and Instructions
1.b	**Income from lease financing receivables.** Report all income from direct financing and leveraged leases reportable in Schedule RC-C, Part I, item 10, "Lease financing receivables (net of unearned income)." (See the Glossary entry for "lease accounting.") Exclude from income from lease financing receivables: (1) Any investment tax credit associated with leased property (include in Schedule RI, item 9, "Applicable income taxes (on item 8)"). (2) Provision for possible losses on leases (report in Schedule RI, item 4, "Provision for loan and lease losses"). (3) Rental fees applicable to operating leases for furniture and equipment rented to others (report as "Other noninterest income" in Schedule RI, item 5.l).
1.c	**Interest income on balances due from depository institutions.** Report all income on assets reportable in Schedule RC, item 1.b, "Interest-bearing balances due from depository institutions," including interest-bearing balances maintained to satisfy reserve balance requirements, excess balances, and term deposits due from Federal Reserve Banks. Include interest income earned on interest-bearing balances due from depository institutions that are reported at fair value under a fair value option.

Item No. **Caption and Instructions**

1.d.(3) (cont.) Exclude from interest and dividend income on all other securities:

(1) Income from equity securities that do not have readily determinable fair values (report as “Other interest income” in Schedule RI, item 1.g).

(2) The bank’s proportionate share of the net income or loss from its investments in the stock of unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report income or loss before discontinued operations as “Noninterest income” in the appropriate subitem of Schedule RI, item 5, and report the results of discontinued operations in Schedule RI, item 11).

NOTE: Item 1.e is not applicable to banks filing the FFIEC 041 report form.

1.e **Interest income on trading assets.** Report the interest income earned on assets reportable in Schedule RC, item 5, "Trading assets."

Include accretion of discount on assets held for trading that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper.

Exclude gains (losses) on and fees from trading assets, which should be reported in Schedule RI, item 5.c, “Trading revenue.” Also exclude revaluation adjustments from the periodic marking to market of derivative contracts held for trading purposes, which should be reported as trading revenue in Schedule RI, item 5.c. The effect of the periodic net settlements on these derivative contracts should be included as part of the revaluation adjustments from the periodic marking to market of the contracts.

1.f **Interest income on federal funds sold and securities purchased under agreements to resell.** Report the gross revenue from assets reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell." Include interest income earned on federal funds sold and securities purchased under agreements to resell that are reported at fair value under a fair value option.

Report the expense of federal funds purchased and securities sold under agreements to repurchase in Schedule RI, item 2.b; do not deduct from the gross revenue reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, “Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements”), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

1.g **Other interest income.** Report interest and dividend income on assets other than those assets properly reported in Schedule RC, items 1 through 5. Include interest income on receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans that are reportable in Schedule RC-F, item 6. Include dividend income on “Equity securities that do not have readily determinable fair values” that are reportable in Schedule RC-F, item 4. Also include interest income on interest-only strips receivable (not in the form of a security) that are reportable in Schedule RC-F, item 3. However, exclude interest and dividends on venture capital investments (loans and securities), which should be reported in item 5.e, below.

On the FFIEC 041, include interest income on trading assets that are reportable in Schedule RC, item 5, including accretion of discount on assets held for trading that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper. However, exclude gains (losses) on and fees from trading assets, which, on the FFIEC 041, should be reported as trading revenue in Schedule RI, item 5.l, "Other noninterest income."

1.h **Total interest income.** On the FFIEC 041, report the sum of items 1.a.(6) through 1.g. On the FFIEC 031, report the sum of items 1.a.(3) through 1.g.

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
2.a.(2)(a)	2.a.(2)(b)(1)	**Interest on savings deposits.** Report interest expense on all deposits reportable in Schedule RC-E, (Part I,) Memorandum item 2.a.(1), "Money market deposit accounts (MMDAs)," and Memorandum item 2.a.(2), "Other savings deposits."
2.a.(2)(b)	2.a.(1)(b)(2)	**Interest on time deposits of $~~10~~250,000 or ~~more~~less.** Report interest expense on all deposits reportable in Schedule RC-E, (Part I,) Memorandum item 2.b, "Total time deposits of less than $100,000," and Memorandum item 2.c, "Total time deposits of $100,000 through $250,000~~," and Memorandum item 2.d, "Total time deposits of more than $250,000~~."
2.a.(2)(c)	2.a.(1)(b)(3)	**Interest on time deposits of ~~less~~more than $~~10~~250,000.** Report interest expense on all deposits reportable in Schedule RC-E, (Part I,) Memorandum item 2.d~~b~~, "Total time deposits of ~~less~~more than $~~10~~250,000."
-	2.a.(2)	**Interest on deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report interest expense on all deposits in foreign offices reportable in Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

FFIEC 031 and 041 Item No.	Caption and Instructions
2.b	**Expense of federal funds purchased and securities sold under agreements to repurchase.** Report the gross expense of all liabilities reportable in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase." Include interest expense incurred on federal funds purchased and securities sold under agreements to repurchase that are reported at fair value under a fair value option. Report the income of federal funds sold and securities purchased under agreements to resell in Schedule RI, item 1.f; do not deduct from the gross expense reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.
2.c	**Interest on trading liabilities and other borrowed money.** Report the interest expense on all liabilities reportable in Schedule RC, item 15, "Trading liabilities," and item 16, "Other borrowed money." Include interest expense incurred on other borrowed money reported at fair value under a fair value option. Include amortization of debt issuance costs associated with other borrowed money (unless the borrowed money reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).
2.d	**Interest on subordinated notes and debentures.** Report the interest expense on all liabilities reportable in Schedule RC, item 19, "Subordinated notes and debentures." Include interest expense incurred on subordinated notes and debentures reported at fair value under a fair value option.

Item No.	Caption and Instructions
2.d (cont.)	Include amortization of debt issuance costs associated with subordinated notes and debentures (unless the notes and debentures are reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred). Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 8).
2.e	**Total interest expense.** Report the sum of Schedule RI, items 2.a through 2.d.
3	**Net interest income.** Report the difference between Schedule RI, item 2.e, “Total interest expense,” and Schedule RI, item 1.h, “Total interest income.” If the amount is negative, report it with a minus (-) sign.
4	**Provision for loan and lease losses.** Report the amount needed to make the allowance for loan and lease losses, as reported in Schedule RC, item 4.c, adequate to absorb estimated credit losses, based upon management's evaluation of the reporting institution’s loans and leases held for investment, excluding such loans and leases reported at fair value under a fair value option. Loans and leases held for investment are those that the reporting ~~bank~~institution has the intent and ability to hold for the foreseeable future or until maturity or payoff. Also include in this item any provision for allocated transfer risk related to loans and leases. The amount reported in this item must equal Schedule RI-B, Part II, item 5, “Provision for loan and lease losses.” Report negative amounts with a minus (-) sign. Exclude any provision for credit losses on off-balance sheet credit exposures, which should be reported in Schedule RI, item 7.d, “Other noninterest expense.” The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes. Refer to the Glossary entries for "allowance for loan and lease losses" and “loan impairment” for additional information.

Item No. **Caption and Instructions**

5 **Noninterest income:**

5.a **Income from fiduciary activities.** Report ***gross*** income from services rendered by the institution's trust department or any of its consolidated subsidiaries acting in any fiduciary capacity. Include commissions and fees on sales of annuities by the institution's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity. For institutions required to complete Schedule RC-T, items 14 through 22, this item must equal the amount reported in Schedule RC-T, item 22.

Exclude net fiduciary settlements, surcharges, and other losses. Such losses should be reported on a ***net*** basis in Schedule RI, item 7.d, "Other noninterest expense, and, if applicable, in Schedule RC-T, item 24 and Memorandum item 4. Net losses are gross losses less recoveries (including those from insurance payments). If the institution's trust department or a consolidated subsidiary acting in any fiduciary capacity enters into a "fee reduction" or "fee waiver" agreement with a client as the method for reimbursing or compensating the client for a loss on the client's fiduciary or related services account arising from an error, misfeasance, or malfeasance, the full amount of this loss must be recognized on an accrual basis and included in Schedule RI, item 7.d, and, if applicable, in Schedule RC-T, item 24, and Memorandum item 4. An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in this item 5.a and, if applicable, in Schedule RC-T, items 14 through 22, in the current or future periods when the "fee reduction" or "fee waiver" takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.)

Exclude commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs), Keogh Plan accounts, Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when they are not handled by the institution's trust department (report in Schedule RI, item 5.b, "Service charges on deposit accounts (in domestic offices)").

Report a zero~~ or the word "none"~~ if the institution has no trust department and no consolidated subsidiaries that render services in any fiduciary capacity.

5.b **Service charges on deposit accounts (in domestic offices).** Report in this item amounts charged depositors, net of amounts refunded to depositors, including, but not limited to, service charges and fees levied on deposit accounts (in domestic offices):

(1) For the maintenance of deposit accounts with the institution, so-called "maintenance charges."

(2) For the failure to maintain specified minimum deposit balances.

(3) Based on the number of checks drawn on and deposits made in deposit accounts.

(4) For checks drawn on so-called "no minimum balance" deposit accounts.

(5) For withdrawals from nontransaction deposit accounts.

(6) For the closing of savings accounts before a specified minimum period of time has elapsed.

(7) For accounts which have remained inactive for extended periods of time or which have become dormant.

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5.b (cont.)

(8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units.

(9) For the processing of checks drawn against insufficient funds, so-called "NSF check charges," that the institution assesses regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans (in domestic offices)").

(10) For issuing stop payment orders.

(11) For certifying checks.

(12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs), Keogh Plan accounts, Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when not handled by the institution's trust department. Report such commissions and fees received for accounts handled by the institution's trust department in Schedule RI, item 5.a, "Income from fiduciary activities."

(13) For wire transfer services provided to the institution's depositors.

Exclude penalties paid by depositors for the early withdrawal of time deposits (report as "Other noninterest income" in Schedule RI, item 5.l, or deduct from the interest expense of the related category of time deposits, as appropriate).

5.c **Trading revenue.** Report the net gain or loss from trading cash instruments and derivative contracts (including commodity contracts) that has been recognized during the calendar year-to-date. For banks required to complete Schedule RI, Memorandum item 8, the amount reported in this item must equal the sum of Schedule RI, Memorandum items 8.a through 8.e.

Include as trading revenue:

(1) Revaluation adjustments to the carrying value of cash instruments reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," resulting from the periodic marking to market of such instruments.

(2) Revaluation adjustments from the periodic marking to market of interest rate, foreign exchange rate, commodity, and equity derivative contracts reportable in Schedule RC-L, item 13, "Total gross notional amount of derivative contracts held for trading," and credit derivative contracts reportable in Schedule RC-L, item 7, "Credit derivatives," that are held for trading purposes. The effect of the periodic net settlements on derivative contracts held for trading purposes should be included as part of the revaluation adjustments from the periodic marking to market of these contracts.

(3) Incidental income and expense related to the purchase and sale of cash instruments reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," derivative contracts reportable in Schedule RC-L, item 13, "Total gross notional amount of derivative contracts held for trading," and credit derivative contracts reportable in Schedule RC-L, item 7, "Credit derivatives," that are held for trading purposes.

If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

Item No. **Caption and Instructions**

5.k **Net gains (losses) on sales of other assets~~ (excluding securities)~~.** Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI). Include net gains (losses) on sales and other disposals of premises and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets. Also include net gains (losses) on sales of, and other-than-temporary impairment losses on, equity securities that do not have readily determinable fair values and are not held for trading. Do not include net gains (losses) on sales and other disposals of held-to-maturity securities, available-for-sale securities, loans and leases (either directly or through securitization), trading assets, and other real estate owned~~, securities, and trading assets~~ (report these net gains (losses) in the appropriate items of Schedule RI).

5.l **Other noninterest income.** Report all operating income of the bank for the calendar year to date not required to be reported elsewhere in Schedule RI.

Disclose in Schedule RI-E, items 1.a through 1.l, each component of other noninterest income, and the dollar amount of such component, that is greater than $100,000 and exceeds 3 percent of the other noninterest income reported in this item. If net losses have been reported in this item for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than $100,000 and exceeds 3 percent of "Other noninterest income" and should be reported in Schedule RI-E, item 1. (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 1.a through 1.i, for reporting the following components of other noninterest income if the component exceeds this disclosure threshold: income and fees from the printing and sale of checks, earnings on/increase in value of cash surrender value of life insurance, income and fees from automated teller machines (ATMs), rent and other income from other real estate owned, safe deposit box rent, net change in the fair values of financial instruments accounted for under a fair value option, bank card and credit card interchange fees, gains on bargain purchases,~~

Item No. **Caption and Instructions**

5.l (cont.) ~~and income and fees from wire transfers.~~ For each component of other noninterest income that exceeds th~~is~~e disclosure threshold in the preceding paragraph and for which a preprinted caption has not been provided in Schedule RI-E, items 1.a through 1.i, describe the component with a clear but concise caption in Schedule RI-E, items 1.j through 1.l. These descriptions should not exceed 50 characters in length (including spacing between words).

For disclosure purposes in Schedule RI-E, items 1.a through 1.i, when components of “Other noninterest income” reflect a single credit for separate “bundled services” provided through third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

Include as other noninterest income:

(1) Service charges, commissions, and fees for such services as:

(a) The rental of safe deposit boxes. (Report the amount of such fees in Schedule RI-E, item 1.e, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)

(b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Schedule RI, item 5.a, “Income from fiduciary activities”).

(c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks.

(d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange.

(e) The redemption of U.S. savings bonds.

(f) The handling of food stamps.

(g) The execution of acceptances and the issuance of commercial letters of credit, standby letters of credit, deferred payment letters of credit, and letters of credit issued for cash or its equivalent. Exclude income on bankers acceptances and trade acceptances (report such income in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans," for acceptances held for investment or held for sale, and~~or~~ in Schedule RI, item 1.e, "Interest income from trading assets," on the FFIEC 031, or item 1.g, “Other interest income,” for acceptances held for trading~~as appropriate~~).

(h) The notarizing of forms and documents.

(i) The negotiation or management of loans from other lenders for customers or correspondents.

(j) The providing of consulting and advisory services to others. Exclude income from investment advisory services, which is to be reported in Schedule RI, item 5.d.(2).

(k) The use of the bank's automated teller machines or remote service units by depositors of other depository institutions. (Report the amount of such income and fees in Schedule RI-E, item 1.c, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)

(l) Wire transfer services, except for wire transfers for which service charges or fees are levied on deposit accounts of the institution's depositors, for which the income is to be reported in Schedule RI, item 5.b, "Service charges on deposit accounts." (Report the amount of income and fees from wire transfers in Schedule RI-E, item 1.i, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)

Item No.	Caption and Instructions
5.l (cont.)	(2) Income and fees from the sale and printing of checks. (Report the amount of such income and fees in Schedule RI-E, item 1.a, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)
	(3) Gross rentals and other income from all real estate reportable in Schedule RC, item 7, "Other real estate owned." (Report the amount of such income in Schedule RI-E, item 1.d, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)
	(4) Earnings on or other increases in the value of the cash surrender value of bank-owned life insurance policies. (Report the amount of such earnings or other increases in Schedule RI-E, item 1.b, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)
	(5) Annual or other periodic fees paid by holders of credit cards issued by the bank. Fees that are periodically charged to cardholders shall be deferred and recognized on a straight-line basis over the period the fee entitles the cardholder to use the card.
	(6) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books. Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.
	(7) Interchange fees earned from bank card and credit card transactions. (Report the amount of such fees in Schedule RI-E, item 1.g, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)
	(8) Gross income received for performing data processing services for others. Do <u>not</u> deduct the expense of performing such services for others (report in the appropriate items of noninterest expense).
	(9) Loan commitment fees that are recognized during the commitment period (i.e., fees retrospectively determined and fees for commitments where exercise is remote) or included in income when the commitment expires and loan syndication fees that are not required to be deferred. Refer to the Glossary entry for "loan fees" for further information.
	(10) On the FFIEC 031 only, service charges on deposit accounts in foreign offices.
	(11) Net tellers' overages (shortages), net recoveries (losses) on forged checks, net recoveries (losses) on payment of checks over stop payment orders, and similar recurring operating gains (losses) of this type. Banks should consistently report these gains (losses) either in this item or in Schedule RI, item 7.d.
	(12) Net gains (losses) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.
	(13) Net gains (losses) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.
	(14) Rental fees applicable to operating leases for furniture and equipment rented to others.

(15) Interest received on tax refunds.

(16) Life insurance proceeds on policies for which the bank is the beneficiary.

Item No.	Caption and Instructions

5.l (cont.)

(17) Credits resulting from litigation or other claims.

(18) Portions of penalties for early withdrawals of time deposits that exceed the interest accrued or paid on the deposit to the date of withdrawal, if material. Penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal are a reduction of interest expense and should be deducted from the gross interest expense of the appropriate category of time deposits in Schedule RI, item 2.a, "Interest on deposits."

(19) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before discontinued operations from its investments in:

- unconsolidated subsidiaries,
- 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”)

other than those that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities; venture capital activities; insurance and reinsurance underwriting activities; or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1), 5.d.(2), 5.d.(3), 5.d.(4), 5.d.(5), and 5.e, respectively). Exclude the bank's proportionate share of the results of discontinued operations of these entities (report in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes").

(20) Net gains (losses) on derivative instruments held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities”). Institutions should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d. For further information, see the Glossary entries for “derivative contracts” and “trading account.”

(21) Gross income generated by securities contributed to charitable contribution Clifford Trusts.

(22) Income from ground rents and air rights.

(23) Revaluation adjustments 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. Exclude interest income earned and interest expense incurred on financial assets and liabilities reported at fair value under a fair value option, which should be reported in the appropriate interest income or interest expense items on Schedule RI. (Report the net change in the fair value of fair value option financial instruments in Schedule RI-E, item 1.f, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)

(24) Gains on bargain purchases recognized and measured in accordance with ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), “Business Combinations”). (Report the amount of such gains in Schedule RI-E, item 1.h, if this amount is greater than $100,000 and exceeds 3 percent of the amount

reported in Schedule RI, item 5.l.)

(25) On the FFIEC 041 only, trading revenue (which may be a net gain or loss) from cash instruments and derivative contracts reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," including gains (losses) from trading such instruments and contracts, revaluation adjustments from the periodic marking to fair value of such instruments and contracts, and incidental income and expense related to the purchase and sale of such instruments and contracts.

5.m **Total noninterest income.** Report the sum of items 5.a through 5.l.

Item No. **Caption and Instructions**

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.p, each component of other noninterest expense, and the dollar amount of such component, that is greater than $100,000 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 $100,000 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.m, 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 deposit insurance assessments; accounting and auditing expenses; consulting and advisory expenses; automated teller machine (ATM) and interchange expenses; telecommunications expenses; other real estate owned expenses; and insurance expenses (not included in salaries and employee benefits, expenses of premises and fixed assets, and other real estate owned expenses).~~ For each component of other noninterest expense that exceeds th~~is~~e disclosure threshold in the preceding paragraph and for which a preprinted caption has not been provided in Schedule RI-E, items 2.a.through 2.m, describe the component with a clear but concise caption in Schedule RI-E, items 2.n through 2.p. These descriptions should not exceed 50 characters in length (including spacing between words).

For disclosure purposes in Schedule RI-E, items 2.a through 2.m, when components of "Other noninterest expense" reflect a single charge for separate "bundled services" provided by third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time.

Include as other noninterest expense:

(1) Fees paid to directors and advisory directors for attendance at board of directors' or committee meetings (including travel and expense allowances). (Report the amount of such fees in Schedule RI-E, item 2.c, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(2) Cost of data processing services performed for the bank by others. (Report the amount of such expenses in Schedule RI-E, item 2.a, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(3) Advertising, promotional, public relations, marketing, and business development expenses. Such expenses include the cost of athletic activities in which officers and employees participate when the purpose may be construed to be for marketing or public relations, and employee benefits are only incidental to the activities. (Report the amount of such expenses in Schedule RI-E, item 2.b, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(4) Cost of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account, if not included in advertising and marketing expenses above.

(5) Retainer fees, legal fees, and other fees and expenses paid to attorneys who are not bank officers or employees and to outside law firms. (Report the amount of such expenses in Schedule RI-E, item 2.f, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(6) Cost of printing, stationery, and office supplies. (Report the amount of such expenses in Schedule RI-E, item 2.d, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

Item No.	Caption and Instructions

7.d (cont.)

(7) Postage and mailing expenses. (Report the amount of such expenses in Schedule RI-E, item 2.e, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(8) Telecommunications expenses, including any expenses associated with telephone, telegraph, cable, and internet services (including web page maintenance). (Report the amount of such expenses in Schedule RI-E, item 2.k, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(9) Federal deposit insurance assessments and Financing Corporation (FICO) assessments. (Report the amount of such assessments in Schedule RI-E, item 2.g, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(10) Premiums on fidelity insurance (blanket bond, excess employee dishonesty bond), directors' and officers' liability insurance, ~~and~~ life insurance policies for which the bank is the beneficiary~~.~~, and other insurance policies for which the premiums are not included in salaries and employee benefits, expenses of premises and fixed assets, and expenses of other real estate owned. (Report the amount of such insurance expenses in Schedule RI-E, item 2.m, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(11) Assessment expense, examination expense, and other fees levied by the Comptroller of the Currency or a state chartering authority, net of any assessment credits during the period.

(12) Legal fees and other direct costs incurred to effect foreclosures on real estate and subsequent noninterest expenses related to holdings of real estate owned other than bank premises (including depreciation charges, if appropriate). (Report the amount of such expenses in Schedule RI-E, item 2.l, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

(13) Net losses (gains) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.l.

(14) Net losses (gains) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.l.

(15) Management fees assessed by the bank's parent holding company, whether for specific services rendered or of a general (prorated) nature.

(16) Sales taxes, taxes based on the number of shares of bank stock outstanding, taxes based on the bank's total assets or total deposits, taxes based on the bank's gross revenues or gross receipts, capital stock taxes, and other taxes not included in other categories of expense. Exclude any foreign, state, and local taxes based on a net amount of revenues less expenses (report as applicable income taxes in Schedule RI, item~~s~~ 9).

(17) Fees levied by deposit brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on deposits the reporting bank

acquires through brokers. However, report as interest expense on the appropriate category of deposits those finders' fees and brokers' fees that do represent an adjustment to the interest rate paid on brokered deposits.

(18) Research and development costs and costs incurred in the internal development of computer software.

(19) Charges resulting from litigation or other claims.

(20) Charitable contributions including donations by Clifford Trusts.

Item No.	Caption and Instructions
7.d (cont.)	(21) Fees for accounting, auditing, and attestation services; retainer fees; and other fees and expenses paid to accountants and auditors who are not bank officers or employees. (Report the amount of such expenses in Schedule RI-E, item 2.h, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)
	(22) Fees for consulting and advisory services, retainer fees, and other fees and expenses paid to management consultants, investment advisors, and other professionals (other than attorneys providing legal services and accountants providing accounting, auditing, and attestation services) who are not bank officers or employees. (Report the amount of such expenses in Schedule RI-E, item 2.i, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)
	(23) Net losses (gains) on derivative instruments held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities"). Institutions should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.l. For further information, see the Glossary entries for "derivative contracts" and "trading account."
	(24) Net tellers' shortages (overages), net losses (recoveries) on forged checks, net losses (recoveries) on payment of checks over stop payment orders, and similar recurring operating losses (gains) of this type. Banks should consistently report these losses (gains) either in this item or in Schedule RI, item 5.l.
	(25) Net losses resulting from fiduciary and related services. Net losses are gross losses less recoveries (including those from insurance payments). Gross losses include settlements, surcharges, and other losses arising from errors, misfeasance, or malfeasance on fiduciary accounts and related services and should reflect losses recognized on an accrual basis. Recoveries may be for current or prior years' losses from fiduciary and related services and should be reported when payment is actually realized. If the institution enters into a "fee reduction" or "fee waiver" agreement with a client as the method for reimbursing or compensating the client for a loss on the client's fiduciary or related services account, the full amount of this loss must be recognized on an accrual basis and reported in this item as "Other noninterest expense." An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in Schedule RI, item 5.a, "Income from fiduciary activities," in the current or future periods when the "fee reduction" or "fee waiver" takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.) For institutions required to complete Schedule RC-T, item 24, the amount of net losses from fiduciary and related services also is reported in that item.
	(26) Losses from robberies, defalcations, and other criminal acts not covered by the bank's blanket bond.
	(27) Travel and entertainment expenses, including costs incurred by bank officers and employees for attending meetings and conventions.
	(28) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.
	(29) Civil money penalties and fines.

(30) All service charges, commissions, and fees levied by others for the repossession of assets and the collection of the bank's loans or other assets, including charged-off loans or other charged-off assets.

Item No.	Caption and Instructions
7.d (cont.)	(31) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.l.
	(32) Expenses related to the testing and training of officers and employees.
	(33) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.
	(34) Depreciation expense of furniture and equipment rented to others under operating leases.
	(35) Cost of checks provided to depositors.
	(36) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, “Accounting for the Cost of Computer Software to Be Sold, Leased, or Otherwise Marketed”).
	(37) Provision for credit losses on off-balance sheet credit exposures.
	(38) Net losses (gains) from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances. However, if a bank's debt extinguishments normally result in net gains over time, then the bank should consistently report its net gains (losses) in Schedule RI, item 5.l, "Other noninterest income."
	(39) Automated teller machine (ATM) and interchange expenses from bank card and credit card transactions. (Report the amount of such expenses in Schedule RI-E, item 2.j, if this amount is greater than $100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)
	Exclude from other noninterest expense:
	(1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures using the effective interest method and report the expense in Schedule RI, item 2.d, "Interest on subordinated notes and debentures"). For further information, see the Glossary entry for “Debt issuance costs.”
	(2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net").
	(3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets").

Memoranda

Item No. **Caption and Instructions**

2 (cont.)

(2) Income from leasing arrangements with affiliated and unaffiliated entities who lease space in bank offices for use in selling mutual funds and annuities. Income from leasing arrangements should be reported as income as earned (i.e., on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.

(3) Fees for providing investment advisory services for proprietary mutual funds and annuities.

(4) Fees for providing securities custody, transfer agent, and other operational and ancillary services to mutual funds and annuities that are sold on bank premises or are otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income at the time of the sale or over the duration of the account.

Also include income from sales conducted through the reporting bank's trust department that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator), but exclude income from sales conducted by the trust department that are executed in a fiduciary capacity.

In general, this income will have been included in Schedule RI, item 5.d.(1), “Fees and commissions from securities brokerage“ (for mutual funds) and item 5.d.(3), “Fees and commissions from annuity sales.” However, income from leasing arrangements, or the portion thereof, that is fixed in amount and does not vary based on sales volume may have been reported as a deduction from Schedule RI, item 7.b, "Expenses of premises and fixed assets." Thus, the income to be included in this item should be reported gross rather than net of expenses incurred by the reporting bank or a consolidated subsidiary.

Exclude fees earned for providing securities custody, transfer agent, and other operational and ancillary services to third party mutual funds and annuities that are not sold on bank premises and are not otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income at the time of the sale or over the duration of the account.

3 **Income on tax-exempt loans and leases to states and political subdivisions in the U.S.** Report the bank’s best estimate of the income earned on:

(1) Tax-exempt loans to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 8. On the FFIEC 041, this income will have been included in Schedule RI, item 1.a.(5), Interest and fee income on “All other loans.” ~~(except that, for banks with total assets of less than $25 million for report dates during 2001, this income will have been included in Schedule RI, item 1.a.(6), “Total interest and fee income on loans”).~~ On the FFIEC 031, this income will have been included in Schedule RI, item 1.a.(1)(f), Interest and fee income on “All other loans in domestic offices.”

(2) Tax-exempt leases to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 10. This income will have been included in Schedule RI, item 1.b, “Income from lease financing receivables,” above.

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3 (cont.) Tax-exempt loans and leases are those loans and leases to states and political subdivisions in the U.S. whose income is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan or lease must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the loan or lease.

4 **Income on tax-exempt securities issued by states and political subdivisions in the U.S.** Report the bank's best estimate of the income earned on those securities issued by states and political subdivisions in the U.S. reportable in Schedule RC-B, item 3, the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the securities must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the securities.

5 **Number of full-time equivalent employees at end of current period**. Report the number of full-time equivalent employees of the bank and its consolidated subsidiaries as of the report date (round to the nearest whole number). For purposes of this Memorandum item, a bank should include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence nor calculate the related pro rata number of full-time equivalent employees for purposes of this Memorandum item.

To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting bank.)

NOTE: Memorandum item 6 is applicable only to banks filing the FFIEC 041 report form.

6 **Interest and fee income on loans to finance agricultural production and other loans to farmers.**

Memorandum items 6 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 and leases held for investment and held for sale (Schedule RC-C, part I, item 12)~~, net of unearned income~~.

~~All other banks should report a zero or the word "none" in this item.~~

Report in this item all interest, fees, and similar charges levied against or associated with all loans reportable in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers."

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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, 201~~6~~7, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income) would report 201~~6~~70601 in this Memorandum item for June 30, September 30, and December 31, 201~~6~~7.

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~~10 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.

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NOTE: Schedule RI, Memorandum items 8.f through 8.h, are to be completed by banks with $100 billion or more in total assets that are required to complete Schedule RI, Memorandum items 8.a through 8.e.

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.f.(1) **Gross credit valuation adjustment (CVA).** Report the year-to-date change in gross credit valuation adjustments (i.e., excluding the results of CVA hedges) included in the trading revenue reported in Schedule RI, item 5.c. The CVA is an adjustment to the fair value of derivatives exposures to account for possible non-performance of the bank's derivatives counterparties. It is an estimate of the fair value of counterparty credit risk. In instances where CVA is a component in a bilateral valuation adjustment calculation for a derivatives counterparty, include the year-to-date change in the gross CVA component for that counterparty in this item. A net decrease in the CVA balance over the year-to-date reporting period (e.g., from improving counterparty creditworthiness) should be reported as a positive change. A net increase in the CVA balance over the year-to-date reporting period (e.g., from declining counterparty creditworthiness) should be reported as a negative change with a minus (-) sign.

8.f.(2) **CVA hedges.** For those derivatives exposures for which the year-to-date change in the gross CVA is reported in Schedule RI, Memorandum item 8.f.(1), above, report in this item the year-to-date effect of hedges of those CVA exposures that is included in Schedule RI, item 5.c, "Trading revenue."

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.~~

8.g.(1) **Gross debit valuation adjustment (DVA).** Report the year-to-date change in gross debit valuation adjustments (i.e., excluding the results of DVA hedges) included in the trading revenue reported in Schedule RI, item 5.c. The DVA is an adjustment to the fair value of derivatives exposures that accounts for possible non-performance by the bank. It is an estimate of the fair value of the bank's own credit risk to its counterparties. In instances where DVA is a component in a bilateral valuation adjustment calculation for a derivatives counterparty, include the year-to-date change in the gross DVA component for that counterparty in this item. A net increase in the DVA balance over the year-to-date reporting period (e.g., from declining bank creditworthiness) should be reported as a positive change. A net decrease in the DVA balance over the year-to-date reporting period (e.g., from improving bank creditworthiness) should be reported as a negative change with a minus (-) sign.

8.g.(2) **DVA hedges.** For those derivatives exposures for which the year-to-date change in the gross DVA is reported in Schedule RI, Memorandum item 8.g.(1), above, report in this item the year-to-date effect of hedges of those DVA exposures that is included in Schedule RI, item 5.c, "Trading revenue."

8.h **Gross trading revenue, before including positive or negative net CVA and net DVA.** Report as gross trading revenue the year-to-date results of trading activities prior to the impact of any year-to-date changes in valuation adjustments, including, but not limited to, CVA and DVA. The sum of the gross trading revenue reported in Memorandum item 8.h plus or minus all year-to-date changes in valuation adjustments, as appropriate, should equal Schedule RI, item 5.c, "Trading revenue." Because there are valuation adjustments other than CVA and DVA, the sum of the gross trading revenue reported in Memorandum item 8.h plus or minus the year-to-date changes in CVA and DVA reported in Memorandum items 8.f.(1) and 8.g.(1) may not equal the amount reported for trading revenue in Schedule RI, item 5.c.

NOTE: Memorandum items 9.a and 9.b are to be completed by institutions with $10 billion or more in total assets.

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.

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13.a.(1) **Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk.** For loans reported at fair value under a fair value option, report the estimated portion of the change in fair value included in earnings attributable to changes in instrument-specific credit risk. Include all such loans reported in Schedule RC, items 4.a, 4.b, and 5.

13.b **Net gains (losses) on liabilities.** Report the total amounts of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all liabilities, including hybrid financial instruments and servicing liabilities, accounted for under a fair value option. This amount will reflect the reported interest included in total interest expense in Schedule RI, item 2.e, 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.

13.b.(1) **Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk.** For liabilities reported at fair value under a fair value option, report the estimated portion of the change in fair value included in earnings attributable to changes in instrument-specific credit risk.

14 **Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings.** Report the amount of other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that have been recognized in earnings during the calendar year to date as discussed in the following paragraphs. This amount is included in the realized gains (losses) on held-to-maturity and available-for-sale securities reported in Schedule RI, items 6.a and 6.b, respectively.

When the fair value of an individual held-to-maturity or available-for-sale debt security is less than its amortized cost basis, the security is impaired and the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a bank must apply the relevant guidance in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as amended by FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," and FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments") and ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly Emerging Issues Task Force (EITF) Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets," as amended by FSP EITF 99-20-1, "Amendments to the Impairment Guidance of EITF Issue No. 99-20"), as appropriate.

When an other-than-temporary impairment loss has occurred on an individual debt security, the total amount of the loss is the entire difference between the amortized cost of the debt security and its fair value on the measurement date of the other-than-temporary impairment. For an other-than-temporary impairment loss on a debt security that the bank intends to sell and on a debt security that it is more likely than not that the bank will be required to sell before recovery of its amortized cost basis less any current-period credit loss, the total amount of the other-than-temporary impairment loss must be recognized in earnings and must be reported in this item.

For an other-than-temporary impairment loss on a debt security when the bank does not intend to sell the security and it is not more likely than not that the bank will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment loss must be separated into (a) the amount representing the credit loss, which must be recognized in earnings, and (b) the amount related to all other factors, which must be recognized in other comprehensive income. Report in this item the portion of such an other-than-temporary impairment loss that represents the credit loss.

For further information, see the Glossary for “securities activities.”

~~Report in the appropriate subitem the specified information on other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that have occurred during the calendar year to date. The amounts to be reported in Memorandum item 14 should be determined as of the date each other-than-temporary impairment loss is initially recognized on an individual debt security during the current calendar year, i.e., based on the fair value and amortized cost of the other-than-temporarily impaired debt security as of that measurement date, and these amounts should be adjusted only to reflect any additional impairment loss on the debt security that is recognized in earnings during the same calendar year. The amounts reported in Memorandum items 14.a and 14.b should not be adjusted to reflect any recoveries in the fair value of the other-than-temporarily impaired debt security that occur after the date when the other-than-temporary impairment (OTTI) loss was initially recognized in earnings during the current calendar year. In contrast, the amounts reported in Memorandum items 14.a, 14.b, and 14.c should be adjusted to reflect a further decline in the fair value of the other-than-temporarily impaired debt security during the current calendar year~~

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14 ~~(cont.)~~ ~~that is accompanied by an additional impairment loss on the debt security that increases the previously reported impairment loss recognized in earnings during the current calendar year.~~[1]

~~Consider the following examples:~~ [2]

~~Example 1:~~

~~First Quarter 2013:~~
- ~~Debt security with a $1,000 amortized cost basis and fair value of $900.~~
- ~~Impairment is determined to be other-than-temporary.~~
- ~~Total OTTI loss of $100 is comprised of a $10 credit loss recognized in earnings and a $90 loss related to factors other than credit recognized in other comprehensive income.~~
- ~~The new amortized cost basis of the debt security after the recognition of the credit loss is $990.~~

~~Second Quarter 2013:~~
- ~~Debt security has increased in fair value to $920.~~
- ~~The credit loss has increased by $20, which is recognized in earnings.~~
- ~~This additional other-than-temporary impairment loss recognized in earnings results in a new amortized cost basis of $970 for the debt security.~~

~~Third Quarter 2013:~~
- ~~Debt security has increased in fair value to $950~~
- ~~The credit loss is unchanged from the second quarter of 2013, so the amortized cost basis remains $970.~~

~~The events listed above would be reported in Memorandum items 14.a, 14.b, and 14.c, as follows:~~

	~~March 31, 2013~~	~~June 30, 2013~~	~~September 30, 2013~~
~~14.a~~	~~$100~~	~~$100~~	~~$100~~
~~14.b~~	~~90~~	~~70~~	~~70~~
~~14.c~~	~~$10~~	~~$30~~	~~$30~~

~~Note that Memorandum items 14.b and 14.c are adjusted as of June 30, 2013, to reflect the increase in the other-than-temporary impairment loss recognized in earnings (the increased credit loss) that occurred in the second quarter of 2013; however, Memorandum items 14.a and 14.b are not adjusted as of June 30 and September 30, 2013, to reflect the increases in the fair value of the debt security that occurred in the second and third quarters of 2013 because these recoveries in fair value do not result in a reduction in the amount of the other-than-temporary impairment loss initially recognized in earnings in the first quarter of 2013.~~

~~[1] This reporting treatment should be applied to other-than-temporary impairment losses recognized on or after January 1, 2013.~~
~~[2] In these examples, references to the amortized cost of the debt security in periods after the recognition of an other-than-temporary impairment loss ignore the effect of the accretion of the difference between the new amortized cost basis and the cash flows expected to be collected.~~

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~~**14** (cont.)~~ ~~Example 2:~~

~~First Quarter 2013:~~
- ~~Same facts as in Example 1.~~

~~Second Quarter 2013:~~
- ~~Debt security has declined in fair value to $870.~~
- ~~The credit loss has increased by $20, which is recognized in earnings.~~
- ~~This additional other-than-temporary impairment loss recognized in earnings results in a new amortized cost basis of $970 for the debt security.~~

~~Third Quarter 2013:~~
- ~~Debt security has increased in fair value to $920~~
- ~~The credit loss is unchanged from the second quarter of 2013, so the amortized cost basis remains $970.~~

~~The events listed above would be reported in Memorandum items 14.a, 14.b, and 14.c, as follows:~~

	~~March 31, 2013~~	~~June 30, 2013~~	~~September 30, 2013~~
~~14.a~~	~~$100~~	~~$130~~	~~$130~~
~~14.b~~	~~90~~	~~100~~	~~100~~
~~14.c~~	~~$10~~	~~$30~~	~~$30~~

~~Note that Memorandum items 14.a, 14.b, and 14.c are adjusted as of June 30, 2013, to reflect the additional decline in fair value of the other-than-temporarily impaired debt security that accompanied the increase in the other-than-temporary impairment loss recognized in earnings (the increased credit loss) in the second quarter of 2013; however, Memorandum items 14.a and 14.b are not adjusted as of September 30, 2013, to reflect the increase in the fair value of the debt security that occurred in the third quarter of 2013 because this recovery in fair value did not result in a reduction in the amount of other-than-temporary impairment losses initially and subsequently recognized in earnings in the first and second quarters, respectively, of 2013.~~

~~**14.a**~~ ~~**Total other-than-temporary impairment losses.**~~ ~~When an other-than-temporary impairment loss has occurred on an individual debt security, the total amount of the loss is the entire difference between the amortized cost of the debt security and its fair value on the measurement date of the other-than-temporary impairment. Report the total other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings and other comprehensive income during the calendar year to date in the manner specified in the instructions for Schedule RI, Memorandum item 14, above.~~

~~Because this item should not reflect recoveries in the fair value of an other-than-temporarily impaired debt security in periods subsequent to the date when the other-than-temporary impairment loss was initially recognized during the current calendar year, negative entries are not appropriate in this item.~~

Memoranda

Item No. **Caption and Instructions**

~~**14.b** **Portion of losses recognized in other comprehensive income (before income taxes).** When an other-than-temporary impairment loss has occurred on an individual debt security, if the bank does not intend to sell the security and it is not more likely than not that the bank will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment loss must be separated into (a) the amount representing the credit loss, which must be recognized in earnings, and (b) the amount related to all other factors, which must be recognized in other comprehensive income. Report the portion of other-than-temporary impairment losses included in Memorandum item 14.a above related to factors other than credit that has been recognized in other comprehensive income (before income taxes) during the calendar year to date in the manner specified in the instructions for Schedule RI, Memorandum item 14, above.~~

~~Exclude other-than-temporary impairment losses on debt securities that the bank intends to sell and on debt securities that it is more likely than not that the bank will be required to sell before recovery of its amortized cost basis less any current-period credit loss, the entire amount of which must be recognized in earnings.~~

~~Because this item should not reflect recoveries in the fair value of an other-than-temporarily impaired debt security in periods subsequent to the date when the other-than-temporary impairment loss was initially recognized during the current calendar year, negative entries are not appropriate in this item.~~

~~**14.c** **Net impairment losses recognized in earnings.** Report Schedule RI, Memorandum item 14.a, less Memorandum item 14.b, which represents the amount of other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that has been recognized in earnings during the calendar year to date. This amount is included in the realized gains (losses) on held-to-maturity and available-for-sale securities reported in Schedule RI, items 6.a and 6.b.~~

15 **Components of service charges on deposit accounts (in domestic offices).** Memorandum items 15.a through 15.d are to be completed by institutions with $1 billion or more in total assets[1] that answered "Yes" to Schedule RC-E, (Part I,) Memorandum item 5, "Does your institution offer one or more consumer deposit account products, i.e., transaction account or nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use?" Such institutions should report in the appropriate subitem the year-to-date amount of the specified category of service charges on deposit accounts included in Schedule RI, item 5.b, "Service charges on deposit accounts (in domestic offices). Consistent with the instructions for Schedule RI, item 5.b, the amount of service charges on deposit accounts reported in Memorandum items 15.a through 15.d should be net of amounts refunded to depositors.

The specified categories of service charges to be reported in Schedule RI, Memorandum items 15.a through 15.c, are those levied against consumer deposit account products offered by the reporting institution during the calendar year to date that would be reportable in Schedule RC-E, Memorandum items 6.a, 6.b, 7.a.(1), and 7.b.(1).

[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 3 and 4 of the General Instructions for guidance on shifts in reporting status.

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 not applicable ~~only~~ to banks filing the FFIEC 0~~3~~41 report form.

1.f **In foreign offices.** On the FFIEC 031, r~~R~~eport 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 Not applicable.~~**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: Item~~s 2.a, 2.b, and~~ 3 ~~are~~is not applicable ~~only~~ to banks filing the FFIEC 0~~3~~41 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.** On the FFIEC 031, r~~R~~eport 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 not applicable ~~only~~ to banks filing the FFIEC 0~~3~~41 report form.

4.a **To U.S. addressees (domicile).** On the FFIEC 031, r~~R~~eport 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.** On the FFIEC 031, r~~R~~eport 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.

NOTE: Item 6 is not applicable to banks filing the FFIEC 041 report form.

6 **Loans to foreign governments and official institutions.** On the FFIEC 031, r~~R~~eport 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 depository institutions and acceptances of other banks, 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 2, 3, 8, and 9) charged-off and recovered. On the FFIEC 031, report in columns A and B, as appropriate, loans to depository institutions and acceptances of other banks, 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 2, 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 not applicable ~~only~~ to banks filing the FFIEC 0~~3~~41 report form.

8.a **Leases to individuals for household, family, and other personal expenditures.** On the FFIEC 031, r~~R~~eport 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.** On the FFIEC 031, r~~R~~eport 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

Item No. **Caption and Instructions**

1 **Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, part I, items 4 and 7, above.** Report in columns A and B, as appropriate, loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** (as defined for Schedule RC-C, part I, Memorandum item 3) charged off and recovered. Such loans will have been included in items 4 and 7 of Schedule RI-B, part I, above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RI-B, part I, above.

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

NOTE: On the FFIEC 041, Memorandum item 2.a is to be completed by banks that have $300 million or more in total assets.

2 **2.a** **Loans secured by real estate to non-U.S. addressees (domicile).** Report in columns A and B, as appropriate, loans secured by real estate to non-U.S. addressees (as defined for Schedule RC-C, part 1, Memorandum item 5) charged off and recovered. Such loans will have been included in Schedule RI-B, part I, item 1, above.

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

NOTE: On the FFIEC 041, Memorandum items 2.~~b~~c ~~through~~and 2.d are to be completed by banks that have $300 million or more in total assets.

2.b Not applicable.~~**Loans to and acceptances of 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. Such loans and acceptances will have been included in Schedule RI-B, part I, item 2, above.~~

2.c **Commercial and industrial loans to non-U.S. addressees (domicile).** 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. Such loans will have been included in Schedule RI-B, part I, item 4, above.

2.d **Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, 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. Such leases will have been included in Schedule RI-B, part I, item 8, above.

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 and leases held for investment and held for sale (Schedule RC-C, part I, item 12)~~, 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~~depository institution.)
  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 Consolidated 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.)

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~~depository institution.)

  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.

Item No.	Caption and Instructions
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.

SCHEDULE RI-C – DISAGGREGATED DATA ON THE ALLOWANCE FOR LOAN AND LEASE LOSSES

General Instructions

Schedule RI-C is to be completed by institutions with $1 billion or more in total assets.

This schedule has six columns for the disclosure by portfolio category of the balance in the allowance for loan and lease losses at the end of each quarter disaggregated on the basis of the reporting institution's impairment method and the related recorded investment in loans (and, as applicable, leases) held for investment (excluding loans held for investment that the institution has elected to report at fair value under a fair value option) disaggregated in the same manner: two columns for information on loans individually evaluated for impairment, two columns for information on loans and leases collectively evaluated for impairment, and two columns for purchased credit-impaired loans. For further information on loan impairment methods, see the Glossary entries for "loan impairment" and "purchased credit-impaired loans and debt securities."

Loans and leases held for investment are loans and leases that the institution has the intent and ability to hold for the foreseeable future or until maturity or payoff.

The loan and lease portfolio categories for which allowance and related recorded investment amounts are to be reported in Schedule RI-C represent general categories rather than the standardized loan categories defined in Schedule RC-C, part I, Loans and Leases. Based on the manner in which it segments its portfolio for purposes of applying its allowance methodology, each institution should report each component of the overall allowance reported in Schedule RC, item 4.c, and the recorded investment in the related loans and leases in the Schedule RI-C general loan category that best corresponds to the characteristics of the related loans and leases.[1] The sum of the recorded investment amounts reported in Schedule RI-C (plus the fair value of loans held for investment for which the fair value option has been elected) must equal the balance sheet amount of held-for-investment loans and leases reported in Schedule RC, item 4.b, "Loans and leases held for investment~~, net of unearned income~~." Thus, the recorded investment amounts reported in columns A, C, and E of Schedule RI-C must be net of unearned income.

Column Instructions

Columns A and B: For each of the specified general categories of loans held for investment, report in column A the recorded investment in individually evaluated loans that have been determined to be impaired as defined in ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), including all loans restructured in troubled debt restructurings, and report in column B the balance of the allowance for loan and lease losses attributable to these individually impaired loans measured in accordance with ASC Subtopic 310-10.

Columns C and D: For each of the specified general categories of loans and leases held for investment, report in column C the recorded investment in loans and leases that have been collectively evaluated for impairment in accordance with ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly

[1] For example, based on its allowance methodology, one institution's allowance components for credit cards might relate to both consumer and business credit card receivables, but another institution's allowance components for credit cards might relate only to consumer credit card receivables.
As another example, based on its allowance methodology, one institution might include its loans secured by farmland in its allowance components for commercial real estate loans, but another institution might include its loans secured by farmland in its allowance components for commercial loans.

Item No.	Caption and Instructions
5	**Unallocated, if any.** Report in column D the amount of any unallocated portion of the allowance for loan and lease losses for loans collectively evaluated for impairment. An institution is not required to have an unallocated portion of the allowance.
6	**Total.** For each column in Schedule RI-C, report the sum of items 1 through 5.

The sum of the amounts reported in Schedule RI-C, item 6, columns B, D, and F must equal Schedule RC, item 4.c, "Allowance for loan and lease losses."

The amount reported in Schedule RI-C, item 6, column E, must equal Schedule RC-C, part I, Memorandum item 7.b, "Amount included in Schedule RC-C, part I, items 1 through 9."

The amount reported in Schedule RI-C, item 6, column F, must equal Schedule RI-B, part II, Memorandum item 4, "Amount of allowance for post-acquisition credit losses on purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30."

The sum of the amounts reported in Schedule RI-C, item 6, columns A, C, and E, plus the amount reported in Schedule RC-Q, item 4, column A, "Total fair value reported on Schedule RC" for loans and leases held for investment, must equal Schedule RC, item 4.b, "Loans and leases held for investment~~, net of unearned income~~."

SCHEDULE RI-E – EXPLANATIONS

General Instructions

Schedule RI-E is to be completed each quarter on a calendar year-to-date basis. On those lines for which your bank must provide a description of the amount being reported, the description should not exceed 50 characters (including punctuation and spacing between words). If additional space is needed to complete a description, item 7 of this schedule may be used. Any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," for report dates beginning June 30, 2009, will not be made available to the public on an individual institution basis.

Item Instructions

Item No. **Caption and Instructions**

1 **Other noninterest income.** Disclose in items 1.a through 1.l each component of Schedule RI, item 5.l, "Other noninterest income," and the dollar amount of such component, that is greater than $100,000 and exceeds 3 percent of the "Other noninterest income." If net losses have been reported in Schedule RI, item 5.l, for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than $100,000 and exceeds 3 percent of "Other noninterest income" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net losses are reported in this item, report them with a minus (-) sign.

Preprinted captions have been provided for the following categories of "Other noninterest income":

- Item 1.a, "Income and fees from the printing and sale of checks,"
- Item 1.b, "Earnings on/increase in value of cash surrender value of life insurance,"
- Item 1.c, "Income and fees from automated teller machines (ATMs),"
- Item 1.d, "Rent and other income from other real estate owned,"
- Item 1.e, "Safe deposit box rent,"
- Item 1.f, "Net change in the fair values of financial instruments accounted for under a fair value option,"
- Item 1.g, "Bank card and credit card interchange fees,"
- Item 1.h, "Gains on bargain purchases," and
- Item 1.i, "Income and fees from wire transfers not reportable as service charges on deposit accounts."

General descriptions of the components of "Other noninterest income," including those for which preprinted captions have been provided in items 1.a through 1.i, are included in the instructions for Schedule RI, item 5.l. However, institutions need not adjust their internal noninterest income definitions to match the agencies' descriptions in the item 5.l instructions. Rather, institutions may report the components of their "Other noninterest income" in items 1.a through 1.l using their internal definitions, provided the internal definitions are used consistently over time.

For other components of "Other noninterest income" that exceed the disclosure threshold, list and briefly describe these components in items 1.j through 1.l and, if necessary, in Schedule RI-E, item 7, below.

For components of "Other noninterest income" that reflect a single credit for separate "bundled services" provided through third party vendors, disclose such amounts in the item that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

2 **Other noninterest expense.** Disclose in items 2.a through 2.p each component of Schedule RI, item 7.d, "Other noninterest expense," and the dollar amount of such component, that is greater than $100,000 and exceeds 3 percent of the "Other noninterest expense." If net gains have been reported in Schedule RI, item 7.d, for a component of

Item No. **Caption and Instructions**

2 (cont.) "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than $100,000 and exceeds 3 percent of "Other noninterest expense" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net gains are reported in this item, report them with a minus (-) sign.

Preprinted captions have been provided for the following categories of "Other noninterest expense":

- Item 2.a, "Data processing expenses,"
- Item 2.b, "Advertising and marketing expenses,"
- Item 2.c, "Directors' fees,"
- Item 2.d, "Printing, stationery, and supplies,"
- Item 2.e, "Postage,"
- Item 2.f, "Legal fees and expenses,"
- Item 2.g, "FDIC deposit insurance assessments,"
- Item 2.h, "Accounting and auditing expenses,"
- Item 2.i, "Consulting and advisory expenses,"
- Item 2.j, "Automated teller machine (ATM) and interchange expenses,"
- Item 2.k, "Telecommunications expenses,"
- Item 2.l, "Other real estate owned expenses," and
- Item 2.m, "Insurance expenses (not included in employee expenses, premises and fixed asset expenses, and other real estate owned expenses)."

General descriptions of the components of "Other noninterest expense," including those for which preprinted captions have been provided in items 2.a through 2.m, are included in the instructions for Schedule RI, item 7.d. However, institutions need not adjust their internal noninterest expense definitions to match the agencies' descriptions in the item 7.d instructions. Rather, institutions may report the components of their "Other noninterest expense" in items 2.a through 2.p using their internal definitions, provided the internal definitions are used consistently over time.
~~Include in "Telecommunications expenses" any expenses associated with telephone, telegraph, cable, and internet services (including web page maintenance).~~

For other components of "Other noninterest expense" that exceed the disclosure threshold, list and briefly describe these components in items 2.n through 2.p and, if necessary, in Schedule RI-E, item 7, below.

For components of "Other noninterest expense" that reflect a single charge for separate "bundled services" provided by third party vendors, disclose such amounts in the item that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time.

3 **Discontinued operations and applicable income tax effect.** List and briefly describe in items 3.a and 3.b the gross dollar amount of the results of each of the discontinued operations included in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes," and its related income tax effect, if any. If Schedule RI, item 11, includes the results of more than two discontinued operations, report the additional items and their related tax effects in Schedule RI-E, item 7, below.

If the results of discontinued operations are a loss, report the dollar amount with a minus (-) sign. If an applicable income tax effect is a tax benefit (rather than a tax expense), report the dollar amount with a minus (-) sign.

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions. For purposes of these Consolidated Report of Condition instructions, the Financial~~ASB~~ Accounting Standards Board (FASB) Accounting Standards Codification is referred to as "ASC."

SCHEDULE RC – BALANCE SHEET

ASSETS

Item No. **Caption and Instructions**

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

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

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

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

Item No. Caption and Instructions

2 Securities:

2.a **Held-to-maturity securities.** Report the amount from Schedule RC-B, item 8, column A, "Total amortized cost."

2.b **Available-for-sale securities.** Report the amount from Schedule RC-B, item 8, column D, "Total fair value."

3 Federal funds sold and securities purchased under agreements to resell:

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

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

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts”). Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

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

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

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

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

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

Item No.	Caption and Instructions

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

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

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

Report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, “Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements”). Include the fair value of securities purchased under agreements to resell that are accounted for at fair value under a fair value option.

Exclude from this item:

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

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

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

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

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

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

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

Item No. **Caption and Instructions**

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

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

5 **Trading assets.** Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements; or (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes. Assets and other financial instruments held for trading shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements").

For purposes of the Reports of Condition and Income, all securities within the scope of ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of these reports, banks may classify assets (other than securities within the scope of ASC Topic 320 for which a fair value option is elected) as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

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

Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g.,

Memorandum

Item No. Caption and Instructions

1 **Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during the preceding calendar year.** *(To be reported only with the March Consolidated Report of Condition.)* Report the number of the statement listed on the report form that, in the ~~bank~~reporting institution's judgment, best describes the most comprehensive level of auditing work performed by any independent external auditors during the preceding calendar year.

The term "any date during the preceding calendar year" refers to the date of the balance sheet and income statement reported on by the auditor (or the date as of which certain agreed-upon procedures were applied to selected records and transactions by the auditor) regardless of the actual date of the commencement of the auditing work (integrated audit,[1] ~~internal control attestation,~~ financial statement audit, directors' examination, review, compilation, or specific procedures) and regardless of the date of the report submitted by the auditor.

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

The list of possible external auditing work is structured with the "most comprehensive level," an integrated audit of the ~~bank~~institution's financial statements and its internal control over financial reporting, identified as number 1a, and the other levels of auditing work listed in descending order (excluding number 3) so that "no external audit work" is number 9.

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

If an institution or its parent holding company has external auditing work performed by a certified public accounting firm~~-~~, the work may be (i) an integrated audit of the institution's or the holding company's financial statements and its internal control over financial reporting or (ii) an audit of the financial statements only. When an integrated audit is performed, the auditor may choose to issue a combined report (i.e., one report containing both an opinion on the financial statements and an opinion on internal control over financial reporting) or separate reports on the financial statements and on internal control over financial reporting.

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

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

[1] An integrated audit occurs when an independent external auditor is engaged to perform an audit of the effectiveness of internal control over financial reporting that is integrated with an audit of the financial statements and renders opinions on the financial statements and on internal control over financial reporting.

also states in the first paragraph or in a separate paragraph	"We also have audited . . . internal control over financial reporting . . ." or "We also have examined . . . internal control over financial reporting . . ."
and includes a paragraph that begins	"In our opinion, the [consolidated] financial statements referred to above . . ." and also refers to internal control over financial reporting

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

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

Begins	"We have audited . . ." but the first paragraph or a separate paragraph makes no reference to internal control over financial reporting
and the report includes a paragraph that begins	"In our opinion, the [consolidated] financial statements referred to above . . ." but makes no reference to internal control over financial reporting or "In our opinion, the balance sheet referred to above . . ."

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

Memorandum

Item No. **Caption and Instructions**

1 (cont.)

~~(b) If the report submitted by the auditor:~~

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

~~and~~

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

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

(c) If the report submitted by the auditor:

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

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

and

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

the ~~bank~~institution would respond with:

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

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

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

(d) If the report submitted by the auditor:

Begins "We have reviewed . . . ,"

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

and

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

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

Memorandum

Item No. **Caption and Instructions**

1 (cont.)

(e) If the report submitted by the auditor:

Begins "We have compiled . . ."

and

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

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

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

(1) was an employee of the ~~bank~~institution;

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

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

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

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

SCHEDULE RC-B – SECURITIES

General Instructions

This schedule has four columns for information on securities: two columns for held-to-maturity securities and two columns for available-for-sale securities.[1] Report the amortized cost and fair value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and fair value of available-for-sale debt securities in columns C and D, respectively. Information on equity securities with readily determinable fair values is reported in the columns for available-for-sale securities only (columns C and D). For these equity securities, historical cost (not amortized cost) is reported in column C and fair value is reported in column D.

Exclude from this schedule all securities held for trading and securities the bank has elected to report at fair value under a fair value option even if bank management did not acquire the securities principally for the purpose of selling them in the near term. Securities held for trading and securities reported under a fair value option are to be reported in Schedule RC, item 5, "Trading assets," and, for certain banks, in Schedule RC-D – Trading Assets and Liabilities. Trading assets and securities reported under a fair value option are also reported in Schedule RC-Q – Financial Assets and Liabilities Measured at Fair Value.

In general, amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value. (See the Glossary entry for "premiums and discounts.") As defined in ASC Topic 820, Fair Value Measurement~~s and Disclosures~~ (formerly FASB Statement No. 157, “Fair Value Measurements”), fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” For further information, see the Glossary entry for “fair value.”

The preferred method for reporting purchases and sales of securities is as of trade date. However, settlement date accounting is acceptable if the reported amounts would not be materially different. (See the Glossary entry for "trade date and settlement date accounting.")

For purposes of this schedule, the following events and transactions involving securities should be reported in the manner indicated below:

(1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase – These transactions are not to be treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities if the agreements meet the criteria for a borrowing set forth in 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). For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

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[1] Available-for-sale securities are generally reported in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), (e.g., certain industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

Memoranda

Item No. **Caption and Instructions**

1 **Pledged securities.** Report the amortized cost of all held-to-maturity securities and the fair value of all available-for-sale securities included in Schedule RC-B above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged); as performance bonds under futures or forward contracts; or for any other purpose. Include as pledged securities:

(1) Held-to-maturity and available-for-sale securities that have been "loaned" in securities borrowing/lending transactions that 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).

(2) Held-to-maturity and available-for-sale securities held 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.b and 1.c).

(3) Held-to-maturity and available-for-sale securities owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated bank.

2 **Maturity and repricing data for debt securities.** Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 6 above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities with readily determinable fair values (reported in Schedule RC-B, item 7, above) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, item ~~9~~10, column C.

The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, item ~~9~~10, column C, must equal Schedule RC-B, sum of items 1 through 6, columns A and D.

On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, offices in Puerto Rico or U.S. territories and possessions, and IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 2. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.)

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the debt security, and is known to both the borrower and the

SCHEDULE RC-C – LOANS AND LEASE FINANCING RECEIVABLES

Part I. Loans and Leases

General Instructions for Part I

Loans and lease financing receivables are extensions of credit resulting from either direct negotiation between the bank and its customers or the purchase of such assets from others. See the Glossary entries for "loan" and for "lease accounting" for further information.

Report all loans and leases that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans and leases held for investment, in Schedule RC-C, part I. Also report in Schedule RC-C, part I, all loans and leases held for sale as part of the consolidated bank's mortgage banking activities or activities of a similar nature involving other types of loans. Include the fair value of all loans held for investment and all loans held for sale that the bank has elected to report at fair value under a fair value option. Loans reported at fair value in Schedule RC-C, part I, should include only the fair value of the funded portion of the loan. If the unfunded portion of the loan, if any, is reported at fair value, this fair value should be reported as an "Other asset" or an "Other liability," as appropriate, in Schedule RC, item 11 or item 20, respectively. If the bank has elected to apply the fair value option to any loans held for investment or held for sale, it also must report the fair value and unpaid principal balance of these loans in the appropriate subitems of Schedule RC-Q, Memorandum items 3 and 4, respectively.

Exclude from Schedule RC-C, part I, all loans and leases classified as trading (report in Schedule RC, item 5, "Trading assets," and, in the appropriate items of Schedule RC-D, Trading Assets and Liabilities, and Schedule RC-Q, Financial Assets and Liabilities Measured at Fair Value, if applicable).

When a loan is acquired (through origination or purchase) with the intent or expectation that it may or will be sold at some indefinite date in the future, the loan should be reported as held for sale or held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles and related supervisory guidance. In addition, a loan acquired and held for securitization purposes should be reported as a loan held for sale, provided the securitization transaction will be accounted for as a sale 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). Notwithstanding the above, banks may classify loans as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan that meets these criteria as a trading asset unless the bank holds the loan for one of the following purposes: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits.

Loans held for sale (not classified as trading in accordance with the preceding instruction) shall be reported in Schedule RC-C, part I, at the lower of cost or fair value as of the report date, except for those that the bank has elected to account for at fair value under a fair value option. For loans held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance. For further information, see ASC Subtopic 948-310, Financial Services-Mortgage Banking – Receivables (formerly FASB Statement No. 65, "Accounting for Certain Mortgage Banking Activities," as amended), ASC Subtopic 310-10, Receivables – Overall (formerly AICPA Statement of Position 01-6, "Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others"), and the March 26, 2001, Interagency Guidance on Certain Loans Held for Sale.

On the FFIEC 041, Schedule RC-C, part I, has two columns for information on loans and leases: column B is to be completed by all banks and column A is to be completed by banks with $300 million or

General Instructions for Part I (cont.)

When a bank acquires either (1) a portion of an entire loan that does not meet the definition of a participating interest (i.e., a nonqualifying loan participation) or (2) a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting, it should normally report the loan participation or participating interest in Schedule RC, item 4.b, "Loans and leases held for investment~~, net of unearned income~~." The bank also should report the loan participation or participating interest in Schedule RC-C, part I, in the loan category appropriate to the underlying loan, e.g., as a "commercial and industrial loan" in item 4 or as a "loan secured by real estate" in item 1. See the Glossary entry for "transfers of financial assets" for further information.

Exclude, for purposes of this schedule, the following:

(1) Federal funds sold (in domestic offices), i.e., all loans of immediately available funds (in domestic offices) that mature in one business day or roll over under a continuing contract, excluding funds lent in the form of securities purchased under agreements to resell. Report federal funds sold (in domestic offices) in Schedule RC, item 3.a. However, report overnight lending for commercial and industrial purposes as loans in this schedule. On the FFIEC 031, also report lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements as loans in this schedule.

(2) Lending transactions in the form of securities purchased under agreements to resell (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

(3) All holdings of commercial paper (report in Schedule RC, item 5, if held for trading; report in Schedule RC-B, item 4.b, "Other mortgage-backed securities," item 5, "Asset-backed securities," or item 6, "Other debt securities," as appropriate, if held for purposes other than trading).

(4) Contracts of sale or other loans indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

(5) Undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amount of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid; see Schedule RC-L, item 1.)

Item Instructions for Part I

Item No. Caption and Instructions

1 **Loans secured by real estate.** Report all loans that meet the definition of a "loan secured by real estate." See the Glossary entry for "loan secured by real estate" for the definition of this term. On the FFIEC 041, all institutions should report in items 1.a.(1) through 1.e.(2) of column B a nine-category breakdown of loans secured by real estate. On the FFIEC 031, all large institutions and highly complex institutions – as defined for deposit insurance assessment purposes in the General Instructions for Schedule RC-O, Memorandum items 6 through 18 – with foreign offices should report a nine-category breakdown of loans secured by real estate for the consolidated bank in items 1.a.(1) through 1.e.(2) of column A and for domestic offices in items 1.a.(1) through 1.e.(2) of column B; all other institutions with foreign offices should report only the total amount of loans secured by real estate for the consolidated bank in item 1 of column A, but with a nine-category breakdown of these loans for domestic offices in items 1.a.(1) through 1.e.(2) of column B.

Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that

Part I. (cont.)

Item No.	**Caption and Instructions**
1.c (cont.)	Reverse 1-4 family residential mortgages should be reported in the appropriate subitem based on whether they are closed-end or open-end mortgages. A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his/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. Homeowners generally have one of the following options for receiving tax free loan proceeds from a reverse mortgage: (1) one lump sum payment; (2) a line of credit; (3) fixed monthly payments to homeowner either for a specified term or for as long as the homeowner lives in the home; or (4) a combination of the above. Reverse mortgages that provide for a lump sum payment to the borrower at closing, with no ability for the borrower to receive additional funds under the mortgage at a later date, should be reported as closed-end loans in Schedule RC-C, part I, item 1.c.(2). Normally, closed-end reverse mortgages are first liens and would be reported in Schedule RC-C, part I, item 1.c.(2)(a). Reverse mortgages that are structured like home equity lines of credit in that they provide the borrower with additional funds after closing (either as fixed monthly payments, under a line of credit, or both) should be reported as open-end loans in Schedule RC-C, part I, item 1.c.(1). Open-end reverse mortgages also are normally first liens. Where there is a combination of both a lump sum payment to the borrower at closing and payments after the closing of the loan, the reverse mortgage should be reported as an open-end loan in Schedule RC-C, part I, item 1.c.(1). Exclude loans for 1-to-4 family residential property construction and land development purposes (report in Schedule RC-C, part I, item 1.a.(1)). Also exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes (report in Schedule RC-C, part I, item 1.a.(2)).
1.c.(1)	**Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount outstanding under revolving, open-end lines of credit secured by 1-to-4 family residential properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Part I. (cont.)

Item No. **Caption and Instructions**

1.c.(2) **Closed-end loans secured by 1-4 family residential properties**. Report in the appropriate subitem (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount of all closed-end loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages and junior liens).

1.c.(2)(a) **Secured by first liens**. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount of all closed-end loans secured by first liens on 1-to-4 family residential properties.

1.c.(2)(b) **Secured by junior liens**. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount of all closed-end loans secured by junior (i.e., other than first) liens on 1-to-4 family residential properties. 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-to-4 family residential property and there are no intervening junior liens.

1.d **Secured by multifamily (5 or more) residential properties**. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens that are not reportable in Schedule RC-C, part I, item 1.c. Specifically, include loans on:

(1) Nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis.

(2) 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential.

(3) Cooperative-type apartment buildings containing 5 or more dwelling units.

Exclude loans for multifamily residential property construction and land development purposes and loans secured by vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties (report in Schedule RC-C, part I, item 1.a.(2)). Also exclude loans secured by nonfarm nonresidential properties (report in Schedule RC-C, part I, item 1.e).

1.e **Secured by nonfarm nonresidential properties**. Report in the appropriate subitem (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) loans secured by real estate as evidenced by mortgages or other liens on nonfarm nonresidential properties, including business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, "homes" for aged persons and orphans, golf courses, recreational facilities, and similar properties.

Part I. (cont.)

Item No. **Caption and Instructions**

1.e (cont.) Exclude loans for nonfarm nonresidential property construction and land development purposes and loans secured by vacant lots in established nonfarm nonresidential sections or in areas set aside primarily for nonfarm nonresidential properties (report in Schedule RC-C, part I, item 1.a.(2)).

For purposes of reporting loans in Schedule RC-C, part I, items 1.e.(1) and 1.e.(2), below, the determination as to whether a nonfarm nonresidential property is considered "owner-occupied" should be made upon acquisition (origination or purchase) of the loan. ~~However, for purposes of determining whether existing nonfarm nonresidential real estate loans (in domestic offices) should be reported as "owner-occupied" when a bank must first begin reporting such loans (in domestic offices) as of March 31, 2007 (or March 31, 2008),[1] the bank may consider the source of repayment either when the loan was acquired or based on the most recent available information.~~ Once a bank determines whether a loan should be reported as "owner-occupied" or not, this determination need not be reviewed thereafter.

1.e.(1) **Loans secured by owner-occupied nonfarm nonresidential properties.** Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount of loans secured by owner-occupied nonfarm nonresidential properties.

"Loans secured by owner-occupied nonfarm nonresidential properties" are those nonfarm nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property. Thus, for loans secured by owner-occupied nonfarm nonresidential properties, the primary source of repayment is not derived from third party, nonaffiliated, rental income associated with the property (i.e., any such rental income is less than 50 percent of the source of repayment) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hospitals, golf courses, recreational facilities, and car washes unless the property is owned by an investor who leases the property to the operator who, in turn, is not related to or affiliated with the investor (in which case, the loan should be reported in Schedule RC-C, part I, item 1.e.(2), below). Also include loans secured by churches unless the property is owned by an investor who leases the property to the congregation (in which case, the loan should be reported in Schedule RC-C, part I, item 1.e.(2), below).

~~[1] Reporting nonfarm nonresidential real estate loans (in domestic offices) as loans secured by "owner-occupied" properties or by other properties, as appropriate, takes effect:~~

- ~~March 31, 2007, for (1) all banks with $300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005; and~~
- ~~March 31, 2008, for banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test.~~

Part I. (cont.)

Item No. **Caption and Instructions**

1.e.(2) **Loans secured by other nonfarm nonresidential properties.** Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, and in column B for all other institutions with foreign offices) the amount of nonfarm nonresidential real estate loans that are not secured by owner-occupied nonfarm nonresidential properties.

"Loans secured by other nonfarm nonresidential properties" are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hotels, motels, dormitories, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties in this item as loans secured by other nonfarm nonresidential properties.

2 **Loans to depository institutions and acceptances of other banks.** Report all loans (other than those that meet the definition of a "loan secured by real estate"), including overdrafts, to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes and the bank's holdings of all bankers acceptances accepted by other banks that are not held for trading. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting bank. For further information, see the Glossary entry for "bankers acceptances."

On the FFIEC 041, all banks should report the total amount of these loans and acceptances in column B, and banks with $300 million or more in total assets should also report in the appropriate subitems of column A a breakdown of these loans among ~~five~~three categories of depository institutions. On the FFIEC 031, all banks should report a breakdown of loans to depository institutions and acceptances of other banks among five categories of depository institutions for the fully consolidated bank in column A and a breakdown of these loans and acceptances among three categories of depository institutions for domestic offices in column B.

Depository institutions cover:

(1) commercial banks in the U.S., including:

- (a) U.S. branches and agencies of foreign banks, U.S. branches and agencies of foreign official banking institutions, and investment companies that are chartered under Article XII of the New York State banking law and are majority-owned by one or more foreign banks; and
- (b) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks;

(2) depository institutions in the U.S., other than commercial banks, including:

- (a) credit unions;
- (b) mutual or stock savings banks;
- (c) savings or building and loan associations;
- (d) cooperative banks; and
- (e) other similar depository institutions; and

Part I. (cont.)

Item No. Caption and Instructions

2 (cont.) Exclude from loans to depository institutions:

(1) All transactions reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."

(2) Loans that meet the definition of a “loan secured by real estate,” even if extended to depository institutions (report in Schedule RC-C, part I, item 1).

(3) Loans to holding companies of depository institutions (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”).

(4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”).

(5) Loans to finance companies and insurance companies (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”).

(6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report as loans for purchasing or carrying securities in Schedule RC-C, part I, item 9.b).

(7) Loans to Small Business Investment Companies (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”).

(8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities (as described in Federal Reserve Regulation U) and loans to "plan lenders" (as defined in Federal Reserve Regulation G) (report as loans for purchasing or carrying securities in Schedule RC-C, part I, item 9.b).

(9) Loans to federally-sponsored lending agencies (report in Schedule RC-C, part I, item 9.a, “Loans to nondepository financial institutions”). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.

(10) Dollar exchange acceptances created by foreign governments and official institutions (report in Schedule RC-C, part I, item 7, on the FFIEC 031; Schedule RC-C, part I, item 9.b, on the FFIEC 041).

(11) Loans to foreign governments and official institutions, including foreign central banks (report in Schedule RC-C, part I, item 7, on the FFIEC 031; Schedule RC-C, part I, item 9.b, on the FFIEC 041). See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

(12) Acceptances accepted by the reporting bank, discounted, and held in its portfolio, when the account party is not another depository institution. Report such acceptances are reported in other items of Schedule RC-C, part I, according to the account party.

Part I. (cont.)

Item No. Caption and Instructions

NOTE: Item~~s~~ 2.a ~~through 2.c are~~is not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

2.a **To commercial banks in the U.S.** On the FFIEC 041, r~~R~~eport all loans to and acceptances of other commercial banks in the U.S. ~~On the FFIEC 041, banks with $300 million or more in total assets should report in the appropriate subitems of column A a breakdown of these loans and acceptances between those to U.S. branches and agencies of foreign banks and those to other commercial banks in the U.S.~~ On the FFIEC 031, ~~all banks should~~ report the total amount of ~~these~~all loans to and acceptances of other commercial banks in the U.S. held in domestic offices in column B, and a breakdown of these loans and acceptances for the fully consolidated bank between those to U.S. branches and agencies of foreign banks and those to other commercial banks in the U.S. in the appropriate subitems of column A.

Refer to the instruction to Schedule RC-C, part I, item 2, above, and to the Glossary entry for "banks, U.S. and foreign" for further discussion of the term "commercial banks in the U.S."

Exclude from Schedule RC-C, part I, item~~s~~ 2.a~~, 2.a.(1), and 2.a.(2)~~, loans to other domestic depository institutions such as savings banks, savings and loan associations, and credit unions (report in Schedule RC-C, part I, item 2.b, below).

NOTE: Items 2.a.(1) and 2.a.(2) are not applicable to banks filing the FFIEC 041 report forms.

2.a.(1) **To U.S. branches and agencies of foreign banks.** On the FFIEC 031, r~~R~~eport in column A all loans to and acceptances of U.S. branches and agencies of foreign banks.

Exclude loans to U.S. offices of U.S.-chartered banks that are owned by foreign banks or by foreign official banking institutions (report in Schedule RC-C, part I, item 2.a.(2), below).

2.a.(2) **To other commercial banks in the U.S.** On the FFIEC 031, ~~R~~report in column A all loans to and acceptances of commercial banks in the U.S., other than U.S. branches and agencies of foreign banks.

NOTE: Item 2.b is not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

2.b **To other depository institutions in the U.S.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in columns A and B, as appropriate) loans to and acceptances of depository institutions, other than commercial banks, domiciled in the U.S. Refer to the instruction to Schedule RC-C, part I, item 2, above, and to the Glossary entry for "depository institutions in the U.S." for further discussion of the term "depository institutions in the U.S."

Exclude loans to and acceptances of commercial banks in the U.S. (report in Schedule RC-C, part I, item 2.a, above).

NOTE: Item 2.c is not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

2.c **To banks in foreign countries.** On the FFIEC 041, r~~R~~eport all loans to and acceptances of banks and their branches domiciled outside the U.S. ~~On the FFIEC 041, banks with $300 million or more in total assets should report in the appropriate subitems of column A a~~

~~breakdown of these loans and acceptances between those to foreign branches of other U.S. banks and those to other banks in foreign countries.~~ On the FFIEC 031, ~~all banks should~~ report the total amount of ~~these~~all loans to and acceptances of banks and their branches domiciled outside the U.S. held in domestic offices in column B and a breakdown of these loans and acceptances for the fully consolidated bank between those to foreign branches of other U.S. banks and those to other banks in foreign countries in the appropriate subitems of column A.

Part I. (cont.)

Item No. **Caption and Instructions**

~~NOTE: Items 2.c, 2.c.(1), and 2.c.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.~~

2.c (cont.) See the instruction to Schedule RC-C, part I, item 2, above, and to the Glossary entry for "banks, U.S. and foreign" for further discussion of the term "banks in foreign countries."

Exclude loans to U.S. branches and agencies of foreign banks (report in Schedule RC-C, part I, item 2.a, above).

NOTE: Items 2.c.(1) and 2.c.(2) are not applicable to banks filing the FFIEC 041 report forms.

2.c.(1) **To foreign branches of other U.S. banks.** On the FFIEC 031, r~~R~~eport in column A all loans to and acceptances of foreign branches of other U.S. banks.

2.c.(2) **To other banks in foreign countries.** On the FFIEC 031, r~~R~~eport in column A all loans to and acceptances of banks in foreign countries, other than foreign-domiciled branches of other U.S. banks.

3 **Loans to finance agricultural production and other loans to farmers.** On the FFIEC 041, report in column B and, on the FFIEC 031, report in columns A and B, as appropriate, loans for the purpose of financing agricultural production. Include such loans whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured and whether made to farm and ranch owners and operators (including tenants) or to nonfarmers. All other loans to farmers, other than those excluded below, should also be reported in this item.

Include as loans to finance agricultural production and other loans to farmers:

(1) Loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening, or marketing of livestock.

(2) Loans and advances made for the purpose of financing fisheries and forestries, including loans to commercial fishermen.

(3) Agricultural notes and other notes of farmers that the bank has discounted for, or purchased from, merchants and dealers, either with or without recourse to the seller.

(4) Loans to farmers that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by a party other than the FmHA or SBA. Include SBA "Guaranteed Interest Certificates," which represent a beneficial interest in the entire SBA-guaranteed portion of an individual loan, provided the loan is for the financing of agricultural production or other lending to farmers. (Exclude SBA "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portions of loans. SBA "Guaranteed Loan Pool Certificates" should be reported as securities in Schedule RC-B, item 2.a, or, if held for trading, in Schedule RC, item 5.)

(5) Loans and advances to farmers for purchases of farm machinery, equipment, and implements.

Part I. (cont.)

Item No. **Caption and Instructions**

6.a (cont.) If the reporting bank has securitized credit cards and has retained a seller's interest that is not in the form of a security, the carrying value of the seller's interest should be reported as credit card loans in this item. For purposes of these reports, the term "seller's interest" means the reporting bank's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Do not net credit balances resulting from overpayments of account balances on credit card accounts against the debit balances of other credit card accounts. Report credit balances (in domestic offices) in Schedule RC-E, (part I,) item 1, column A, and item 7, column B. On the FFIEC 031, report credit balances in foreign offices in Schedule RC-E, part II, item 1.

Exclude from credit cards:

(1) Credit extended under credit card plans to business enterprises (report in Schedule RC-C, part I, item 4, "Commercial and industrial loans").

(2) All credit extended to individuals through credit cards that meets the definition of a “loan secured by real estate” (report in Schedule RC-C, part I, item 1).

(3) All credit extended to individuals for household, family, and other personal expenditures under prearranged overdraft plans (report in Schedule RC-C, part I, item 6.b).

If the bank acts only as agent or correspondent for other banks or nonbank corporations and carries no credit card plan assets on its books, enter a "zero." ~~or the word "none."~~ Banks that do not participate in any credit card plan should also enter a zero. ~~or the word "none."~~

6.b **Other revolving credit plans.** Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards. Report the total amount outstanding of all funds advanced under these revolving credit plans regardless of whether there is a period before interest charges are made.

Do not net credit balances resulting from overpayments of account balances on other revolving credit plan accounts against the debit balances of other revolving credit plan accounts. Report credit balances (in domestic offices) in Schedule RC-E, (part I,) item 1, column A, and item 7, column B. On the FFIEC 031, report credit balances in foreign offices in Schedule RC-E, part II, item 1.

Exclude from other revolving credit plans:

(1) All ordinary (unplanned) overdrafts on transaction accounts not associated with revolving credit plans (report in other items of Schedule RC-C, part I, as appropriate).

(2) Credit extended to individuals for household, family, and other personal expenditures arising from credit cards (report in Schedule RC-C, part I, item 6.a).

Part I. (cont.)

Item No. Caption and Instructions

6.c **Automobile loans.** Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) all consumer loans extended for the purpose of purchasing new and used passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. Include both direct and indirect consumer automobile loans as well as retail installment sales paper purchased by the bank from automobile dealers.

Exclude from automobile loans:

(1) Loans that meet the definition of a "loan secured by real estate," even if extended for the purpose of purchasing an automobile (report in Schedule RC-C, part I, item 1).

(2) Consumer loans for purchases of, or otherwise secured by, motorcycles, recreational vehicles, golf carts, boats, and airplanes (report in Schedule RC-C, part I, item 6.d).

(3) Personal cash loans secured by automobiles already paid for (report in Schedule RC-C, part I, item 6.d).

(4) Vehicle flooring or floor-plan loans (report in Schedule RC-C, part I, item 4).

(5) Loans to finance purchases of passenger cars and other vehicles for commercial, industrial, state or local government, or other nonpersonal nonagricultural use (report in Schedule RC-C, part I, item 4, item 8, or item 9, as appropriate).

(6) Loans to finance vehicle fleet sales (report in Schedule RC-C, part I, item 4).

(7) Loans to farmers for purchases of passenger cars and other vehicles used in association with the maintenance or operations of the farm, and loans for purchases of farm equipment (report in Schedule RC-C, part I, item 3).

(8) Consumer automobile lease financing receivables (report in Schedule RC-C, part I, item 10.a).

~~All loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) originated or purchased before April 1, 2011, that are collateralized by automobiles, regardless of the purpose of the loan, may be classified as automobile loans for purposes of this schedule and other schedules in which information on automobile loans is to be reported. For consumer loans originated or purchased on or after April 1, 2011, banks should exclude from automobile loans any personal cash loans secured by automobiles already paid for and~~
(9) Closed-end consumer loans where the purchase of an automobile is not the primary purpose of the loan (report in Schedule RC-C, part I, item 6.d).

6.d **Other consumer loans.** Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) all other loans to individuals for household, family, and other personal expenditures (other than those that meet the definition of a "loan secured by real estate" and other than those for purchasing or carrying securities). Include loans for such purposes as:

Part I. (cont.)

Item No. Caption and Instructions

6.d (cont.)

(6) Loans to merchants, automobile dealers, and finance companies on their own promissory notes, secured by the pledge of installment paper or similar instruments (report in Schedule RC-C, part I, item 4, or as loans to nondepository financial institutions in Schedule RC-C, part I, item 9.a, as appropriate).

(7) Loans to farmers, regardless of purpose, to the extent that can be readily identified as such loans (report in Schedule RC-C, part I, item 3).

(8) All credit extended to individuals for household, family, and other personal expenditures arising from:
   (a) Credit cards (report in Schedule RC-C, part I, item 6.a);
   (b) Prearranged overdraft plans (report in Schedule RC-C, part I, item 6.b); and
   (c) Retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (report in Schedule RC-C, part I, item 6.c).

NOTE: Item 7 is not applicable to banks filing the FFIEC 041 report forms.

7 **Loans to foreign governments and official institutions.** Report ~~(on the FFIEC 041, in column B; ~~on the FFIEC 031, in columns A and B, as appropriate,~~)~~ all loans (other than those that meet the definition of a "loan secured by real estate"), including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions. See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

Include:

(1) Bankers acceptances accepted by the reporting bank and held in its portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange. Exclude acceptances that are held for trading.

(2) Loans to foreign governments, their official institutions, and international and regional institutions (other than those that meet the definition of a "loan secured by real estate"), including planned and unplanned overdrafts.

Exclude from loans to foreign governments and official institutions:

(1) Loans to nationalized banks and other banking institutions owned by foreign governments and not functioning as central banks, banks of issue, or development banks (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks").

(2) Loans to U.S. branches and agencies of foreign official banking institutions (report in Schedule RC-C, part I, item 2).

(3) Loans to foreign-government-owned nonbank corporations and enterprises (report in Schedule RC-C, part I, item 4 or 9, as appropriate).

Part I. (cont.)

Item No. **Caption and Instructions**

9 (cont.) All other loans include all loans and discounts (other than loans to nondepository financial institutions and loans for purchasing or carrying securities) that cannot properly be reported in one of the preceding items in Schedule RC-C, part I, such as:

(1) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions, which are to be reported in Schedule RC-C, part I, item 2; ~~overdrafts of foreign governments and official institutions, which are to be reported in Schedule RC-C, part I, item 7; and~~ overdrafts of states and political subdivisions in the U.S., which are to be reported in Schedule RC-C, part I, item 8; and, on the FFIEC 031 only, overdrafts of foreign governments and official institutions, which are to be reported in Schedule RC-C, part I, item 7).

(2) Loans (other than those that meet the definition of a "loan secured by real estate") to nonprofit organizations (e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations) except those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization (which are to be reported in Schedule RC-C, part I, item 4).

(3) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those that meet the definition of a "loan secured by real estate."

(4) On the FFIEC 041, loans to foreign governments, their official institutions, and international and regional institutions, other than those that meet the definition of a "loan secured by real estate".

(5) On the FFIEC 041, bankers acceptances accepted by the reporting bank and held in its portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange (except acceptances held for trading, which are to be reported in Schedule RC, item 5).

Exclude from all other loans extensions of credit initially made in the form of planned or "advance agreement" overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report such planned overdrafts in other items of Schedule RC-C, part I, as appropriate). For example, report advances to banks in foreign countries in the form of "advance agreement" overdrafts as loans to depository institutions in Schedule RC-C, part I, item 2, and overdrafts under consumer check-credit plans as "Other revolving credit plans" to individuals in Schedule RC-C, part I, item 6.b. Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in Schedule RC-C, part I, item 2.

9.a **Loans to nondepository financial institutions.** Report in column B all loans to nondepository financial institutions (on the FFIEC 031, in domestic offices) as described above.

NOTE: Item 9.b is not applicable to banks filing the FFIEC 031 report forms.

9.b **Other loans.** On the FFIEC 041, report in column B other loans as described above.

NOTE: Items 9.b.(1) and 9.b.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

Part I. (cont.)

Item No. Caption and Instructions

10 (cont.) appropriate subitems of column A a breakdown of these leases between leases to individuals for household, family, and other personal expenditures and all other leases. On the FFIEC 031, all banks should report the total amount of these leases in domestic offices in column B and a breakdown of these leases for the fully consolidated bank between leases to individuals for household, family, and other personal expenditures and all other leases. These balances should include the estimated residual value of leased property and must be net of unearned income. For further discussion of leases where the bank is the lessor, refer to the Glossary entry for "lease accounting."

Include all leases to states and political subdivisions in the U.S. in this item.

NOTE: Items 10.a and 10.b are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million total assets.

10.a **Leases to individuals for household, family, and other personal expenditures.** Report in column A all outstanding balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to individuals for household, family, and other personal expenditures (i.e., consumer leases). For further information on extending credit to individuals for consumer purposes, refer to the instructions for Schedule RC-C, part I, item 6.d, "Other consumer loans."

10.b **All other leases.** Report in column A all outstanding balances relating to all other direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to lessees other than for household, family, and other personal expenditure purposes.

11 **LESS: Any unearned income on loans reflected in items 1-9 above.** To the extent possible, the preferred treatment is to report the specific loan categories net of both unearned income and net unamortized loan fees. A reporting bank should enter (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) unearned income and net unamortized loan fees only to the extent that these amounts are included in (i.e., not deducted from) the various loan items of this schedule (Schedule RC-C, part I, items 1 through 9). If a bank reports each loan item of this schedule net of both unearned income and net unamortized loan fees, enter a zero in this item.

Do not include net unamortized direct loan origination costs in this item; such costs must be added to the related loan balances reported in Schedule RC-C, part I, items 1 through 9. In addition, do not include unearned income on lease financing receivables in this item. Leases should be reported net of unearned income in Schedule RC-C, part I, item 10.

12 **Total loans and leases held for investment and held for sale~~, net of unearned income~~.** On the FFIEC 041, report in column B the sum of items 1.a.(1) through 10, column B, less the item 11, column B. On the FFIEC 031, for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, report in column A the sum of items 1.a.(1) through 10.b, column A, less item 11, column A; report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B. On the FFIEC 031, for all other institutions with foreign offices, report in column A the sum of item 1 and items 2.a.(1) through 10.b, column A, less item 11, column A; report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B.

The amount reported for this item (on the FFIEC 041, in column B; on the FFIEC 031, in column A) must equal Schedule RC, item 4.a plus item 4.b.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

1 **Loans restructured in troubled debt restructurings that are in compliance with their modified terms.** Report in the appropriate subitem loans that have been restructured in troubled debt restructurings and are in compliance with their modified terms. As set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended by FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"), a troubled debt restructuring is a restructuring of a loan in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this Memorandum item, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or by others.

Once an obligation has been restructured in a troubled debt restructuring, it continues to be considered a troubled debt restructuring until paid in full or otherwise settled, sold, or charged off. However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater than or equal to the rate that the bank was willing to accept for a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring in this Memorandum item in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a troubled debt restructuring. Also, a loan to a third party purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a troubled debt restructuring. For further information, see the Glossary entry for "troubled debt restructurings."

Include in the appropriate subitem all loans restructured in troubled debt restructurings as defined above that are in compliance with their modified terms, that is, restructured loans (1) on which all contractual payments of principal or interest scheduled that are due under the modified repayment terms have been paid or (2) on which contractual payments of both principal and interest scheduled under the modified repayment terms are less than 30 days past due.

Exclude from this item (1) those loans restructured in troubled debt restructurings on which under their modified repayment terms either principal or interest is 30 days or more past due and (2) those loans restructured in troubled debt restructurings that are in nonaccrual status under their modified repayment terms. Report such loans restructured in troubled debt restructurings in the category and column appropriate to the loan in Schedule RC-N, items 1 through 7, column A, B, or C, and in Schedule RC-N, Memorand~~a~~um items 1.a through 1.f, column A, B, or C.

Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C, part I.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

1.f (cont.) Include in this item loans in the following categories that have been restructured in troubled debt restructurings and are in compliance with their modified terms:

(1) Loans secured by farmland (in domestic offices) (as defined for Schedule RC-C, part I, item 1.b, column B);
(2) Loans to depository institutions and acceptances of other banks (as defined for Schedule RC-C, part I, item 2);
(3) Loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3);
(4) Loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C part I, item 6);
(5) Loans to foreign governments and official institutions (as defined for Schedule RC-C, part I, item 7);
(6) Obligations (other than securities and leases) of states and political subdivisions in the U.S. (as defined for Schedule RC-C, part I, item 8);
(7) Loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, part I, item 9); and
(8) On the FFIEC 031, loans secured by real estate in foreign offices (as defined for Schedule RC-C, part I, item 1, column A).

For loans in the following loan categories within "All other loans" that have been restructured in troubled debt restructurings and are in compliance with their modified terms, report the amount of such restructured loans in the appropriate subitem of Schedule RC-C, part I, Memorandum item 1.f, if the dollar amount of such restructured loans in that loan category exceeds 10 percent of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-C, part I, Memorandum items 1.a through 1.e plus Memorandum item 1.f):

- Memorandum item 1.f.(1), "Loans secured by farmland (in domestic offices)";
- Memorandum item 1.f.(3) on the FFIEC 031, "Loans to finance agricultural production and other loans to farmers";
- Memorandum item 1.f.(4)(a), Consumer "Credit cards";
- Memorandum item 1.f.(4)(b), Consumer "Automobile loans";
- Memorandum item 1.f.(4)(c), "Other" consumer loans; and
- Memorandum item 1.f.(5) on the FFIEC 041, "Loans to finance agricultural production and other loans to farmers," for banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

1.g **Total loans restructured in troubled debt restructurings that are in compliance with their modified terms.** On the FFIEC 031, report the sum of Memorandum items 1.a.(1) through 1.f. On the FFIEC 041, report the sum of Memorandum items 1.a.(1) through 1.e plus 1.f.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

2 **Maturity and repricing data for loans and leases (excluding those in nonaccrual status).** Report in the appropriate subitem maturity and repricing data for the bank's loans and leases held for investment and held for sale. Loans and leases are to be reported in this Memorandum item regardless of whether they are current or are reported as "past due and still accruing" in Schedule RC-N, columns A and B. However, exclude those loans and leases that are reported as "nonaccrual" in Schedule RC-N, column C.

The sum of Memorandum items 2.a.(1) through 2.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, ~~sum of~~ item~~s~~ 9~~1 through 8~~, column C, must equal Schedule RC-C, sum of items 1 through 10.

On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, excluding offices in Puerto Rico or U.S. territories and possessions, and excluding IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 2. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets *provided* that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries *and* do not exceed 10 percent of the total *consolidated* assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.)

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the loan or lease, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the loan on a predetermined basis, with the exact rate of interest over the life of the loan known with certainty to both the borrower and the lender when the loan is acquired. Examples of predetermined-rate transactions are: (1) Loans that carry a specified interest rate, for, say, six months and thereafter carry a rate equal to a specific percentage over the initial rate. (2) Loans that carry a specified interest rate while the loan amount is below a certain threshold amount but carry a different specified rate above that threshold (e.g., a line of credit where the interest rate is 10% when the unpaid balance of amounts advanced is $100,000 or less, and 8% when the unpaid balance is more than $100,000).

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

2.b.(3) **Over one year through three years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and

- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over one year through three years.

2.b.(4) **Over three years through five years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and

- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over three years through five years.

2.b.(5) **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and

- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over five years through 15 years.

2.b.(6) **Over 15 years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and

- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over 15 years.

2.c **Loans and leases with a remaining maturity of one year or less.** Report all loans and leases held for investment and held for sale with a remaining maturity of one year or less. Include both fixed rate and floating rate loans and leases. Loans and leases that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be included in

Part I. (cont.)

Memoranda

Item No. Caption and Instructions

NOTE: Memorandum item 5 is not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

5 **Loans secured by real estate to non-U.S. addressees (domicile).** Report the amount of loans secured by real estate to non-U.S. addressees that are included in Schedule RC-C, part I, items 1.a through 1.e, column B, on the FFIEC 041; item 1, column A, or items 1.a.(1) through 1.e.(2), column A, as appropriate, on the FFIEC 031. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile."

NOTE: Memorandum item 6 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~~depository institution.)

  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.

6 **Outstanding credit card fees and finance charges.** Report the amount of fees and finance charges included in the amount of credit card receivables reported in Schedule RC-C, part I, item 6.a (column A on the FFIEC 031; column B on the FFIEC 041).

NOTE: Memorandum items 7.a and 7.b are to be completed by all banks.

7 **Purchased credit-impaired loans held for investment accounted for in accordance with FASB ASC Subtopic 310-30.** Report in the appropriate subitem the outstanding balance and amount of "purchased credit-impaired loans" reported as held for investment in Schedule RC-C, part I, items 1 through 9, and 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"). Purchased credit-impaired loans are loans that a bank has purchased, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the bank will be unable to collect all contractually required payments receivable. Loans held for investment are those that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum items 8.b and 8.c are to be completed by banks that had closed-end loans with negative amortization features secured by 1-4 family residential properties (as reported in Schedule RC-C, part I, Memorandum item 8.a) as of the previous December 31 report date that exceeded the lesser of $100 million or 5 percent of total loans and leases~~, net of unearned income,~~ held for investment and held for sale in domestic offices (as reported in Schedule RC-C, part I, item 12, column B) as of the previous December 31 report date.

8.b **Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization (that were reported in Schedule RC-C, part I, Memorandum item 8.a), report the total maximum remaining amount of negative amortization permitted under the terms of the loan contract (i.e., the maximum loan principal balance permitted under the negative amortization cap less the principal balance of the loan as of the quarter-end report date).

8.c **Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the amount reported in Memorandum item 8.a above.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization, report the total amount of negative amortization included in the amount (i.e., the total amount of interest added to the original loan principal balance that has not yet been repaid) reported in Schedule RC-C, part I, Memorandum item 8.a above. Once a loan reaches its maximum principal balance, the amount of negative amortization included in the amount should continue to be reported until the principal balance of the loan has been reduced through cash payments below the original principal balance of the loan.

9 **Loans secured by 1-4 family residential properties (in domestic offices) in process of foreclosure.** Report the total unpaid principal balance of loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c, column B, for which formal foreclosure proceedings to seize the real estate collateral have started and are ongoing as of quarter-end, regardless of the date the foreclosure procedure was initiated. Loans should be classified as in process of foreclosure according to local requirements. If a loan is already in process of foreclosure and the mortgagor files a bankruptcy petition, the loan should continue to be reported as in process of foreclosure until the bankruptcy is resolved. Exclude loans where the foreclosure process has been completed and the bank reports the real estate collateral as "Other real estate owned" in Schedule RC, item 7. This item should include both closed-end and open-end 1-4 family residential mortgage loans that are in process of foreclosure.

10-11 Not applicable.

~~NOTE: Memorandum items 10 and 11 are to be completed by banks that have elected to measure loans included in Schedule RC-C, part I, at fair value under a fair value option.~~

~~**10** **Loans measured at fair value.** Report in the appropriate subitem the total fair value of all loans measured at fair value under a fair value option and included in Schedule RC-C, regardless of whether the loans are held for sale or held for investment.~~

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

~~**10.a** **Loans secured by real estate.** On the FFIEC 041, report in the appropriate subitem the total fair value of loans secured by real estate included in Schedule RC-C, part I, item 1, measured at fair value under a fair value option. On the FFIEC 031, report the total fair value of loans secured by real estate included in Schedule RC-C, part I, item 1, measured at fair value under a fair value option for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.~~

~~**10.a.(1)** **Construction, land development, and other land loans.** Report the total fair value of construction, land development, and other land loans (in domestic offices) included in Schedule RC-C, part I, items 1.a.(1) and (2), column B, measured at fair value under a fair value option.~~

~~**10.a.(2)** **Secured by farmland.** Report the total fair value of loans secured by farmland (in domestic offices) included in Schedule RC-C, part I, item 1.b, column B, measured at fair value under a fair value option.~~

~~**10.a.(3)** **Secured by 1-4 family residential properties.** Report in the appropriate subitem the total fair value of all open-end and closed-end loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c, column B, measured at fair value under a fair value option.~~

~~**10.a.(3)(a)** **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report the total fair value of revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) included in Schedule RC-C, part I, item 1.c.(1), column B, measured at fair value under a fair value option.~~

~~**10.a.(3)(b)** **Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem the total fair value of all closed-end loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2), column B, measured at fair value under a fair value option.~~

~~**10.a.(3)(b)(1)** **Secured by first liens.** Report the total fair value of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(a), column B, measured at fair value under a fair value option.~~

~~**10.a.(3)(b)(2)** **Secured by junior liens.** Report the total fair value of closed-end loans secured by junior liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(b), column B, measured at fair value under a fair value option.~~

~~**10.a.(4)** **Secured by multifamily (5 or more) residential properties.** Report the total fair value of loans secured by multifamily (5 or more) residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.d, column B, measured at fair value under a fair value option.~~

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

~~**10.a.(5)** **Secured by nonfarm nonresidential properties.** Report the total fair value of loans secured by nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, items 1.e.(1) and (2), column B, measured at fair value under a fair value option.~~

~~**10.b** **Commercial and industrial loans.** Report the total fair value of commercial and industrial loans included in Schedule RC-C, part I, item 4, measured at fair value under a fair value option.~~

~~**10.c** **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem the total fair value of all loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) measured at fair value under a fair value option.~~

~~**10.c.(1)** **Credit cards.** Report the total fair value of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule RC-C, part I, item 6.a, measured at fair value under a fair value option.~~

~~**10.c.(2)** **Other revolving credit plans.** Report the total fair value of all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards included in Schedule RC-C, part I, item 6.b, measured at fair value under a fair value option.~~

~~**10.c.(3)** **Automobile loans.** Report the total fair value of 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 included in Schedule RC-C, part I, item 6.c, measured at fair value under a fair value option.~~

~~**10.c.(4)** **Other consumer loans.** Report the total fair value of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, item 6.d, measured at fair value under a fair value option.~~

~~**10.d** **Other loans.** Report the total fair value of all other loans measured at fair value under a fair value option that cannot properly be reported in one of the preceding subitems of this Memorandum item 10. Such loans include "Loans to depository institutions and acceptances of other banks," "Loans to finance agricultural production and other loans to farmers," "Loans to foreign governments and official institutions," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans" (as defined for Schedule RC-C, part I, items 2, 3, 7, 8, and 9).~~

~~**11** **Unpaid principal balance of loans measured at fair value (reported in Memorandum item 10).** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans measured at fair value reported in Schedule RC-C, part I, Memorandum item 10.~~

Part I. (cont.)

Memoranda

Item No. Caption and Instructions

~~**11.a** **Loans secured by real estate.** On the FFIEC 041, report in the appropriate subitem the total unpaid principal balance outstanding for all loans secured by real estate reported in Schedule RC-C, part I, Memorandum items 10.a.(1) through 10.a.(5). On the FFIEC 031, report the total unpaid principal balance outstanding for all loans secured by real estate reported in Schedule RC-C, part I, Memorandum item 10.a, for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.~~

~~**11.a.(1)** **Construction, land development, and other land loans.** Report the total unpaid principal balance outstanding for all construction, land development, and other loans reported in Schedule RC-C, part I, Memorandum item 10.a.(1).~~

~~**11.a.(2)** **Secured by farmland.** Report the total unpaid principal balance outstanding for all loans secured by farmland reported in Schedule RC-C, part I, Memorandum item 10.a.(2).~~

~~**11.a.(3)** **Secured by 1-4 family residential properties.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans secured by 1-4 family residential properties reported in Schedule RC-C, part I, Memorandum item 10.a.(3).~~

~~**11.a.(3)(a)** **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report the total unpaid principal balance outstanding for all revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit reported in Schedule RC-C, part I, Memorandum item 10.a.(3)(a).~~

~~**11.a.(3)(b)** **Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem the total unpaid principal balance outstanding for all closed-end loans secured by 1-4 family residential properties reported in Schedule RC-C, part I, Memorandum item 10.a.(3)(b).~~

~~**11.a.(3)(b)(1)** **Secured by first liens.** Report the total unpaid principal balance outstanding for all closed-end loans secured by first liens on 1-4 family residential properties reported in Schedule RC-C, part I, Memorandum item 10.a.(3)(b)(1).~~

~~**11.a.(3)(b)(2)** **Secured by junior liens.** Report the total unpaid principal balance outstanding for all closed-end loans secured by junior liens on 1-4 family residential properties reported in Schedule RC-C, part I, Memorandum item 10.a.(3)(b)(2).~~

~~**11.a.(4)** **Secured by multifamily (5 or more) residential properties.** Report the total unpaid principal balance outstanding for all loans secured by multifamily (5 or more) residential properties reported in Schedule RC-C, part I, Memorandum item 10.a.(4).~~

~~**11.a.(5)** **Secured by nonfarm nonresidential properties.** Report the total unpaid principal balance outstanding for all loans secured by nonfarm nonresidential properties reported in Schedule RC-C, part I, Memorandum item 10.a.(5).~~

~~**11.b** **Commercial and industrial loans.** Report the total unpaid principal balance outstanding for all commercial and industrial loans reported in Schedule RC-C, part I, Memorandum item 10.b.~~

Part I. (cont.)

Memoranda

Item No.	Caption and Instructions
~~11.c~~	~~**Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans to individuals for household, family, and other personal expenditures reported in Schedule RC-C, part I, Memorandum item 10.c.~~
~~11.c.(1)~~	~~**Credit cards.** Report the total unpaid principal balance outstanding for all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards reported in Schedule RC-C, part I, Memorandum item 10.c.(1).~~
~~11.c.(2)~~	~~**Other revolving credit plans.** Report the total unpaid principal balance outstanding for all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards reported in Schedule RC-C, part I, Memorandum item 10.c.(2).~~
~~11.c.(3)~~	~~**Automobile loans.** Report the total unpaid principal balance outstanding for 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 reported in Schedule RC-C, part I, Memorandum item 10.c.(3).~~
~~11.c.(4)~~	~~**Other consumer loans.** Report the total unpaid principal balance outstanding for all other loans to individuals for household, family, and other personal expenditures reported in Schedule RC-C, part I, Memorandum item 10.c.(4).~~
~~11.d~~	~~**Other loans.** Report the total unpaid principal balance outstanding for all loans reported in Schedule RC-C, part I, Memorandum item 10.d. Such loans include "Loans to depository institutions and acceptances of other banks," "Loans to finance agricultural production and other loans to farmers," "Loans to foreign governments and official institutions," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans" (as defined for Schedule RC-C, part I, items 2, 3, 7, 8, and 9).~~
12	**Loans (not subject to the requirements of FASB ASC 310-30) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year.** Report in the appropriate subitem and column the specified information on loans and leases held for investment purposes that were acquired in a business combination, as prescribed under ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations"), with an acquisition date in the current calendar year. The acquisition date is the date on which the bank obtains control[1] of the acquiree. If the reporting bank was acquired in a transaction during the calendar year pursuant to ASC Topic 805 and push down accounting was applied, report the specified information on the bank's loans and leases reported as held for investment after the application of push down accounting. Acquired loans and leases should be reported in this item each quarter after their acquisition date through the end of the calendar year of acquisition regardless of whether the bank still holds the loans and leases.

[1] Control has the meaning of "controlling financial interest" in ASC Subtopic 810-10, Consolidation – Overall (formerly Accounting Research Bulletin No. 51, "Consolidated Financial Statements," as amended).

Part II. (cont.)

General Instructions (cont.)

The "**amount currently outstanding**" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule RC-C, part I, item 1.b, 1.e.(1), 1.e.(2), 3, 4, or 4.a.

Except as noted below for "corporate" or "business" credit card programs, when determining "original amounts" and reporting the number and amount currently outstanding for a category of loans in this part II, multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

A bank that offers "corporate" or "business" credit card programs under which credit cards are issued to one or more of a company's employees for business-related use should treat each company's program as a single extension of credit to that company. The credit limits for all of the individual credit cards issued to the company's employees should be totaled and this total should be treated as the "original amount" of the "corporate" or "business" credit card program established for this company. The company's program should be reported as one loan and the amount currently outstanding would be the sum of the credit card balances as of the report date on each of the individual credit cards issued to the company's employees. However, when aggregated data for each individual company in a "corporate" or "business" credit card program are not readily determinable from the bank's credit card records, the bank should develop reasonable estimates of the number of "corporate" or "business" credit card programs in existence as of the report date, the "original amounts" of these programs, and the "amounts currently outstanding" for these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should the individual credit cards issued to a company's employees under a "corporate" or "business" credit card program be reported as separate individual loans to small businesses.

Item Instructions

Loans to Small Businesses

Item No. **Caption and Instructions**

NOTE: Item 1 is not applicable to banks filing the FFIEC 031 report forms.

1 **Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, items 1.e.(1) and 1.e.(2), and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans (to U.S. addressees)" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, item 4 (or 4.a), have original amounts of $100,000 or less.**

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by nonfarm nonresidential properties" ~~(in domestic offices)~~ as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Commercial and industrial loans (to U.S. addressees)" ~~(in domestic offices)~~ as reported in Schedule RC-C, part I, above, is $100,000 or less, and

Part II. (cont.)

Item No. Caption and Instructions

1 (cont.)

(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by nonfarm nonresidential properties" ~~(in domestic offices)~~ and "Commercial and industrial loans (to U.S. addressees)" ~~(in domestic offices)~~ indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 2.a and 2.b below, skip items 3 and 4, and go to item 5.

If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," skip items 2 through 4, and go to item 5.

Otherwise, place an "X" in the box marked "NO," skip items 2.a and 2.b, complete items 3 and 4 below, and go to item 5.

NOTE: Items 2, 2.a, and 2.b are not applicable to banks filing the FFIEC 031 report forms.

2 **Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories.** Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

2.a **Number of "Loans secured by nonfarm nonresidential properties" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, items 1.e(1) and 1.e.(2).** Count the number of individual loans currently outstanding whose carrying values add up to the amount of “Loans secured by nonfarm nonresidential properties” ~~(in domestic offices)~~ reported in Schedule RC-C, part I, items 1.e.(1) and 1.e.(2). The sum of the amounts reported in Schedule RC-C, part I, items 1.e.(1) and 1.e.(2), column B, divided by the number of loans reported in this item should not exceed $100,000.

2.b **Number of "Commercial and industrial loans (to U.S. addressees)" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, item 4 (or 4.a).** Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I:

- On the FFIEC 041 for banks with less than $300 million in total assets, item 4, column B, "Commercial and industrial loans;" and
- On the FFIEC 041 for banks with $300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees~~;~~." ~~and~~
- ~~On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees” in domestic offices.~~

The amount reported in Schedule RC-C, part I, item 4 or 4.a, as appropriate, divided by the number of loans reported in this item should not exceed $100,000.

Part II. (cont.)

Item No. Caption and Instructions

4.c **With original amounts of more than $250,000 through $1,000,000.** Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Agricultural Loans to Small Farms

Item No. Caption and Instructions

NOTE: Item 5 is not applicable to banks filing the FFIEC 031 report forms.

5 **Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, item 1.b, column B, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, item 3, column B, have original amounts of $100,000 or less.**

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by farmland (including farm residential and other improvements)" ~~(in domestic offices)~~ as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Loans to finance agricultural production and other loans to farmers" ~~(in domestic offices)~~ as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by farmland (including farm residential and other improvements)" ~~(in domestic offices)~~ and your "Loans to finance agricultural production and other loans to farmers" ~~(in domestic offices)~~ indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 6.a and 6.b below, and do not complete items 7 and 8 below.

If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," and do not complete items 6 through 8.

Otherwise, place an "X" in the box marked "NO," skip items 6.a and 6.b, and complete items 7 and 8 below.

Part II. (cont.)

Item No. Caption and Instructions

NOTE: Items 6, 6.a, and 6.b are not applicable to banks filing the FFIEC 031 report forms.

6 **Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories.** Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

6.a **Number of "Loans secured by farmland (including farm residential and other improvements)" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, item 1.b, column B.** Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.b, column B, "Loans secured by farmland (including farm residential and other improvements)." ~~(in domestic offices).~~ The amount reported in Schedule RC-C, part I, item 1.b, column B, divided by the number of loans reported in this item should not exceed $100,000.

6.b **Number of "Loans to finance agricultural production and other loans to farmers" ~~(in domestic offices)~~ reported in Schedule RC-C, part I, item 3, column B.** Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers." ~~(in domestic offices).~~ The amount reported in Schedule RC-C, part I, item 3, column B, divided by the number of loans reported in this item should not exceed $100,000.

7 **Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, column B.** See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 7.a through 7.c, column B, must be less than or equal to the amount reported Schedule RC-C, part I, item 1.b, column B.

7.a **With original amounts of $100,000 or less.** Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

Definitions (cont.)

(3) Credit items not yet posted to deposit accounts that are carried in suspense or similar nondeposit accounts and are material in amount. As described in the Glossary entry for "suspense accounts," the items included in such accounts should be reviewed and material amounts reported in the appropriate balance sheet accounts. NOTE: Regardless of whether deposits carried in suspense accounts have been reclassified as deposits and reported in Schedule RC-E, they must be reported as deposit liabilities in Schedule RC-O, items 1 and 4.

(4) Escrow funds.

(5) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(6) Credit balances resulting from customers' overpayments of account balances on credit cards and other revolving credit plans.

(7) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is <u>not</u> routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).

(8) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.

(9) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.

(10) Refundable loan commitment fees received or held by the reporting bank prior to loan closing.

(11) Refundable stock subscription payments received or held by the reporting bank prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule RC-G, item 4, "All other liabilities.")

(12) Improperly executed repurchase agreement sweep accounts (repo sweeps). According to Section 360.8 of the FDIC's regulations, an "internal sweep account" is "an account held pursuant to a contract between an insured depository institution and its customer involving the pre-arranged, automated transfer of funds from a deposit account to . . . another account or investment vehicle located within the depository institution." When a repo sweep from a deposit account is improperly executed by an institution, the customer obtains neither an ownership interest in identified assets subject to a repurchase agreement nor a perfected security interest in the applicable assets. In this situation, the institution should report the swept funds as deposit liabilities, not as repurchase agreements~~, in the Reports of Condition and Income beginning July 1, 2009~~.

(13) The unpaid balance of money received or held by the reporting institution that the reporting institution promises to pay pursuant to an instruction received through the use of a card, or other payment code or access device, issued on a prepaid or prefunded basis.

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (e.g., stop payment, missing endorsement, post or stale date, or account closed), but which have been

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Item No. Caption and Instructions

1 **Selected components of total deposits.** The amounts to be reported in Memorandum items 1.a through 1.f below are included as components of total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C).

1.a **Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts.** Report in this Memorandum item the total of all IRA and Keogh Plan deposits included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C). IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs.

Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

1.b **Total brokered deposits.** Report in this Memorandum item the total of all brokered deposits included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument. (See the Glossary entry for "brokered deposits" for the definition of this term.)

Brokered deposits include “reciprocal deposits.” As defined in Section 327.8(s) of the FDIC’s regulations, “reciprocal deposits” are deposits that an “institution receives through a deposit placement network on a reciprocal basis, such that: (1) for any deposit received, the institution (as agent for depositors) places the same amount with other insured depository institutions through the network; and (2) each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members.”

1.c **Brokered deposits of $250,000 or less (~~F~~fully insured brokered deposits).** Report in th~~e~~is ~~appropriate sub~~item all fully insured brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b, above. Include brokered deposits with balances of $250,000 or less and time deposits issued to deposit brokers in the form of certificates of deposit of more than $250,000 that have been participated out by the broker in shares with balances of $250,000 or less.

In some cases, brokered certificates of deposit are 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. For these so-called “retail brokered deposits,” multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (currently $250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in $1,000 amounts may be rebuttably presumed to be fully insured brokered deposits and should be reported in ~~Schedule RC-E, Memorandum~~this item ~~1.c.(1), below~~. In addition, some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are 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. An individual depositor’s deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA, the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured brokered deposits and should be reported in ~~Schedule RC-E, Memorandum~~this item~~ 1.c.(1), below~~.

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Item No. **Caption and Instructions**

1.c (cont.) The dollar amount~~s~~ used as the basis for reporting fully insured brokered deposits in this Memorandum item~~s 1.c.(1) and 1.c.(2)~~ reflects the deposit insurance limit~~s~~ in effect on the report date. At present, the~~se~~ limit~~s~~ ~~are~~is $250,000~~ for "retirement deposit accounts" and $250,000 for other deposit accounts~~.

~~**1.c.(1)**~~ ~~**Brokered deposits of less than $100,000.** Report in this item brokered deposits with balances of less than $100,000. Also report in this item time deposits issued to deposit brokers in the form of certificates of deposit of $100,000 or more that have been participated out by the broker in shares with balances of less than $100,000.~~

~~For brokered deposits that represent retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) eligible for $250,000 in deposit insurance coverage, report such brokered deposits in this item only if their balances are less than $100,000.~~

~~**1.c.(2)**~~ ~~**Brokered deposits of $100,000 through $250,000 and certain brokered retirement deposit accounts.** Report in this item those brokered deposits (including brokered retirement deposit accounts) with balances of $100,000 through $250,000. Also report in this item time deposits issued to deposit brokers in the form of certificates of deposit of more than $250,000 that have been participated out by the broker in shares with balances of $100,000 through $250,000.~~

~~For brokered deposits that represent retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) eligible for $250,000 in deposit insurance coverage, report such brokered deposits in this item only if their balances are $100,000 through $250,000 or if they have been issued by the bank in denominations of more than $250,000 and have been participated out by the broker in shares of $100,000 through exactly $250,000.~~

1.d **Maturity data for brokered deposits.** Report in the appropriate subitem the indicated maturity data for brokered deposits (as defined in the Glossary entry for "brokered deposits").

1.d.(1) **Brokered deposits of ~~less than $10~~$250,000 or less with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of ~~less than $10~~$250,000 or less reported in Schedule RC-E, Memorandum item 1.c~~.(1)~~, above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of ~~less than $10~~$250,000 or less that were reported in Schedule RC-E, Memorandum item 1.c~~.(1)~~, above.

1.d.(2) Not applicable.~~**Brokered deposits of $100,000 through $250,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of $100,000 through $250,000 reported in Schedule RC-E, Memorandum item 1.c.(2) above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of $100,000 through $250,000 that were reported in Schedule RC-E, Memorandum item 1.c.(2) above.~~

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Item No. Caption and Instructions

3 **Maturity and repricing data for time deposits of ~~less than $10~~$250,000 or less.** Report in the appropriate subitem maturity and repricing data for the bank's time deposits of ~~less than $10~~$250,000 or less, i.e., the bank's time certificates of deposit of ~~less than $10~~$250,000 or less and the bank's open-account time deposits of ~~less than $10~~$250,000 or less. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum items 2.b and 2.c, above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 3.a.(1) through 3.a.(4) must equal the sum of Schedule RC-E, Memorandum items 2.b and 2.c, above.

For purposes of this memorandum item and Schedule RC-E, Memorandum item 4, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the time deposit, and is known to both the bank and the depositor. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the time deposit on a predetermined basis, with the exact rate of interest over the life of the time deposit known with certainty to both the bank and the depositor when the time deposit is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the time deposit carries at any subsequent time cannot be known at the time the time deposit is received by the bank or subsequently renewed.

When the rate on a time deposit with a floating rate has reached a contractual floor or ceiling level, the time deposit is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit.

Next repricing date is the date the interest rate on a floating rate time deposit can next change in accordance with the terms of the contract or the contractual maturity date of the deposit, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities and next repricing dates of their time deposits for time periods that closely approximate the maturity and repricing periods specified in this Memorandum item and Schedule RC-E, Memorandum item 4 (e.g., 89 or 90 days rather than three months, 359 or 360 days rather 12 months) may use these data to complete this Memorandum item and Schedule RC-E, Memorandum item 4.

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Item No. **Caption and Instructions**

3 (cont.) Time deposits held in Individual Retirement Accounts (IRAs) and Keogh Plan accounts should be reported without regard to distribution schedules that may be in effect for funds held in certain depositors' accounts. Such time deposits should be reported in this Memorandum item and in Schedule RC-E, Memorandum item 4, in the same manner as time deposits not held in IRAs and Keogh Plan accounts.

Noninterest-bearing time deposits should be treated as fixed rate time deposits and reported according to the amount of time remaining until the final contractual maturity in this Memorandum item and in Schedule RC-E, Memorandum item 4.

Fixed rate time deposits that offer the depositor the option to reset the interest rate on the deposit to a current market rate one time during the term of the deposit should be treated as fixed rate deposits and reported based on their remaining maturity.

Fixed rate time deposits that are callable at the option of the issuing bank should be reported according to their remaining maturity without regard to their next call date unless the time deposit has actually been called. When fixed rate time deposits have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate time deposits should be reported on the basis of their next repricing date, without regard to their next call date unless the time deposit has actually been called. Floating rate time deposits that have been called should be reported on the basis of their next repricing date or their actual call date, whichever is earlier.

Fixed rate time deposits that provide depositors with the option to redeem them at one or more specified dates prior to their contractual maturity date without penalty should be reported according to their remaining maturity without regard to "put" dates if the depositor has not exercised the "put." If a redemption option has been exercised, however, such deposits should be reported on the basis of the time remaining until the date on which the time deposit will be redeemed. Floating rate time deposits that provide depositors with redemption options without penalty should be reported on the basis of their next repricing date without regard to the "put" dates if the depositor has not exercised the "put." If a redemption option has been exercised but the time deposit has not yet been redeemed, the deposit should be reported on the basis of its next repricing date or its scheduled redemption date, whichever is earlier.

3.a **Time deposits of ~~less than $10~~$250,000 or less with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate time deposits of ~~less than $10~~$250,000 or less in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Report the dollar amount of the bank's floating rate time deposits of ~~less than $10~~$250,000 or less in the appropriate subitems according to their next repricing dates.

3.a.(1) **Three months or less.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~less than $10~~$250,000 or less with remaining maturities of three months or less, and
- the bank's floating rate time deposits of ~~less than $10~~$250,000 or less with the next repricing date occurring in three months or less.

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Item No. **Caption and Instructions**

3.a.(2) **Over three months through 12 months.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~less than $10~~$250,000 or less with remaining maturities of over three months through 12 months, and
- the bank's floating rate time deposits of ~~less than $10~~$250,000 or less with the next repricing date occurring in over three months through 12 months.

3.a.(3) **Over one year through three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~less than $10~~$250,000 or less with remaining maturities of over one year through three years, and
- the bank's floating rate time deposits of ~~less than $10~~$250,000 or less with the next repricing date occurring in over one year through three years.

3.a.(4) **Over three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~less than $10~~$250,000 or less with remaining maturities of over three years, and
- the bank's floating rate time deposits of ~~less than $10~~$250,000 or less with the next repricing date occurring in over three years.

3.b **Time deposits of ~~less than $10~~$250,000 or less with a remaining maturity of one year or less.** Report all time deposits of ~~less than $10~~$250,000 or less with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of ~~less than $10~~$250,000 or less.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 3.a.(1) and 3.a.(2), above. The floating rate time deposits that should be included in this item will have been reported by next repricing date in Memorandum items 3.a.(1) and 3.a.(2), above. However, ~~these two~~ Memorandum items 3.a.(1) and 3.a.(2) may include floating rate time deposits with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those time deposits should not be included in this Memorandum item 3.b.

4 **Maturity and repricing data for time deposits of ~~$100,000 or~~ more than $250,000.** Report in the appropriate subitem maturity and repricing data for the bank's time deposits of ~~$100,000 or~~ more than $250,000, i.e., the bank's time certificates of deposit of ~~$100,000 or~~ more than $250,000 and the bank's open-account time deposits of ~~$100,000 or~~ more than $250,000. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum item~~s 2.c and~~ 2.d, above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 4.a.(1) through 4.a.(4) must equal ~~the sum of~~ Schedule RC-E, Memorandum item~~s 2.c and~~ 2.d, above. Refer to the definitions and other instructions about time deposits in Schedule RC-E, Memorandum item 3, above.

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Item No. **Caption and Instructions**

4.a **Time deposits of ~~$100,000 or~~ more than $250,000 with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate time deposits of ~~$100,000 or~~ more than $250,000 in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Report the dollar amount of the bank's floating rate time deposits of ~~$100,000 or~~ more than $250,000 in the appropriate subitems according to their next repricing dates.

4.a.(1) **Three months or less.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~$100,000 or~~ more than $250,000 with remaining maturities of three months or less, and
- the bank's floating rate time deposits of ~~$100,000 or~~ more than $250,000 with the next repricing date occurring in three months or less.

4.a.(2) **Over three months through 12 months.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~$100,000 or~~ more than $250,000 with remaining maturities of over three months through 12 months, and
- the bank's floating rate time deposits of ~~$100,000 or~~ more than $250,000 with the next repricing date occurring in over three months through 12 months.

4.a.(3) **Over one year through three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~$100,000 or~~ more than $250,000 with remaining maturities of over one year through three years, and
- the bank's floating rate time deposits of ~~$100,000 or~~ more than $250,000 with the next repricing date occurring in over one year through three years.

4.a.(4) **Over three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of ~~$100,000 or~~ more than $250,000 with remaining maturities of over three years, and
- the bank's floating rate time deposits of ~~$100,000 or~~ more than $250,000 with the next repricing date occurring in over three years.

~~4.b **Time deposits of $100,000 through $250,000 with a remaining maturity of one year or less.** Report all time deposits of $100,000 through $250,000 with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of $100,000 through $250,000.~~

~~The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 4.a.(1) and 4.a.(2), above. The floating rate time deposits that should be included in this item will have been reported by next repricing date in Memorandum items 4.a.(1) and 4.a.(2), above. However, Memorandum items 4.a.(1) and 4.a.(2) may include floating rate time deposits with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those time deposits should not be included in this Memorandum item 4.b.~~

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Item No. **Caption and Instructions**

4.~~c~~b **Time deposits of more than $250,000 with a remaining maturity of one year or less.** Report all time deposits of more than $250,000 with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of more than $250,000.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 4.a.(1) and 4.a.(2), above. The floating rate time deposits that should be included in this item will have been reported by next repricing date in Memorandum items 4.a.(1) and 4.a.(2), above. However, Memorandum items 4.a.(1) and 4.a.(2) may include floating rate time deposits with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those time deposits should not be included in this Memorandum item 4.b~~c~~.

5 **Does your institution offer one or more consumer deposit account products, i.e., transaction account or nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use?** Indicate in the boxes marked "Yes" and "No" whether your institution offers one or more transaction account or nontransaction savings account deposit products intended, marketed, or presented to the public primarily for consumer use, i.e., deposit products offered primarily to individuals for personal, household, and family use. For purposes of this item, consumer deposit account products exclude (1) time deposits, (2) certified and official checks, and (3) pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing. Consumer deposit account products also exclude Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when such accounts are offered in the form of pooled funds and commercial products.

Your institution should answer "Yes" if it offers one or more transaction account or nontransaction savings account deposit products intended primarily for consumer use even if it also offers other transaction account or nontransaction savings account deposit products intended for use by a broad range of depositors (which may include individuals) rather than being intended, marketed, or presented to the public primarily for individuals for consumer use and regardless of whether the products intended, marketed, or presented to the public primarily for consumer use carry the same terms as other deposit products intended for use by a broad range of depositors (which may include individuals).

Your institution should answer "No" if all of the transaction account and nontransaction savings account deposit products it offers are intended for use by a broad range of depositors (which may include individuals) or by non-consumer depositors and none of these products is intended, marketed, or presented to the public primarily for individuals for personal, household, or family use.

Transaction accounts include demand deposits, negotiable order of withdrawal (NOW) accounts, automatic transfer service (ATS) accounts, and telephone and preauthorized transfer accounts. Nontransaction savings accounts include money market deposit accounts (MMDAs) and other savings deposits. For the definitions of these types of accounts, see the Glossary entry for "deposits."

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum items 6 and 7 are to be completed by institutions with $1 billion or more in total assets[1] that answered "Yes" to Schedule RC-E, Memorandum item 5, above.

6 and 7 **General Instructions for Consumer Deposit Account Balances** – Once a customer has opened a deposit account with the reporting institution that is a deposit product intended primarily for individuals for personal, household, or family use, the institution is not required thereafter to review the customer's status or usage of the account to determine whether the transaction account is being used for personal, household, or family purposes. Thus, when reporting the amount of consumer deposit account balances in Memorandum items 6 and 7 of Schedule RC-E, the reporting institution is not required to identify those individual accounts within the population of a particular consumer deposit account product that are not being used for personal, household, or family purposes and remove the balances of these accounts from the total amount of deposit balances held in that consumer deposit account product.

An institution may have established a retail sweep arrangement for a transaction account deposit product that is offered primarily to individuals for personal, household, and family use. Under the sweep arrangement, the institution transfers funds between a customer's transaction account and that customer's nontransaction account. The "Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts" section of the Glossary entry for "deposits" identifies three criteria that must be met in order for a retail sweep program to comply with the Federal Reserve Regulation D definitions of "transaction account" and nontransaction "savings account." The retail sweeps section of that Glossary entry further provides that if all three criteria are met, an institution must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedule RC-E and certain other schedules. Thus, this separate reporting of the two components of a retail sweep program applies to the reporting of consumer deposit account balances in Memorandum items 6 and 7 of Schedule RC-E.

6 **Components of total transaction account deposits of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of total transaction account deposits of individuals, partnerships, and corporations. The sum of Memorandum items 6.a~~,~~ and 6.b~~, and 6.c~~ plus the total deposits in all other transaction account deposits of individuals, partnerships, and corporations must equal Schedule RC-E, item 1, column A, above.

If an institution offers one or more transaction account deposit products intended, marketed, or presented to the public primarily for individuals for personal, household, or family use, but has other transaction account deposit products intended for a broad range of depositors (which may include individuals who would use the product for personal, household, or family use), the institution should ~~report~~exclude the entire amount of these latter transaction account deposit products ~~in~~from Memorandum items 6.~~c~~a and 6.b. For example, if an institution has a single negotiable order of withdrawal (NOW) account deposit product that it offers to all depositors eligible to hold such accounts, including individuals, sole proprietorships, certain nonprofit organizations, and certain government units, the institution would ~~report~~exclude the entire amount of its NOW accounts ~~in~~from Memorandum items 6.~~c~~a and 6.b. The institution should not identify the NOW accounts held by individuals for personal, household, or family use and report the amount of these accounts in Memorandum item 6.b, above.

[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 3 and 4 of the General Instructions for guidance on shifts in reporting status.

Memoranda

Item No. **Caption and Instructions**

6.a **Total deposits in those noninterest-bearing transaction account deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column A, held in noninterest-bearing *transaction* accounts intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude certified and official checks as well as pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing.

6.b **Total deposits in those interest-bearing transaction account deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column A, held in interest-bearing *transaction* accounts intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing.

~~**6.c**~~ ~~**Total deposits in all other transaction accounts of individuals, partnerships, and corporations.**~~ ~~Report the amount of all other transaction account deposits included in Schedule RC-E, item 1, column A, that were not reported in Schedule RC-E, Memorandum items 6.a and 6.b, above.~~

7 **Components of total nontransaction savings account deposits of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of total nontransaction savings account deposits of individuals, partnerships, and corporations. Exclude all time deposits of individuals, partnerships, and corporations reported in Schedule RC-E, item 1, column C. The sum of Memorandum items 7.a.(1), 7.a.(2), 7.b,(1), and 7.b.(2) plus all time deposits of individuals, partnerships, and corporations must equal Schedule RC-E, item 1, column C, above.

If an institution offers one or more nontransaction savings account deposit products intended, marketed, or presented to the public primarily for individuals for personal, household, or family use, but has other nontransaction savings account deposit products intended for a broad range of depositors (which may include individuals who would use the product for personal, household, or family use), the institution should report the entire amount of these latter nontransaction savings account deposit products in Memorandum item 7.a.(2) or 7.b.(2), as appropriate.

7.a **Money market deposit accounts (MMDAs) of individuals, partnerships, and corporations.** Report in the appropriate subitem the specified component of MMDA deposits of individuals, partnerships, and corporations reported in Schedule RC-E, item 1, column C, above. The sum of Memorandum items 7.a.(1) and 7.a.(2) must be less than or equal to Schedule RC-E, Memorandum item 2.a.(1), above.

7.a.(1) **Total deposits in those MMDA deposit products intended primarily for individuals for personal, household, or family use.** Report the amount of deposits reported in Schedule RC-E, item 1, column C, held in MMDAs intended, marketed, or presented to the public primarily for individuals for personal, household, or family use. Exclude MMDAs in the form of pooled funds and commercial products with sub-account structures, such as escrow accounts, that are held for individuals but not eligible for consumer transacting, saving, or investing.

Part II. Deposits in Foreign Offices (cont.)

Item Instructions

Item No. Caption and Instructions

NOTE: Items 1 through 6 are to be completed by institutions with $10 billion or more in total assets.

1 **Deposits of individuals, partnerships, and corporations (include all certified and official checks)**. Report all balances in foreign offices standing to the credit of individuals, partnerships, and corporations (as defined for Schedule RC-E, Part I, item 1). Report all certified and official checks issued by foreign offices of the reporting bank (as defined for Schedule RC-E, Part I, item 1). Also report all other liabilities that, owing to law, custom, or banking practice in foreign countries, have characteristics similar to those specified for domestic offices.

2 **Deposits of U.S. banks (including IBFs and foreign branches of U.S. banks) and other U.S. depository institutions**. Report all deposit balances in foreign offices of the reporting bank standing to the credit of banks and other depository institutions headquartered and chartered in the United States. Include both U.S. and non-U.S. branches of U.S. commercial banks and other depository institutions as well as IBFs established by U.S. commercial banks. Exclude U.S. branches and agencies of foreign banks and IBFs established by such branches and agencies. (See the Glossary entry for "banks, U.S. and foreign" for the definition of U.S. banks and the Glossary entry for "depository institutions in the U.S." for further discussion of this term).

3 **Deposits of foreign banks (including U.S. branches and agencies of foreign banks, including their IBFs)**. Report all balances in foreign offices of the reporting bank standing to the credit of banks headquartered and chartered in foreign countries. Include both U.S. and non-U.S. branches of foreign banks and IBFs established by U.S. branches and agencies of foreign banks. Exclude foreign offices of U.S. banks. (See the Glossary entry for "banks, U.S. and foreign" for the definition of foreign banks.)

4 **Deposits of foreign governments and official institutions**. Report all balances in foreign offices standing to the credit of foreign governments and official institutions, including foreign central banks. (See the Glossary entry for "foreign governments and official institutions" for the definition of this term.)

5 **Deposits of U.S. Government and states and political subdivisions in the U.S.** Report all balances in foreign offices standing to the credit of the U.S. Government and states and political subdivisions in the U.S. (as defined for Schedule RC-E, Part I, items 2 and 3).

6 **Total**. Report the sum of items 1 through 5. This item must equal Schedule RC, item 13.b, "Deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

Memorandum

Item No. Caption and Instructions

NOTE: Memorandum item 1 is to be completed by all institutions.

1 **Time deposits with a remaining maturity of one year or less**. Report all time deposits in foreign offices with remaining maturities of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit. The time deposits included in this item will also have been reported in Schedule RC~~-E~~, ~~Part II, item 6, above~~item 13.b.

SCHEDULE RC-F – OTHER ASSETS

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No. **Caption and Instructions**

1 **Accrued interest receivable.** Report the amount of interest earned or accrued on earning assets and applicable to current or prior periods that has not yet been collected.

Exclude retained interests in accrued interest receivable related to securitized credit cards (report in Schedule RC-F, item 6, "All other assets").

2 **Net deferred tax assets.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in Schedule RC-G, item 2, "Net deferred tax liabilities." If the result for each tax jurisdiction is a net credit balance, enter a zero~~ or the word "none"~~ in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)

For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes."

3 **Interest-only strips receivable (not in the form of a security) on.** As defined in 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), an interest-only strip receivable is the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset. This includes, for example, contractual rights to future interest cash flows that exceed contractually specified servicing fees on financial assets that have been sold. Report in the appropriate subitem interest-only strips receivable not in the form of a security that are measured at fair value like available-for-sale securities.[1] Report unrealized gains (losses) on these interest-only strips receivable in Schedule RC, item 26.b, "Accumulated other comprehensive income."

Exclude from this item interest-only strips receivable in the form of a security, which should be reported as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate. Also exclude interest-only strips not in the form of a security that are held for trading, which should be reported in Schedule RC, item 5.

3.a **Mortgage loans.** Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans.

[1] An interest-only strip receivable is not in the form of a security if the strip does not meet the definition of a security in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities").

Item No. Caption and Instructions

5.b **Separate account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with separate account insurance policies. In a separate account policy, the policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the underlying account, but does assume all investment and price risk.

Separate accounts are employed by life insurers to meet specific investment objectives of policyholders. The accounts are often maintained as separate accounting and reporting entities for pension plans as well as fixed benefit, variable annuity, and other products. Investment income and investment gains and losses generally accrue directly to such policyholders and are not accounted for on the general accounts of the insurer. On the books of the insurer, the carrying values of separate account assets and liabilities usually approximate each other with little associated capital. Because they are legally segregated, the assets of each separate account are not subject to claims on the insurer that arise out of any other business of the insurance company.

5.c **Hybrid account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with hybrid account insurance policies. A hybrid account insurance policy combines features of both general and separate account insurance products. Similar to a general account life insurance policy, a hybrid policy offers a guaranteed minimum crediting rate, does not carry market value risk, and does not require stable value protection. However, like a separate account life insurance policy, a hybrid policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Because they are legally segregated, the assets of each separate account are not subject to claims on the insurer that arise out of any other business of the insurance company. Additionally, the bank holding the hybrid account life insurance policy is able to select the investment strategy in which the insurance premiums are invested. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the underlying account.

6 **All other assets.** Report the amount of all other assets (other than those reported in Schedule RC-F, items 1, 2, 3, 4, and 5, above) that cannot properly be reported in Schedule RC, items 1 through 10.

~~Report~~Disclose in Schedule RC-F, items 6.a through 6.k, each component of all other assets, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount of all other assets reported in this item. ~~Preprinted captions have been provided in Schedule RC-F, items 6.a through 6.h, for reporting the following components of all other assets if the component exceeds this reporting threshold: prepaid expenses, repossessed personal property (including vehicles), derivatives with a positive fair value held for purposes other than trading, retained interests in accrued interest receivable related to securitized credit cards, FDIC loss-sharing indemnification assets, computer software, accounts receivable, and receivables from foreclosed government-guaranteed mortgage loans.~~

For each component of all other assets that exceeds the reporting threshold for which a preprinted caption has not been provided in Schedule RC-F, items 6.a through 6.h, describe the component with a clear but concise caption in Schedule RC-F, items 6.i through 6.k. These descriptions should not exceed 50 characters in length (including spacing between words).

Item No. **Caption and Instructions**

6 (cont.) Include as all other assets:

(1) Prepaid expenses, i.e., those applicable as a charge against earnings in future periods.[1] (Report the amount of such assets in Schedule RC-F, item 6.a, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(2) Automobiles, boats, equipment, appliances, and similar personal property repossessed or otherwise acquired for debts previously contracted. (Report the amount of such assets in Schedule RC-F, item 6.b, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(3) Derivative instruments that have a positive fair value that the bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this positive fair value in Schedule RC-F, item 6.c, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(4) Retained interests in accrued interest receivable related to securitized credit cards. For further information, see the Glossary entry for "accrued interest receivable related to credit card securitizations." (Report the amount of such retained interests in Schedule RC-F, item 6.d, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(5) Accrued interest on securities purchased (if accounted for separately from “accrued interest receivable” in the bank’s records).

(6) Cash items not conforming to the definition of "Cash items in process of collection" found in the instruction to Schedule RC, item 1.a.

(7) The *full* amount (with the exceptions noted below) of customers' liability to the reporting bank on drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and are outstanding. The amount of customers' liability to the reporting bank on its acceptances that have not yet matured should be reduced *only* when: (a) the customer anticipates its liability to the reporting bank on an outstanding acceptance by making a payment to the bank in advance of the acceptance's maturity that immediately reduces the customer's indebtedness to the bank on such an acceptance; or (b) the reporting bank acquires and holds its own acceptance. See the Glossary entry for "bankers acceptances" for further information.

(8) Credit or debit card sales slips in process of collection until the reporting bank has been notified that it has been given credit (report thereafter in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, if applicable, in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate).

(9) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, “Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed”). (Report the

amount of computer software in Schedule RC-F, item 6.f, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(10) Bullion (e.g., gold or silver) not held for trading purposes.

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[1] For banks involved in insurance activities, examples of prepaid expenses include ceding fees and acquisition fees paid to insurance carriers external to the consolidated bank.

Item No.	**Caption and Instructions**

6 (cont.)

(11) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).

(12) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).

(13) Debt issuance costs related to line-of-credit arrangements, net of accumulated amortization. Debt issuance costs related to a recognized debt liability that is not a line-of-credit arrangement should be presented as a direct deduction from the face amount of the related debt, not as an asset. For debt reported at fair value under a fair value option, debt issuance costs should be expensed as incurred.[1]

(14) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.

(15) Ground rents.

(16) Customers' liability for deferred payment letters of credit.

(17) Reinsurance recoverables from reinsurers external to the consolidated bank.

(18) "Separate account assets" of the reporting bank's insurance subsidiaries.

(19) The positive fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

(20) FDIC loss-sharing indemnification assets. These indemnification assets represent the carrying amount of the right to receive payments from the FDIC for losses incurred on specified assets acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. (Report the amount of such assets in Schedule RC-F, item 6.e, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.) (Exclude the assets covered by the FDIC loss-sharing agreements from this component of “All other assets.” Instead, report each covered asset in the balance sheet category appropriate to the asset on Schedule RC, e.g., report covered held-for-investment loans in Schedule RC, item 4.b, “Loans and leases held for investment~~, net of unearned income~~.”)

(21) Receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans if the guarantee is not separable from the loan before foreclosure and, at the time of foreclosure, (a) the institution’s intent is to convey the property to the guarantor and make a claim on the guarantee and the institution has the ability to recover under that claim, and (b) any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. For further information, see the Glossary entry for “Foreclosed assets.” (Report these receivables in Schedule RC-F, item 6.h, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)

(22) The reporting institution’s own accounts receivable. (Report these receivables in Schedule RC-F, item 6.g, if this amount is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.) (Exclude factored accounts receivable, which should be reported as loans in Schedule RC-C.)

[1] Refer to Accounting Standards Update (ASU) No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” for transition guidance. For institutions with a calendar year fiscal year, the ASU must be applied by public business entities in their March 2016 Call Reports and by private companies in their December 2016 Call Reports. Early adoption of the ASU is permitted. Until an institution has adopted the ASU in accordance with its applicable effective date, all debt issuance costs should be reported on the balance sheet as an asset (i.e., a deferred charge). The ASU is limited to the presentation of debt issuance costs; therefore, the recognition and measurement guidance for such costs is unaffected.

SCHEDULE RC-G – OTHER LIABILITIES

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No. **Caption and Instructions**

1.a **Interest accrued and unpaid on deposits (in domestic offices)**. Report the amount of interest on deposits (in domestic offices) accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. For savings banks, include in this item "dividends" accrued and unpaid on deposits. On the FFIEC 031, exclude from this item interest accrued and unpaid on deposits in foreign offices (report such accrued interest in Schedule RC-G, item 1.b below).

1.b **Other expenses accrued and unpaid**. Report the amount of income taxes, interest on nondeposit liabilities (and, on the FFIEC 031, deposits in foreign offices), and other expenses accrued through charges to expense during the current or prior periods, but not yet paid. Exclude interest accrued and unpaid on deposits in domestic offices (report such accrued interest in Schedule RC-G, item 1.a above).

2 **Net deferred tax liabilities**. Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in Schedule RC-F, item 2, "Net deferred tax assets." If the result for each tax jurisdiction is a net debit balance, enter a zero~~ or the word "none"~~ in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)

For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes."

3 **Allowance for credit losses on off-balance sheet credit exposures**. Report the amount of any allowance for credit losses on off-balance sheet exposures established in accordance with generally accepted accounting principles.

4 **All other liabilities**. Report the amount of all other liabilities (other than those reported in Schedule RC-G, items 1, 2, and 3, above) that cannot properly be reported in Schedule RC, items 13 through 19.

Disclose in items 4.a through 4.g each component of all other liabilities, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount reported for this item.

For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in Schedule RC-G, items 4.a through 4.d, describe the component with a clear but concise caption in Schedule RC-G, items 4.e through 4.g. These descriptions should not exceed 50 characters in length (including spacing between words).

Item No.	Caption and Instructions
4 (cont.)	Include as all other liabilities:

(1) Accounts payable (other than expenses accrued and unpaid). (Report the amount of accounts payable in Schedule RC-G, item 4.a, if this amount is greater than $~~25~~100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(2) Deferred compensation liabilities. (Report the amount of such liabilities in Schedule RC-G, item 4.b, if this amount is greater than $~~25~~100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(3) Dividends declared but not yet payable, i.e., the amount of cash dividends declared on limited-life preferred, perpetual preferred, and common stock on or before the report date but not payable until after the report date. (Report the amount of such dividends in Schedule RC-G, item 4.c, if this amount is greater than $~~25~~100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.) (Report dividend checks outstanding as deposit liabilities in Schedule RC-E, item 1, column A, and item 7, column B.)

(4) Derivative instruments that have a negative fair value that the reporting bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this negative fair value in Schedule RC-G, item 4.d, if this amount is greater than $~~25~~100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)

(5) Deferred gains from sale-leaseback transactions.

(6) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material (refer to the Glossary entry for "loan fees" for further information).

(7) Bank's liability for deferred payment letters of credit.

(8) Recourse liability accounts arising from asset transfers with recourse that are reported as sales.

(9) Unearned insurance premiums, claim reserves and claims adjustment expense reserves, policyholder benefits, contractholder funds, and "separate account liabilities" of the reporting bank's insurance subsidiaries.

(10) The *full* amount (except as noted below) of the liability represented by drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and that are outstanding. The bank's liability on acceptances executed and outstanding should be reduced prior to the maturity of such acceptances only when the reporting bank acquires and holds its own acceptances, i.e., only when the acceptances are not outstanding. See the Glossary entry for "bankers acceptances" for further information.

(11) Servicing liabilities.

(12) The negative fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

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").

<u>Item No.</u> **<u>Caption and Instructions</u>**

2 **<u>U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).</u>** Report the quarterly average of the <u>amortized cost</u> 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 **<u>Mortgage-backed securities.</u>** Report the quarterly average of the <u>amortized cost</u> 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 **<u>All other securities.</u>** Report the quarterly average of the <u>amortized cost</u> 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 **<u>Federal funds sold and securities purchased under agreements to resell.</u>** Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).

6 **<u>Loans:</u>**

FFIEC 041 <u>Item No.</u>	**FFIEC 031 <u>Item No.</u>**	**<u>Caption and Instructions</u>**
-	**6.a**	**<u>Loans in domestic offices:</u>**
6.a	**6.a.(1)**	**<u>Total loans (in domestic offices).</u>** Report the quarterly average for total loans~~,~~ <u>held for investment and held for sale</u> ~~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)**	**<u>Loans secured by real estate:</u>**
6.b.(1)	**6.a.(2)(a)**	**<u>Loans secured by 1-4 family residential properties.</u>** 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). <u>Exclude</u> "*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)**	**<u>All other loans secured by real estate.</u>** 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). <u>Exclude</u> 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).

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	6.a.(3)	**Loans to finance agricultural production and other loans to farmers.** Report the quarterly average for loans to finance agricultural production and other loans to farmers in domestic offices (as defined for Schedule RC-C, part I, item 3, column B).
6.c	6.a.(4)	**Commercial and industrial loans.** Report the quarterly average for commercial and industrial loans (in domestic offices) (as defined for Schedule RC-C, part I, item 4, column B).
6.d	6.a.(5)	**Loans to individuals for household, family, and other personal expenditures:**
6.d.(1)	6.a.(5)(a)	**Credit cards.** Report the quarterly average for credit cards. For purposes of this schedule, credit cards (in domestic offices) (as defined for Schedule RC-C, part I, item 6.a, column B).
6.d.(2)	6.a.(5)(b)	**Other.** Report the quarterly average for loans (in domestic offices) to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule RC-C, part I, items 6.b, 6.c, and 6.d, column B).
-	6.b	**Total loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.** 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), held in the reporting bank's foreign offices, Edge and Agreement subsidiaries, and IBFs.

FFIEC 031 and 041 Item No.	Caption and Instructions

NOTE: On the FFIEC 041, item 7 is to be completed by banks that have $100 million or more in total assets.

7	**Trading assets.** Report the quarterly average for ~~the fully consolidated bank's~~ trading assets (as defined for Schedule RC, item 5). Trading assets include trading derivatives with positive fair values.
8	**Lease financing receivables (net of unearned income).** Report the quarterly average for the ~~fully consolidated bank's~~ lease financing receivables, net of unearned income (as defined for Schedule RC-C, part I, item 10, column B, on the FFIEC 041; column A on the FFIEC 031).
9	**Total assets.** Report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12, except that this quarterly average should reflect all debt securities (not held for trading) at amortized cost and available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost. In addition, to the extent that net deferred tax assets included in the bank's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time. This item is not the sum of items 1 through 8 above.

Item No. Caption and Instructions

LIABILITIES

10 **Interest-bearing transaction accounts (in domestic offices).** Report the quarterly average for interest-bearing transaction accounts (in domestic offices): interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts (as defined for Schedule RC-E, (part I,) column A, "Total transaction accounts").

Exclude noninterest-bearing demand deposits.

See the Glossary entry for "deposits" for the definitions of "demand deposits," "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."

11 **Nontransaction accounts (in domestic offices):**

11.a **Savings deposits.** Report the quarterly average for savings deposits (as defined for Schedule RC-E, (part I), Memorandum items 2.a.(1) and 2.a.(2)). Savings deposits include money market deposit accounts (MMDAs) and other savings deposits.

11.b **Time deposits of ~~$100,000 or more~~$250,000 or less.** Report the quarterly average for time deposits of ~~$100,000 or more~~$250,000 or less (as defined for Schedule RC-E, (part I), Memorandum items 2.~~c~~b and 2.~~d~~c).

11.c **Time deposits of ~~less than $100,000~~more than $250,000.** Report the quarterly average for time deposits of ~~less than $100,000~~more than $250,000 (as defined for Schedule RC-E, (part I,) Memorandum item 2.~~b~~d).

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	12	**Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report the quarterly average for interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs (as defined for Schedule RC, item 13.b.(2), "Interest-bearing").
12	13	**Federal funds purchased and securities sold under agreements to repurchase.** Report the quarterly average for federal funds purchased and securities sold under agreements to repurchase (as defined for Schedule RC, item 14).

NOTE: On the FFIEC 041, item 13 is to be completed by banks that have $100 million or more in total assets.

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
13	14	**Other borrowed money.** Report the quarterly average for the fully consolidated bank's other borrowed money (as defined for Schedule RC, item 16).

Memorandum

FFIEC 041
Item No. Caption and Instructions

NOTE: Memorandum item 1 is applicable only to banks filing the FFIEC 041 report. There are no Schedule RC-K memorandum items on the FFIEC 031.

1 Loans to finance agricultural production and other loans to farmers.

Memorandum 1 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 and leases held for investment and held for sale (Schedule RC-C, part I, item 12)~~, net of unearned income~~.

~~All other banks should report a zero or the word "none" in this item.~~

Report in this item the quarterly average for loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column B).

Item No.	Caption and Instructions
5.c	**Total.** Report the sum of items 5.a.(1)(a) through (d) and items 5.b.(1)(a) through (d). This sum must equal Schedule RC, item 16, "Other borrowed money."
6	**Does the reporting bank sell private label or third party mutual funds and annuities?** Indicate whether the reporting bank currently sells private label or third party mutual funds and annuities. Place an "X" in the box marked "YES" if the bank, a bank subsidiary or other bank affiliate, or an unaffiliated entity sells private label or third party mutual funds and annuities:

(1) on bank premises;

(2) from which the bank receives income at the time of the sale or over the duration of the account (e.g., annual fees, Rule 12b-1 fees or "trailer fees," and redemption fees); or

(3) through the reporting bank's trust department in transactions that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, and conservator).

Otherwise, place an "X" in the box marked "NO".

Mutual fund is the common name for an open-end investment company whose shares are sold to the investing public. An annuity is an investment product, typically underwritten by an insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a bank's or banking organization's customers. A proprietary product is a product for which the reporting bank or a subsidiary or other affiliate of the reporting bank acts as investment adviser and may perform additional support services. In a private label product, an unaffiliated entity acts as the investment adviser. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Mutual funds and annuities that are not proprietary or private label products are considered third party products. For example, third party mutual funds and annuities include products that are widely marketed by numerous parties to the investing public and have investment advisers that are not affiliated with the reporting bank.

7 **Assets under the reporting bank's management in proprietary mutual funds and annuities.** Report the amount of assets (stated in U.S. dollars) held by mutual funds and annuities as of the report date for which the reporting bank or a subsidiary of the bank acts as investment adviser.

A general description of a proprietary product is included in the instruction to Schedule RC-M, item 6, above. Proprietary mutual funds and annuities are typically created by large banking organizations and offered to customers of the banking organization's subsidiary banks. Therefore, small, independent banks do not normally act as investment advisers for mutual funds and annuities.

If neither the bank nor any subsidiary of the bank acts as investment adviser for a mutual fund or annuity, the bank should report a zero ~~or the word "none"~~ in this item.

Item No. Caption and Instructions

13.a.(1)(e)(2) **Loans secured by other nonfarm nonresidential properties.** Report the amount of loans secured by other nonfarm nonresidential properties included in Schedule RC-C, part I, item 1.e.(2), column B, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

~~NOTE: Item 13.a.(2) is not applicable to banks filing the FFIEC 041 report form.~~

13.a.(2) to 13.a.(4) Not applicable.~~**Loans to finance agricultural production and other loans to farmers.** Report the amount of loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**13.a.(3)** **Commercial and industrial loans.** Report the amount of commercial and industrial loans included in Schedule RC-C, part I, item 4, column B on the FFIEC 041, and in Schedule RC-C, part I, items 4.a and 4.b, column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**13.a.(4)** **Loans to individuals for household, family, and other personal expenditures:**~~

~~**13.a.(4)(a)** **Credit cards.** Report the amount of extensions of credit arising from credit cards included in Schedule RC-C, part I, item 6.a, column B on the FFIEC 041 and column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**13.a.(4)(b)** **Automobile loans.** Report the amount of automobile loans included in Schedule RC-C, part I, item 6.c, column B on the FFIEC 041 and column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**13.a.(4)(c)** **Other.** Report the amount of extensions of credit arising from other revolving credit plans and other consumer loans included in Schedule RC-C, part I, items 6.b and 6.d, column B on the FFIEC 041 and column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

13.a.(5) **All other loans and all leases.** Report the amount of loans that cannot properly be reported in Schedule RC-M, items 13.a.(1)(a)(1) through 13.a.(~~4~~1)(e)(2), above acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. Include in this item covered loans in the following categories:

(1) Loans to depository institutions and acceptances of other banks included in Schedule RC-C, part I, item 2, column B on the FFIEC 041 and in Schedule RC-C, part I, items 2.a.(1) through 2.c.(2), column A on the FFIEC 031;

(2) ~~On the FFIEC 041 only, l~~Loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column B on the FFIEC 041 and column A on the FFIEC 031;

(3) Commercial and industrial loans included in Schedule RC-C, part I, item 4, column B on the FFIEC 041, and in Schedule RC-C, part I, items 4.a and 4.b, column A on the FFIEC 031;

(4) Loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, items 6.a through 6.d, column B on the FFIEC 041 and column A on the FFIEC 031;

(5) On the FFIEC 031 only, l~~L~~oans to foreign governments and official institutions included in Schedule RC-C, part I, item 7, ~~column B on the FFIEC 041 and~~ column A ~~on the FFIEC 031~~;

(~~4~~6) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, part I, item 8, column B on the FFIEC 041 and column A on the FFIEC 031;

Item No.	Caption and Instructions
13.a.(5) (cont.)	(~~5~~7) Loans to nondepository financial institutions and other loans included in Schedule RC-C, part I, items 9.a and 9.b, column B on the FFIEC 041, and in Schedule RC-C, part I, item 9, column A on the FFIEC 031; and (~~6~~8) On the FFIEC 031 only, loans secured by real estate in foreign offices included in Schedule RC-C, part I, item 1, column A. Also include all lease financing receivables included in Schedule RC-C, part I, item 10, column B on the FFIEC 041, and in Schedule RC-C, part I, items 10.a and 10.b, column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.
13.b	**Other real estate owned.** Report in the appropriate subitem the carrying amount of other real estate owned (included in Schedule RC, item 7) acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

SCHEDULE RC-N – PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS

General Instructions

Report on a fully consolidated basis all loans, leases, debt securities, and other assets that are past due or are in nonaccrual status, regardless of whether such credits are secured or unsecured and regardless of whether such credits are guaranteed or insured by the U.S. Government or by others. For assets that are past due or in nonaccrual status, report the balance sheet amount of the asset in Schedule RC-N, i.e., the amount at which the asset is reported in the applicable asset category on Schedule RC, Balance Sheet (e.g., in item 4.b, "Loans and leases held for investment~~, net of unearned income~~"), not simply the asset's delinquent payments. Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C. All lease, debt security, and other asset amounts must be reported net of unearned income.

~~For report dates through December 31, 2000, the information reported in column A on assets past due 30 through 89 days and still accruing and in all of Memorandum item 1 on restructured loans and leases included in the past due and nonaccrual totals will be treated as confidential on an individual institution basis by the federal bank supervisory agencies. Beginning with the March 31, 2001, report date, all of the information reported in Schedule RC-N for each institution will be publicly available.~~

For purposes of these reports, "GNMA loans" are residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Agriculture Rural Development (RD) program (formerly the Farmers Home Administration (FmHA)), or the Department of Veterans Affairs (VA) or guaranteed by the Secretary of Housing and Urban Development and administered by the Office of Public and Indian Housing (PIH) that back Government National Mortgage Association (GNMA) securities. When an institution services GNMA loans after it has securitized the loans in a transfer accounted for as a sale, 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) requires the institution to bring individual delinquent GNMA loans that it previously accounted for as sold back onto its books as loan assets when, under the GNMA Mortgage-Backed Securities Guide, the loan meets GNMA's specified delinquency criteria and is eligible for repurchase. This rebooking of GNMA loans is required regardless of whether the institution, as seller-servicer, intends to exercise the repurchase (buy-back) option. A seller-servicer must report all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase as past due in Schedule RC-N in accordance with their contractual repayment terms. In addition, if an institution services GNMA loans, but was not the transferor of the loans that were securitized, and purchases individual delinquent loans out of the GNMA securitization, the institution must report the purchased loans as past due in Schedule RC-N in accordance with their contractual repayment terms even though the institution was not required to record the delinquent GNMA loans as assets prior to purchasing the loans. Such delinquent GNMA loans should be reported in items 1.c, 11~~0~~, and 11~~0~~.b of Schedule RC-N.

Definitions

Past Due – The past due status of a loan or other asset should be determined in accordance with its contractual repayment terms. For purposes of this schedule, grace periods allowed by the bank after a loan or other asset technically has become past due but before the imposition of late charges are not to be taken into account in determining past due status. Furthermore, loans, leases, debt securities, and other assets are to be reported as past due when either interest or principal is unpaid in the following circumstances:

(1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the

Definitions (cont.)

(including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

In the following situations, an asset need not be placed in nonaccrual status:

(1) The criteria for accrual of income under the interest method specified in 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"), are met for a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For purchased credit-impaired loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."

(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. To the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

As a general rule, a nonaccrual asset may be restored to accrual status when:

(1) None of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest; or

(2) When it otherwise becomes well secured and in the process of collection.

For purposes of meeting the first test for restoration to accrual status, the bank must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "nonaccrual status":

(1) The asset has been ~~formally~~ restructured in a troubled debt restructuring and qualifies for accrual status;

(2) The asset is a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified in that Subtopic; or

(3) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met.

Column Instructions (cont.)

have become 30 days or more past due and upon which the bank continues to accrue interest. Exclude from columns A and B all loans, leases, debt securities, and other assets that are in nonaccrual status.

Report in columns A and B of Memorandum item 6 the fair value, if positive, of all interest rate, foreign exchange rate, equity, and commodity and other derivative contracts on which a required payment by the bank's counterparty is due and unpaid for 30 through 89 days and due and unpaid for 90 days or more, respectively.

Report in column C the balance sheet amounts of loans, leases, debt securities, and other assets that are in nonaccrual status. Include all restructured loans, leases, debt securities, and other assets that are in nonaccrual status. However, restructured loans, leases, debt securities, and other assets with a zero percent effective interest rate are not to be reported in this column as nonaccrual assets.

Item Instructions

The loan and lease category definitions used in Schedule RC-N correspond with the loan and lease category definitions found in Schedule RC-C, part I. Consistent with Schedule RC-C, part I, the category-by-category breakdown of loans and leases in Schedule RC-N includes (1) loans and leases held for sale and (2) loans and leases held for investment, i.e., loans and leases that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff.

Item No. Caption and Instructions

1 **Loans secured by real estate**. Report in the appropriate subitem and column all loans secured by real estate included in Schedule RC-C, part I, item 1, that are past due 30 days or more or are in nonaccrual status as of the report date.

1.a **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column the amount of all construction, land development, and other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a, column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

1.a.(1) **1-4 family residential construction loans.** Report in the appropriate column the amount of all 1-4 family residential construction loans (in domestic offices) included in Schedule RC-C, part I, item 1.a.(1), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

1.a.(2) **Other construction loans and all land development and other land loans.** Report in the appropriate column the amount of all other construction loans and all land development and other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a.(2), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

1.b **Secured by farmland (in domestic offices).** Report in the appropriate column the amount of all loans secured by farmland (in domestic offices) included in Schedule RC-C, part I, item 1.b, column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

1.c **Secured by 1-4 family residential properties (in domestic offices).** Report in the appropriate subitem and column the amount of all loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c, column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

Item No. **Caption and Instructions**

5.c **Other.** Report in the appropriate column the amount of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, items 6.b and 6.d, that are past due 30 days or more or are in nonaccrual status as of the report date.

NOTE: Item 6 is not applicable to banks filing the FFIEC 041 report form.

6 **Loans to foreign governments and official institutions.** Report in the appropriate column the amount of all loans to foreign governments and official institutions included in Schedule RC-C, part I, item 7, that are past due 30 days or more or are in nonaccrual status as of the report date.

7 **All other loans.** Report in the appropriate column the amount of all:

- obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, part I, item 8;
- loans to nondepository financial institutions and other loans included in Schedule RC-C, part I, item 9; and
- on the FFIEC 041 only, all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3,

that are past due 30 days or more or are in nonaccrual status as of the report date.

8 **Lease financing receivables (net of unearned income).** Report on the FFIEC 041 in the appropriate column and on the FFIEC 031 in the appropriate subitem and column the amount of all lease financing receivables (net of unearned income) included in Schedule RC-C, part I, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.

NOTE: Items 8.a and 8.b are not applicable to banks filing the FFIEC 041 report form.

8.a **Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases (net of unearned income) to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.

8.b **All other leases.** Report in the appropriate column the amount of all other leases (net of unearned income) included in Schedule RC-C, part I, item 10.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.

9 **Total loans and leases.** For columns A through C, report the sum of items 1.a.(1) through 8.b on the FFIEC 031, and the sum of items 1.a.(1) through item 8 on the FFIEC 041.

~~9~~10 **Debt securities and other assets.** Report in the appropriate column all assets other than loans and leases reportable in Schedule RC-C that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Also include operating lease payments receivable that have been recorded as assets in Schedule RC, item 11, when the operating lease is past due 30 days or more or in nonaccrual status.

Exclude other real estate owned reportable in Schedule RC, item 7, and other repossessed assets reportable in Schedule RC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.

Item No. **Caption and Instructions**

11~~0~~ **Loans and leases reported in items 1 through 8 above that are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-sharing agreements with the FDIC.** Report in the appropriate column the aggregate amount of all loans and leases reported in Schedule RC-N, items 1 through 8, above for which repayment of principal is wholly or partially guaranteed or insured by the U.S. Government, including its agencies and its government-sponsored agencies, but excluding loans and leases covered by loss-sharing agreements with the FDIC, which are reported in Schedule RC-N, item 1~~1~~2, below. Examples include loans guaranteed by the Small Business Administration and the Federal Housing Administration. Amounts need not be reported in this item and in items 11~~0~~.a and 11~~0~~.b below if they are considered immaterial.

Exclude from this item loans and leases guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

11~~0~~.a **Guaranteed portion of loans and leases included in item 11~~0~~ above, excluding rebooked "GNMA loans."** Report in the appropriate column the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee or insurance provisions applicable to the loans and leases included in Schedule RC-N, item 11~~0~~, above.

Seller-servicers of GNMA loans should exclude all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase from this item (report such rebooked GNMA loans in item 11~~0~~.b below). Servicers of GNMA loans should exclude individual delinquent loans (for which they were not the transferor) that they have purchased out of GNMA securitizations from this item (report such purchased GNMA loans in item 11~~0~~.b below).

11~~0~~.b **Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 11~~0~~ above.** Report in the appropriate column the amount included in Schedule RC-N, item 11~~0~~, of:

(1) Delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase by seller-servicers of GNMA loans; and

(2) Delinquent loans that have been purchased out of GNMA securitizations by servicers of GNMA loans that were not the transferors of the loans.

12~~1~~ **Loans and leases reported in items 1 through 8 above that are covered by loss-sharing agreements with the FDIC.** Report in the appropriate subitem and column the aggregate amount of all loans and leases covered by loss-sharing agreements with the FDIC reported in Schedule RC-M, items 13.a.(1)(a)(1) through 13.a.(5), that have been included in Schedule RC-N, items 1 through 8, because they are past due 30 days or more or are in nonaccrual status as of the report date. Amounts need not be reported in Schedule RC-N, items 1~~1~~2.a.(1)(a) through 1~~1~~2.f, below if they are considered immaterial.

12~~1~~.a **Loans secured by real estate (in domestic offices):**

12~~1~~.a.(1) **Construction, land development, and other land loans:**

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12~~1~~.a.(1)(a) **1-4 family residential construction loans.** Report in the appropriate column the amount of all covered 1-4 family residential construction loans reported in Schedule RC-M, item 13.a.(1)(a)(1), that are included in Schedule RC-N, item 1.a.(1), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(1)(b) **Other construction loans and all land development and other land loans.** Report in the appropriate column the amount of all other covered construction loans and all covered land development and other land loans reported in Schedule RC-M, item 13.a.(1)(a)(2), that are included in Schedule RC-N, item 1.a.(2), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(2) **Secured by farmland.** Report in the appropriate column the amount of all covered loans secured by farmland reported in Schedule RC-M, item 13.a.(1)(b), that are included in Schedule RC-N, item 1.b, above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(3) **Secured by 1-4 family residential properties:**

12~~1~~.a.(3)(a) **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report in the appropriate column the amount of all covered revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit loans held for sale and held for investment reported in Schedule RC-M, item 13.a.(1)(c)(1), that are included in Schedule RC-N, item 1.c.(1), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(3)(b) **Closed-end loans secured by 1-4 family residential properties:**

12~~1~~.a.(3)(b)(1) **Secured by first liens.** Report in the appropriate column the amount of all covered closed-end loans secured by first liens on 1-4 family residential properties reported in Schedule RC-M, item 13.a.(1)(c)(2)(a), that are included in Schedule RC-N, item 1.c.(2)(a), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(3)(b)(2) **Secured by junior liens.** Report in the appropriate column the amount of all covered closed-end loans secured by junior liens on 1-4 family residential properties reported in Schedule RC-M, item 13.a.(1)(c)(2)(b), that are included in Schedule RC-N, item 1.c.(2)(b), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(4) **Secured by multifamily (5 or more) residential properties.** Report in the appropriate column the amount of all covered loans secured by multifamily (5 or more) residential properties reported in Schedule RC-M, item 13.a.(1)(d), that are included in Schedule RC-N, item 1.d, above because they are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.a.(5) **Secured by nonfarm nonresidential properties:**

12~~1~~.a.(5)(a) **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column the amount of all covered loans secured by owner-occupied nonfarm nonresidential properties reported in Schedule RC-M, item 13.a.(1)(e)(1), that are included in Schedule RC-N, item 1.e.(1), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

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12~~1~~.a.(5)(b) **Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column the amount of all covered loans secured by other nonfarm nonresidential properties reported in Schedule RC-M, item 13.a.(1)(e)(2), that are included in Schedule RC-N, item 1.e.(2), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

~~NOTE: Item 11.b is not applicable to banks filing the FFIEC 041 report form.~~

~~**11.b** **Loans to finance agricultural production and other loans to farmers.** Report in the appropriate column the amount of all covered loans to finance agricultural production and other loans to farmers reported in Schedule RC-M, item 13.a.(2), that are included in Schedule RC-N, item 3, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**11.c** **Commercial and industrial loans.** Report in the appropriate column the amount of all covered commercial and industrial loans reported in Schedule RC-M, item 13.a.(3), that are included in Schedule RC-N, item 4, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**11.d** **Loans to individuals for household, family, and other personal expenditures:**~~

~~**11.d.(1)** **Credit cards.** Report in the appropriate column the amount of all covered extensions of credit arising from credit cards reported in Schedule RC-M, item 13.a.(4)(a), that are included in Schedule RC-N, item 6.a, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**11.d.(2)** **Automobile loans.** Report in the appropriate column the amount of all covered automobile loans reported in Schedule RC-M, item 13.a.(4)(b), that are included in Schedule RC-N, item 6.c, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**11.d.(3)** **Other.** Report in the appropriate column the amount of all covered extensions of credit arising from other revolving credit plans and all other covered consumer loans reported in Schedule RC-M, item 13.a.(4)(c), that are included in Schedule RC-N, items 6.b and 6.d, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

12.b through
12.d Not applicable.

12~~1~~.e **All other loans and all leases.** Report in the appropriate column the amount of covered loans and leases reported in Schedule RC-M, item 13.a.(5), "All other loans and all leases," that are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item covered loans in the following categories that are past due 30 days or more or are in nonaccrual status as of the report date:

(1) Loans to depository institutions and acceptances of other banks included in Schedule RC-N, item 2;
(2) ~~On the FFIEC 041, l~~Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, item 7, on the FFIEC 041, and in Schedule RC-N, item 3, on the FFIEC 031;
(3) Commercial and industrial loans included in Schedule RC-N, item 4, on the FFIEC 041, and in Schedule RC-N, items 4.a and 4.b, on the FFIEC 031;

(4) Loans to individuals for household, family, and other personal expenditures included in Schedule RC-N, items 5.a, 5.b, and 5.c;

(5) On the FFIEC 031, l~~L~~oans to foreign governments and official institutions included in Schedule RC-N, item 6;

(~~4~~6) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-N, item 7;

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12~~1~~.e (cont.)

(~~5~~7) Loans to nondepository financial institutions and other loans included in Schedule RC-N, item 7; and

(~~6~~8) On the FFIEC 031, loans secured by real estate in foreign offices included in Schedule RC-N, item 1.f.

Also include in the appropriate column all covered lease financing receivables included in Schedule RC-N, item 8, above that are past due 30 days or more or are in nonaccrual status as of the report date.

12~~1~~.f **Portion of covered loans and leases included in items 12~~1~~.a through 12~~1~~.e above that is protected by FDIC loss-sharing agreements.** Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule RC-N, items 1~~1~~2.a.(1)(a) through 12~~1~~.e, above beyond the amount that has already been reflected in the measurement of the reporting bank's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule RC-N, items 12~~1~~.a.(1)(a) through 12~~1~~.e, multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting bank reports the covered asset on Schedule RC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting bank's loss-sharing indemnification asset, which is reported in Schedule RC-F, item 6, "All other assets."

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Item No. Caption and Instructions

1.e **Commercial and industrial loans.** Report all commercial and industrial loans included in item 4 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. On the FFIEC 041, all banks should report the total of these restructured loans in Memorandum item 1.e, and banks with $300 million or more in total assets should also report in Memorandum items 1.e.(1) and (2) a breakdown of these restructured loans between those loans to U.S. and non-U.S. addressees. On the FFIEC 031, all banks should report a breakdown of these restructured loans between those to U.S. and non-U.S. addressees for the fully consolidated bank in Memorandum items 1.e.(1) and (2).

NOTE: Memorandum items 1.e.(1) and 1.e.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

1.e.(1) **To U.S. addressees (domicile).** On the FFIEC 041, report in the appropriate column all commercial and industrial loans to U.S. addressees included in Memorandum item 1.e of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. On the FFIEC 031, report in the appropriate column all commercial and industrial loans to U.S. addressees included in item 4.a of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

1.e.(2) **To non-U.S. addressees (domicile).** On the FFIEC 041, report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in Memorandum item 3.c of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. On the FFIEC 031, report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in item 4.b of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

1.f **All other loans.** Report in the appropriate column all other loans that cannot properly be reported in Schedule RC-N, Memorandum items 1.a through 1.e, above that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item all loans in the following categories that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date:

(1) Loans secured by farmland (in domestic offices) included in Schedule RC-N, item 1.b;
(2) Loans to depository institutions and acceptances of other banks included in Schedule RC-N, item 2;
(3) Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, item 7 on the FFIEC 041 and item 3 on the FFIEC 31;
(4) Consumer credit cards included in Schedule RC-N, item 5.a;
(5) Consumer automobile loans included in Schedule RC-N, item 5.b;
(6) Other consumer loans included in Schedule RC-N, items 5.c;
(7) On the FFIEC 031, l~~L~~oans to foreign governments and official institutions included in Schedule RC-N, item 6;

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1.f (cont.)

(8) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-N, item 7;

(9) Loans to nondepository financial institutions and other loans included in Schedule RC-N, item 7; and

(10) On the FFIEC 031, loans secured by real estate in foreign offices included in Schedule RC-N, item 1.f.

For loans in the following loan categories within "All other loans" that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date, report the amount of such restructured loans in the appropriate subitem of Schedule RC-N, Memorandum item 1.f, if the dollar amount of such restructured loans in that loan category exceeds 10 percent of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.f, on the FFIEC 031; 10 percent of the sum of Schedule RC-N, Memorandum items 1.a through 1.e plus Memorandum item 1.f, on the FFIEC 041):

- Memorandum item 1.f.(1), "Loans secured by farmland (in domestic offices)";
- Memorandum item 1.f.(3) on the FFIEC 031, "Loans to finance agricultural production and other loans to farmers";
- Memorandum item 1.f.(4)(a), Consumer "Credit cards";
- Memorandum item 1.f.(4)(b), Consumer "Automobile loans";
- Memorandum item 1.f.(4)(c), "Other" consumer loans; and
- Memorandum item 1.f.(5) on the FFIEC 041, "Loans to finance agricultural production and other loans to farmers," for banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, part I, item 3) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

1.g **Total loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, above.** On the FFIEC 031, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.f. Exclude amounts reported in Memorandum items 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

On the FFIEC 041, for columns A through C, report the sum of Memorandum items 1.a.(1) through 1.e plus 1.f. Exclude amounts reported in Memorandum items 1.e.(1), 1.e.(2), and 1.f.(1) through 1.f.(5) when calculating the total in this Memorandum item 1.g.

2 **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 4 and 7, above.** Report in the appropriate column the amount of loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** included in Schedule RC-C, part I, Memorandum item 3, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule RC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RC-N above.

NOTE: Memorandum item 3 is not applicable to banks filing the FFIEC 041 report form.

3 **Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees that are 30 days or more past due or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, items 1.a through 1.f, above.

NOTE: Memorandum items 3.a through 3.d are not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum items 3.a through 3.d are not applicable to banks that have less than $300 million in total assets.

3.a **Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees that are 30 days or more past due or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, items 1.a through 1.e, above.

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3.b **Loans to and acceptances of foreign banks.** Report in the appropriate column the amount of all loans to and acceptances of U.S. branches and agencies of foreign banks included in Schedule RC-C, part I, items 2.a~~.(1) and 2.c.(2)~~, column A, and all loans to and acceptances of other banks in foreign countries included in Schedule RC-C, part I, item 2.c, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and acceptances will have been included in Schedule RC-N, item 2, above.

3.c **Commercial and industrial loans to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all commercial and industrial loans to non-U.S. addressees included in Schedule RC-C, part I, item 4.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 4, above.

3.d **Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases to individuals for household, family, and other personal expenditures (net of unearned income) included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such leases will have been included in Schedule RC-N, item 8, above.

NOTE: Memorandum item 4 is not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum item 4 is to be completed by:

- banks with $300 million or more in total assets, and
- banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers, as defined for Schedule RC-C, part I, item 3, column B, exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

4 **Loans to finance agricultural production and other loans to farmers**. Report in the appropriate column the amount of all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 7, above.

5 **Loans and leases held for sale and loans measured at fair value.** Report in the appropriate subitem and column the amount of all loans and leases held for sale, whether measured at the lower of cost or fair value or at fair value under a fair value option, and all loans held for investment measured at fair value under a fair value option that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan and lease categories in items 1 through 8 of Schedule RC-N above and would, therefore, exclude any loans classified as trading assets and included in Schedule RC, item 5.

5.a **Loans and leases held for sale.** Report in the appropriate column the carrying amount of all loans and leases classified as held for sale included in Schedule RC, item 4.a, which are reported at the lower of cost or fair value or at fair value under a fair value option, that are past due 30 days or more or are in nonaccrual status as of the report date.

5.b **Loans measured at fair value.** Report in the appropriate subitem and column the total fair value and unpaid principal balance of all loans held for investment that are measured at fair value under a fair value option included in Schedule RC, item 4.b, that are past due 30 days or more or are in nonaccrual status as of the report date.

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5.b.(1) **Fair value.** Report in the appropriate column the total fair value of all loans held for investment that are measured at fair value under a fair value option included in Schedule RC, item 4.b, that are past due 30 days or more or are in nonaccrual status as of the report date.

5.b.(2) **Unpaid principal balance.** Report in the appropriate column the total unpaid principal balance of all loans held for investment that are measured at fair value under a fair value option included in Schedule RC, item 4.b, that are past due 30 days or more or are in nonaccrual status as of the report date.

NOTE: ~~On the FFIEC 041,~~ Memorandum item 6 is not applicable to banks filing the FFIEC 041 report form~~that have less than $300 million in total assets~~.

6 **Derivative contracts: Fair value of amounts carried as assets.** Report in the appropriate column the fair value of all credit derivative contracts (as defined for Schedule RC-L, item 7) and all interest rate, foreign exchange rate, equity, and commodity and other derivative contracts (as defined for Schedule RC-L, item 12) on which a required payment by the bank's counterparty is past due 30 days or more as of the report date.

7 **Additions to nonaccrual assets during the quarter.** Report the aggregate amount of all loans, leases, debt securities, and other assets (net of unearned income) that have been placed in nonaccrual status during the calendar quarter ending on the report date. Include those assets placed in nonaccrual status during the quarter that are included as of the quarter-end report date in Schedule RC-N, column C, items 1 through ~~9~~8 and 10. Also include those assets placed in nonaccrual status during the quarter that, before the current quarter-end, have been sold, paid off, charged-off, settled through foreclosure or concession of collateral (or any other disposition of the nonaccrual asset) or have been returned to accrual status. In other words, the aggregate amount of assets placed in nonaccrual status since the prior quarter-end that should be reported in this item should not be reduced, for example, by any charge-offs or sales of such nonaccrual assets. If a given asset is placed in nonaccrual status more than once during the quarter, report the amount of the asset only once.

8 **Nonaccrual assets sold during the quarter.** Report the total of the outstanding balances of all loans, leases, debt securities, and other assets held in nonaccrual status (i.e., reportable in Schedule RC-N, column C, items 1 through ~~9~~8 and 10) that were sold during the calendar quarter ending on the report date. The amount to be included in this item is the outstanding balance (net of unearned income) of each nonaccrual asset at the time of its sale. Do not report the sales price of the nonaccrual assets and do not include any gains or losses from the sale. For purposes of this item, only include those transfers of nonaccrual assets that meet the criteria for a sale as set forth in 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). For further information, see the Glossary entry for "transfers of financial assets."

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Item No. **Caption and Instruction**

2 (cont.) information systems to provide an estimate of its uninsured deposits will differ from bank to bank at any point in time and, within an individual institution, may improve over time.

(1) If the bank has brokered deposits, which must be reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits," it must use the information it has developed for completing Schedule RC-E, Memorandum item 1.c, "Brokered deposits of $250,000 or less (~~F~~fully insured brokered deposits)," to determine its best estimate of the uninsured portion of its brokered deposits.

(2) If the bank has deposit accounts whose ownership is based on a fiduciary relationship, Part 330 of the FDIC's regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a "pass-through" basis. Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian.

A bank with fiduciary deposit accounts with balances of more than $250,000 must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries and data indicating that some or all of the funds on deposit represent retirement deposit accounts eligible for $250,000 in deposit insurance coverage, to determine its best estimate of the uninsured portion of these accounts.

(3) If the bank has deposit accounts of employee benefit plans, Part 330 of the FDIC's regulations states that these accounts are insured on a "pass-through" basis for the non-contingent interest of each plan participant provided that certain prescribed recordkeeping requirements are met. A bank with employee benefit plan deposit accounts with balances of more than $250,000 must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.

(4) If the bank's deposit accounts include benefit-responsive "Depository Institution Investment Contracts," which must be included in Schedule RC-O, item 2, these deposit liabilities are not eligible for federal deposit insurance pursuant to Section 11(a)(8) of the Federal Deposit Insurance Act. A bank with benefit-responsive "Depository Institution Investment Contracts" must include the entire amount of these contracts in the estimated amount of uninsured deposits it reports in this Memorandum item 2.

(5) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit that it has collateralized by pledging assets, such as deposits of the U.S. Government and of states and political subdivisions in the U.S. (which must be reported in Schedule RC-E, items 2 and 3, and, on the FFIEC 031 report form, in Schedule RC-E, part II, item 5, if applicable), the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems.

(6) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit for which it has acquired private deposit insurance to cover this excess amount, the bank should make a reasonable estimate of the portion of these deposits that is not insured by the FDIC using the data available from its information systems.

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Item No. **Caption and Instructions**

10 **Commitments to fund construction, land development, and other land loans secured by real estate (for the consolidated bank).** For purposes of Memorandum items 10.a and 10.b, construction, land development, and other land loans are defined in the instructions for Schedule RC-C, part I, item 1.a, "Construction, land development, and other land loans." Commitments are defined in the instructions for Schedule RC-L, item 1, "Unused commitments."

~~On the FFIEC 031 report form, the reporting of foreign office data in Schedule RC-O, Memorandum items 10.a and 10.b, is optional for June 30, 2013, and required beginning September 30, 2013; however, domestic office data must be reported in these Memorandum items when reporting as of June 30, 2013. An institution that opts not to include foreign office data in Schedule RC-O, Memorandum items 10.a and 10.b, when it initially files its report for June 30, 2013, is permitted, but not required, to amend the amounts originally reported in these Memorandum items for June 30, 2013, after it has the systems in place to gather the necessary foreign office data.~~

10.a **Total unfunded commitments.** Report on a fully consolidated basis the unused portion of commitments to extend credit to fund construction, land development, and other land loans (in domestic and foreign offices) that, when funded, would be reportable as loans secured by real estate in Schedule RC-C, part I, item 1.a. The amount reported in this item should also have been included in the amounts reported in Schedule RC-L, items 1.c.(1)(a) and (b).

10.b **Portion of unfunded commitments guaranteed or insured by the U.S. government.** Report on a fully consolidated basis the maximum amount of the unused portion of the construction, land development, and other land loan commitments (in domestic and foreign offices) reported in Schedule RC-O, Memorandum item 10.a, above that is recoverable from the U.S. government under guarantee or insurance provisions, including the maximum amount recoverable under FDIC loss-sharing agreements.

Exclude amounts recoverable from state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations.

11 **Amount of other real estate owned recoverable from the U.S. government under guarantee or insurance provisions (excluding FDIC loss-sharing agreements).** Report on a fully consolidated basis the amount of other real estate owned (as defined in Schedule RC-M, item 3) that is recoverable from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, excluding any other real estate owned that is covered under FDIC loss-sharing agreements.

Exclude other real estate owned that is protected under guarantee or insurance provisions by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations.

12 **Nonbrokered time deposits of more than $250,000 (in domestic offices).** Report on a fully consolidated basis the amount of time deposits of more than $250,000 (in domestic offices) included in Schedule RC-E, (part I), Memorandum item 2.d, that are not brokered deposits. See the Glossary entry for "brokered deposits" for the definition of this term.

<u>Memoranda</u>

<u>Item No.</u> **<u>Caption and Instructions</u>**

NOTE: Memorandum item 13.a is to be completed by "large institutions" and "highly complex institutions." Memorandum items 13.b through 13.h are to be completed by "large institutions" only.

13 **<u>Portion of funded loans and securities (in domestic and foreign offices) guaranteed or insured by the U.S. government (including FDIC loss-sharing agreements).</u>** Report in the appropriate subitem on a fully consolidated basis the portion of the balance sheet amount of funded loans and securities (in domestic and foreign offices) that is guaranteed or insured by the U.S. government, including the maximum amount recoverable under FDIC~~-~~ loss-sharing agreements.

Exclude loans guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations as well as loans collateralized by securities issued by the U.S. government.

~~On the FFIEC 031 report form, the reporting of foreign office data in Schedule RC-O, Memorandum items 13.a through 13.d, is optional for June 30, 2013, and required beginning September 30, 2013; however, domestic office data must be reported in these Memorandum items when reporting as of June 30, 2013. An institution that opts not to include foreign office data in Schedule RC-O, Memorandum items 13.a through 13.d, when it initially files its report for June 30, 2013, is permitted, but not required, to amend the amounts originally reported in these Memorandum items for June 30, 2013, after it has the systems in place to gather the necessary foreign office data.~~

13.a **<u>Construction, land development, and other land loans secured by real estate.</u>** Report on a fully consolidated basis the portion of the balance sheet amount of construction, land development, and other land loans (in domestic and foreign offices) (as defined for Schedule RC-C, part I, item 1.a) that is guaranteed or insured by the U.S. government, including the maximum amount recoverable under FDIC loss-sharing agreements.

13.b **<u>Loans secured by multifamily residential and nonfarm nonresidential properties.</u>** Report on a fully consolidated basis the portion of the balance sheet amount of loans secured by multifamily (5 or more) residential properties and loans secured by nonfarm nonresidential properties (in domestic and foreign offices) (as defined for Schedule RC-C, part I, items 1.d and 1.e., respectively) that is guaranteed or insured by the U.S. government, including the maximum amount recoverable under FDIC loss-sharing agreements.

13.c **<u>Closed-end loans secured by first liens on 1-4 family residential properties.</u>** Report on a fully consolidated basis the portion of the balance sheet amount of closed-end loans secured by first liens on 1-4 family residential properties (in domestic and foreign offices) (as defined for Schedule RC-C, part I, item 1.c.(2)(a)) that is guaranteed or insured by the U.S. government, including the maximum amount recoverable under FDIC loss-sharing agreements.

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18.b (cont.) product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.b, column N, should be less than or equal to:

- The amount reported in Schedule RC-C, part I, item 1.c.(2)(a), column A, less the amount reported in Schedule RC-O, Memorandum item 13.c, on the FFIEC 031;
- The amount reported in Schedule RC-C, part I, item 1.c.(2)(a), column B, less the amount reported in Schedule RC-~~C~~O, Memorandum item 13.c, on the FFIEC 041.

18.c **Closed-end loans secured by junior liens on 1-4 family residential properties.** For 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) (but excluding junior liens reported as "nontraditional 1-4 family residential mortgage loans" in Memorandum item 18.a, above), report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.c, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 1.c.(2)(b), column A, on the FFIEC 031; Schedule RC-C, part I, item 1.c.(2)(b), column B, on the FFIEC 041.

18.d **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** For revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit, as defined for Schedule RC-C, part I, item 1.c.(1), report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.d, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 1.c.(1), column A, on the FFIEC 031; Schedule RC-C, part I, item 1.c.(1), column B, on the FFIEC 041.

18.e **Credit cards.** For credit cards to individuals for household, family, and other personal expenditures, as defined for Schedule RC-C, part I, item 6.a, report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.e, column N, should be less than or equal to

- The amount reported in Schedule RC-C, part I, item 6.a, column A, less the amount reported in Schedule RC-O, Memorandum item 13.f, on the FFIEC 031;
- The amount reported in Schedule RC-C, part I, item 6.a, column B, less the amount reported in Schedule RC-O, Memorandum item 13.f, on the FFIEC 041.

18.f **Automobile loans.** For automobile loans to individuals for household, family, and other personal expenditures, as defined for Schedule RC-C, part I, item 6.c, report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.f, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 6.c, column A on the FFIEC 031; Schedule RC-C, part I, item 6.c, column B, on the FFIEC 041.

SCHEDULE RC-Q – ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

General Instructions

Schedule RC-Q is to be completed by institutions that:

(1) Had total assets of $500 million or more as of the beginning of their fiscal year; or
(2) Had total assets of less than $500 million as of the beginning of their fiscal year and either:
   (a) Have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings, or
   (b) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

Institutions should report in Schedule RC-Q all assets and liabilities that are measured at fair value in the financial statements on a recurring basis. Exclude from Schedule RC-Q those assets and liabilities that are measured at fair value on a nonrecurring basis. Recurring fair value measurements of assets or liabilities are those fair value measurements that applicable accounting standards and these instructions require or permit in the balance sheet at the end of each reporting period. In contrast, nonrecurring fair value measurements of assets or liabilities are those fair value measurements that applicable accounting standards and these instructions require or permit in the balance sheet in particular circumstances (for example, when an institution subsequently measures foreclosed real estate at the lower of cost or fair value less estimated costs to sell).

Column Instructions

Column A, Total Fair Value Reported on Schedule RC

Report in Column A the total fair value, as defined by ASC Topic 820, Fair Value Measurement~~s and Disclosures~~ (formerly FASB Statement No. 157, “Fair Value Measurements”), of those assets and liabilities reported on Schedule RC, Balance Sheet, that the bank reports at fair value on a recurring basis.

Columns B through E, Fair Value Measurements and Netting Adjustments

For items reported in Column A, report in Columns C, D, and E the fair value amounts which fall in their entirety in Levels 1, 2, and 3, respectively. The level in the fair value hierarchy within which a fair value measurement in its entirety falls should be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, for example, if the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column D or Column E based on the lowest level measurement input with the most significance to the fair value of the asset or liability in its entirety as described in ASC Topic 820. For assets and liabilities that the bank has netted under legally enforceable master netting agreements in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts,” and FASB Interpretation No. 41, “Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements”), report the gross amounts in Columns C, D, and E and the related netting adjustment in Column B. For more information on Level 1, 2, and 3 measurement inputs, see the Glossary entry for “fair value.”

ASC Topic 820 permits an institution, as a practical expedient, to measure the fair value of investments in investment companies and real estate funds that meet criteria specified in this topic using the investment’s net asset value (NAV) per share (or its equivalent). When an institution has elected to measure the fair value of such an investment using the NAV per share practical expedient and the fair value is measured on a recurring basis, the institution should report the investment’s fair value in column A of the appropriate asset item of Schedule RC-Q. However, the institution should exclude the investment from the Level 1, 2, and 3 disclosures in columns C, D, and E of Schedule RC-Q.[1] Instead, the institution should report the fair value measured using the NAV per share practical expedient in column B along with the netting adjustments reported in column B. In contrast, for an investment measured at fair value on a recurring basis that meets the criteria specified in Topic 820, if the institution does not elect to measure fair value using the NAV per share practical expedient, it should report the investment's fair value in column A of Schedule RC-Q and disclose this fair value in column C, D, or E, as appropriate, based on the lowest level input that is significant to the fair value measurement in its entirety.

[1] Refer to Accounting Standards Update (ASU) No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share (or its equivalent) practical expedient described in ASC Topic 820. Institutions that are public business entities are currently required to apply the ASU for Call Report purposes. Institutions that are private companies must apply the ASU for Call Report purposes for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with earlier application permitted. Until an institution that is a private company has adopted the ASU in accordance with its applicable effective date, the fair value of all investments for which fair value is measured on a recurring basis using the NAV per share practical expedient must be categorized in column C, D, or E of the appropriate asset item of Schedule RC-Q.

Memoranda

Item No. Caption and Instructions

NOTE: Memorandum items 3 and 4 are to be completed by banks that have elected to measure loans included in Schedule RC-C, part I, at fair value under a fair value option.

3 **Loans measured at fair value.** Report in the appropriate subitem the total fair value of all loans measured at fair value under a fair value option and included in Schedule RC-C, regardless of whether the loans are held for sale or held for investment.

3.a **Loans secured by real estate.** On the FFIEC 041, report in the appropriate subitem the total fair value of loans secured by real estate included in Schedule RC-C, part I, item 1, measured at fair value under a fair value option. On the FFIEC 031, report the total fair value of loans secured by real estate included in Schedule RC-C, part I, item 1, measured at fair value under a fair value option for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.

3.a.(1) **Construction, land development, and other land loans.** Report the total fair value of construction, land development, and other land loans (in domestic offices) included in Schedule RC-C, part I, items 1.a.(1) and (2), column B, measured at fair value under a fair value option.

3.a.(2) **Secured by farmland.** Report the total fair value of loans secured by farmland (in domestic offices) included in Schedule RC-C, part I, item 1.b, column B, measured at fair value under a fair value option.

3.a.(3) **Secured by 1-4 family residential properties.** Report in the appropriate subitem the total fair value of all open-end and closed-end loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c, column B, measured at fair value under a fair value option.

3.a.(3)(a) **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report the total fair value of revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) included in Schedule RC-C, part I, item 1.c.(1), column B, measured at fair value under a fair value option.

3.a.(3)(b) **Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem the total fair value of all closed-end loans secured by 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2), column B, measured at fair value under a fair value option.

3.a.(3)(b)(1) **Secured by first liens.** Report the total fair value of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(a), column B, measured at fair value under a fair value option.

3.a.(3)(b)(2) **Secured by junior liens.** Report the total fair value of closed-end loans secured by junior liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(b), column B, measured at fair value under a fair value option.

3.a.(4) **Secured by multifamily (5 or more) residential properties.** Report the total fair value of loans secured by multifamily (5 or more) residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.d, column B, measured at fair value under a fair value option.

Memoranda

Item No. Caption and Instructions

3.a.(5) **Secured by nonfarm nonresidential properties.** Report the total fair value of loans secured by nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, items 1.e.(1) and (2), column B, measured at fair value under a fair value option.

3.b **Commercial and industrial loans.** On the FFIEC 041, report the total fair value of commercial and industrial loans included in Schedule RC-C, part I, item 4, measured at fair value under a fair value option. On the FFIEC 031, report the total fair value of commercial and industrial loans included in Schedule RC-C, part I, items 4.a and 4.b, measured at fair value under a fair value option.

3.c **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem the total fair value of all loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) measured at fair value under a fair value option.

3.c.(1) **Credit cards.** Report the total fair value of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule RC-C, part I, item 6.a, measured at fair value under a fair value option.

3.c.(2) **Other revolving credit plans.** Report the total fair value of all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards included in Schedule RC-C, part I, item 6.b, measured at fair value under a fair value option.

3.c.(3) **Automobile loans.** Report the total fair value of 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 included in Schedule RC-C, part I, item 6.c, measured at fair value under a fair value option.

3.c.(4) **Other consumer loans.** Report the total fair value of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, item 6.d, measured at fair value under a fair value option.

3.d **Other loans.** Report the total fair value of all other loans measured at fair value under a fair value option that cannot properly be reported in one of the preceding subitems of this Memorandum item 3. Such loans include “Loans to depository institutions and acceptances of other banks,” “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 “Other loans” (as defined for Schedule RC-C, part I, items 2, 3, 8, and 9) and, on the FFIEC 031, “Loans to foreign governments and official institutions” (as defined for Schedule RC-C, part I, item 7).

4 **Unpaid principal balance of loans measured at fair value (reported in Memorandum item 3).** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans measured at fair value reported in Schedule RC-Q, Memorandum item 3.

4.a **Loans secured by real estate.** On the FFIEC 041, report in the appropriate subitem the total unpaid principal balance outstanding for all loans secured by real estate reported in Schedule RC-Q, Memorandum items 3.a.(1) through 3.a.(5). On the FFIEC 031, report the total unpaid principal balance outstanding for all loans secured by real estate reported in

Schedule RC-Q, Memorandum item 3.a, for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.

Memoranda

Item No. Caption and Instructions

4.a.(1) **Construction, land development, and other land loans.** Report the total unpaid principal balance outstanding for all construction, land development, and other loans reported in Schedule RC-Q, Memorandum item 3.a.(1).

4.a.(2) **Secured by farmland.** Report the total unpaid principal balance outstanding for all loans secured by farmland reported in Schedule RC-Q, Memorandum item 3.a.(2).

4.a.(3) **Secured by 1-4 family residential properties.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans secured by 1-4 family residential properties reported in Schedule RC-Q, Memorandum item 3.a.(3).

4.a.(3)(a) **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report the total unpaid principal balance outstanding for all revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit reported in Schedule RC-Q, Memorandum item 3.a.(3)(a).

4.a.(3)(b) **Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem the total unpaid principal balance outstanding for all closed-end loans secured by 1-4 family residential properties reported in Schedule RC-Q, Memorandum item 3.a.(3)(b).

4.a.(3)(b)(1) **Secured by first liens.** Report the total unpaid principal balance outstanding for all closed-end loans secured by first liens on 1-4 family residential properties reported in Schedule RC-Q, Memorandum item 3.a.(3)(b)(1).

4.a.(3)(b)(2) **Secured by junior liens.** Report the total unpaid principal balance outstanding for all closed-end loans secured by junior liens on 1-4 family residential properties reported in Schedule RC-Q, Memorandum item 3.a.(3)(b)(2).

4.a.(4) **Secured by multifamily (5 or more) residential properties.** Report the total unpaid principal balance outstanding for all loans secured by multifamily (5 or more) residential properties reported in Schedule RC-Q, Memorandum item 3.a.(4).

4.a.(5) **Secured by nonfarm nonresidential properties.** Report the total unpaid principal balance outstanding for all loans secured by nonfarm nonresidential properties reported in Schedule RC-Q, Memorandum item 3.a.(5).

4.b **Commercial and industrial loans.** Report the total unpaid principal balance outstanding for all commercial and industrial loans reported in Schedule RC-Q, Memorandum item 3.b.

4.c **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans to individuals for household, family, and other personal expenditures reported in Schedule RC-Q, Memorandum item 3.c.

4.c.(1) **Credit cards.** Report the total unpaid principal balance outstanding for all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards reported in Schedule RC-Q, Memorandum item 3.c.(1).

4.c.(2) **Other revolving credit plans.** Report the total unpaid principal balance outstanding for all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards reported in Schedule RC-Q, Memorandum item 3.c.(2).

Memoranda

Item No. Caption and Instructions

4.c.(3) **Automobile loans.** Report the total unpaid principal balance outstanding for 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 reported in Schedule RC-Q, Memorandum item 3.c.(3).

4.c.(4) **Other consumer loans.** Report the total unpaid principal balance outstanding for all other loans to individuals for household, family, and other personal expenditures reported in Schedule RC-Q, Memorandum item 3.c.(4).

4.d **Other loans.** Report the total unpaid principal balance outstanding for all loans reported in Schedule RC-Q, Memorandum item 3.d. Such loans include "Loans to depository institutions and acceptances of other banks," "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 "Other loans" (as defined for Schedule RC-C, part I, items 2, 3, 8, and 9) and, on the FFIEC 031, "Loans to foreign governments and official institutions" (as defined for Schedule RC-C, part I, item 7).

Item Instructions for Schedule RC-R, Part I.

Item No. Caption and Instructions

Common Equity Tier 1 Capital

1 **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24, 25, and 26.c, as follows:

(1) Common stock: Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.

(2) Related surplus: Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.

(3) Treasury stock, unearned ESOP shares, and any other contra-equity components: Report the amount of contra-equity components reported in Schedule RC, item 26.c. Because contra-equity components reduce equity capital, the amount reported in Schedule RC, item 26.c, is a negative amount.

2 **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.

3 **Accumulated other comprehensive income (AOCI).** For institutions that have made the AOCI opt-out election in item 3.a below, report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule RC, item 26.b. For institutions that have not made or cannot make the AOCI opt-out election in item 3.a below, report the amount of AOCI as reported under U.S. GAAP included in Schedule RC, item 26.b, subject to the transition provisions described in section (ii) of the instructions for item 3.a below.

3.a **AOCI opt-out election.**

(i) All institutions, except advanced approaches institutions

An institution that is not an advanced approaches institution may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, items 9.a through 9.e. That is, such an institution may opt out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in item 3.a. There are no transition provisions applicable to reporting Schedule RC-R, item 3, if an institution makes an AOCI opt-out election.

~~An~~Each institution (except an advanced approaches institution) ~~must make~~in existence as of March 31, 2015, made its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, the institution must make its AOCI opt-out election on the institution's first Call Report. After an institution initially makes its AOCI opt-out election, the institution must report its election in each quarterly Call Report thereafter. Each of the institution's depository institution subsidiaries, if any, must elect the same option as the

Part I. (cont.)

Item No. Caption and Instructions

19 **Common equity tier 1 capital.** Report Schedule RC-R, item 12 less item 18. The amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

Additional Tier 1 Capital

20 **Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, and any other capital instrument and related surplus that satisfy all the eligibility criteria for additional tier 1 capital instruments in section 20(c) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital rules (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

21 **Non-qualifying capital instruments subject to phase~~-~~-out from additional tier 1 capital.** Report the amount of non-qualifying capital instruments that may not be included in additional tier 1 capital, as described in item 20, and that is subject to phase~~-~~-out from additional tier 1 capital.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 below~~, starting on January 1, 2014, for the case of advanced approaches depository institutions and on January 1, 2015, for non-advanced depository institutions~~.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 7 may be included in tier 2 capital (in Schedule RC-R, item 28) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:

Table 7 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an ~~advanced approaches~~ institution that has $100 in non-qualifying tier 1 instruments may include up to $~~70~~50 in additional tier 1 capital in 201~~5~~7, and $~~60~~40 in 201~~6~~8. If that same institution has $100 in non-qualifying tier 2 instruments, it may include up to $~~70~~50 in tier 2 capital in 201~~5~~7 and $~~60~~40 in 201~~6~~8.

If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the regulatory capital rules.

Part I. (cont.)

Item No. Caption and Instructions

24 (cont.) changes in own credit risk, and expected credit losses during the transition period described in Table 4 in the instructions for Schedule RC-R, item 8.

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional Tier 1 capital the amount required by the approval order.

25 **Additional tier 1 capital.** Report the greater of Schedule RC-R, item 23 minus item 24, or zero.

Tier 1 Capital

26 **Tier 1 capital.** Report the sum of Schedule RC-R, items 19 and 25.

Tier 2 Capital

27 **Tier 2 capital instruments plus related surplus.** Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule RC, item 23; the portion of subordinated debt and limited-life preferred stock and related surplus included in Schedule RC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital instruments in section 20(d) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., trust preferred stock and cumulative perpetual preferred stock) under the primary federal supervisor's general risk-based capital rules.

28 **Non-qualifying capital instruments subject to phase~~-~~-out from tier 2 capital.** ~~Starting on January 1, 2014, for advanced approaches depository institutions and on January 1, 2015, for all other depository institutions, r~~Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase~~-~~-out.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 in the instructions for Schedule RC-R, item 21.

29 **Total capital minority interest that is not included in tier 1 capital.** Report the amount of total capital minority interest not included in tier 1 capital, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum the results for each consolidated subsidiary and report the aggregate number in this item 29.

Part II. Risk-Weighted Assets

Contents – Part II. Risk-Weighted Assets

Part II. (cont.)

General Instructions for Schedule RC-R, Part II.~~ (cont.)~~

The instructions for Schedule RC-R, Part II, items 1 through 22, provide general directions for the allocation of bank balance sheet assets, credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk-weight categories in columns C through Q (and, for items 1 through 10 only, to the adjustments to the totals in Schedule RC-R, Part II, column A, to be reported in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk-weighted assets, which comprises the denominator of the risk-based capital ratios.

These instructions should provide sufficient guidance for most banks for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Banks should review the regulatory capital rules of their primary federal supervisory authority for the complete description of capital requirements.

Exposure Amount Subject to Risk Weighting

In general, banks need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

(1) For the on-balance sheet component of an exposure,[1] the bank's carrying value of the exposure.

(2) For a security[2] classified as AFS or HTM where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value of the exposure (including net accrued but uncollected interest and fees)[3] less any net unrealized gains on the exposure plus any net unrealized losses on the exposure included in AOCI.

(3) For AFS preferred stock classified as an equity security under GAAP where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value less any net unrealized gains that are reflected in such carrying value, but are excluded from the bank's regulatory capital components.

(4) For the off-balance sheet component of an exposure,[4] the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor in §.33 of the regulatory capital rules.

(5) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 of the regulatory capital rules.

(6) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 of the regulatory capital rules.

[1] Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

[2] Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under generally accepted accounting principles (GAAP).

[3] Where the bank has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule RC, item 11, "Other assets," associated with AFS or (HTM) debt securities that are not securitization exposures should be reported in Schedule RC-R, Part II, item 8, "All other assets."

[4] Not including: (1) an OTC derivative contract, (2) a repo-style transaction or an eligible margin loan for which the bank calculates the exposure amount under §.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure.

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

Reporting Exposures Hedged with Cleared Eligible Credit Derivatives

Institutions are able to obtain full or partial protection for (i.e., “hedge”) on-balance sheet assets or off-balance sheet items using credit derivatives that are cleared through a qualified central counterparty (QCCP) or a central counterparty (CCP) that is not a QCCP. In some cases, a cleared credit derivative used for this purpose meets the definition of an eligible credit derivative in §.2 of the regulatory capital rules. In these cases, under §.36 of the regulatory capital rules, an institution that is a clearing member or a clearing member client may recognize the credit risk mitigation benefits of the eligible credit derivative. More specifically, the risk weight of the underlying exposure (e.g., 20 percent, 50 percent, or 100 percent) may be replaced with the risk weight of the CCP or QCCP as the protection provider if the credit derivative is an eligible credit derivative, is cleared through a CCP or a QCCP, and meets the applicable requirements under §.35 and §.36 of the regulatory capital rules. The risk weight for an eligible credit derivative cleared through a QCCP is 2 percent or 4 percent, based on conditions set forth in the rules. The risk weight for an eligible credit derivative cleared through a CCP is determined according to §.32 of the regulatory capital rules. In addition, the coverage amount provided by an eligible credit derivative must be adjusted downward under certain conditions as described in §.36 of the regulatory capital rules.

If a clearing member bank or clearing member client bank has obtained full or partial protection for an on-balance sheet asset or off-balance sheet item using a cleared eligible credit derivative cleared through a QCCP, the institution may, but is not required to, recognize the benefits of this eligible credit derivative in determining the risk-weighted asset amount for the hedged exposure in Schedule RC-R, Part II, by reporting the protected exposure amounts and credit equivalent amounts in the 2 percent or 4 percent risk-weight category, as appropriate under the regulatory capital rules. Any amount of the exposure that is not covered by the eligible credit derivative should be reported in the risk-weight category corresponding to the risk weight of the underlying exposure. For example, for an asset with a $200 exposure amount fully covered by an eligible credit derivative cleared through a QCCP that qualifies for a 2 percent risk weight, the institution would report the $200 exposure amount in Column D–2% risk weight for the appropriate asset category.

Treatment of FDIC Loss-Sharing Agreements

Loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that acquirers must meet. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Because the structural arrangements for these agreements vary depending on the specific terms of each agreement, institutions should consult with their primary federal regulator to determine the appropriate risk-based capital treatment for specific loss-sharing agreements.

Allocated Transfer Risk Reserve (ATRR)

If the reporting bank is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule RC-R, Part II, item 30. The ATRR is not eligible for inclusion in either tier 1 or tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule RC, item 4.c, "Allowance for loan and lease losses," and separately disclosed in Schedule RI-B, part II, Memorandum item 1. However, if the bank must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule RC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Adjustments to totals reported in Column A," of the corresponding asset category in Schedule RC-R, Part II, items 1 through 4 and 7 through 9. The amount to be risk weighted for this asset in columns C through Q, as appropriate, would be its net carrying value plus the ATRR. For example, a bank has an HTM security issued by a foreign commercial company against which it has established an ATRR of $20. The security, net of the ATRR, is included in Schedule RC, item 2.a, "Held-to-maturity securities," at $80. The security should be included in Schedule RC-R, Part II, item 2.a, column A, at $80. The bank should include $-20 in Schedule RC-R, item 2.a, column B, and $100 in item 2.a, column I.

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
  - 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:*
  - o 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 held for investment~~, net of unearned income~~.** Report in column A of the appropriate subitem the carrying value of loans and leases held for investment (HFI)~~, net of unearned income,~~ reported in Schedule RC, item 4.b, excluding those loans and leases HFI~~, 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 HFI~~, 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 HFI~~, 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~~,~~ HFI ~~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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HF~~S~~I loans should be reported in Schedule RC-R, Part II, item 5.d.

- *In column C–0% risk weight*, include the portion of any HFI 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

[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,~~HFI 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 HFI~~, net of unearned income,~~ included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI~~, 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 HFI~~, net of unearned income,~~ covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of loans HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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
- 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 HFI~~, 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 an HFI 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.
    - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFI loan exposure secured by such collateral. Any remaining portion of the HFI 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI 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 HFI~~, 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 HFI 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 HFI HVCRE exposure that is secured by such collateral. Any remaining portion of the HFI 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, net of unearned income,~~ covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases HFI~~, 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 HFI~~, 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 HFI~~, 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 HFI~~, 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.
  - o Include in column R the carrying value of the portion of a loan or lease HFI~~, 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.
  - 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 or lease HFI~~, net of unearned income,~~ that is secured by such collateral. Any remaining portion of the HFI 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.

Part II. (cont.)

Item No. **Caption and Instructions**

5.d **All other exposures.** Report in column A the carrying value of loans and leases HFI~~, net of unearned income,~~ reported in Schedule RC, item 4.b., that are not reported in items 5.a through 5.c above.

- *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFI SBA "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule RC-C, Part I, net of unearned income. Also include the portion of any loans and leases HFI~~, net of unearned income,~~ not reported in Schedule RC-R, Part II, items 5.a through 5.c 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 HFI~~, net of unearned income,~~ collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*, include the carrying value of HFI loans to and acceptances of other U.S. depository institutions~~, net of unearned income,~~ that are reported in Schedule RC-C, Part I, item 2 (excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value~~, net of unearned income,~~ of the HFI guaranteed portion of SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value~~, net of unearned income,~~ of the portion of HFI 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 HFI~~, net of unearned income,~~ not reported in Schedule RC-R, Part II, items 5.a through 5.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 HFI~~, net of unearned income,~~ covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include the carrying value of loans and leases HFI~~, net of unearned income,~~ 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 HFI~~, net of unearned income,~~ not reported in Schedule RC-R, Part II, items 5.a through 5.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 loans and leases HFI~~, net of unearned income,~~ reported in Schedule RC, item 4.b, that is not included in columns C through H, J, or R (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). This item would include 1-4 family construction loans and leases HFI~~, net of unearned income,~~ reported in Schedule RC-C, Part I, item 1.a.(1) and the portion of loans HFI~~, net of unearned income,~~ secured by multifamily residential property 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 loans HFI~~, net of unearned income,~~ 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 HFI~~, net of unearned income,~~ not reported in Schedule RC-R, Part II, items 5.a through 5.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 loans and leases HFI~~, net of unearned income,~~ including eligible margin loans, 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

Part II. (cont.)

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5.d (cont.)

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.

- o Include in column R the carrying value of the portion of such a loan or lease HFI~~, net of unearned income,~~ 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.
- 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 or lease HFI~~, net of unearned income,~~ that is secured by such collateral. Any remaining portion of the HFI 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.

- All other loans and leases HFI~~, net of unearned income,~~ 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:*
  - o The carrying value of other loans and leases HFI~~, net of unearned income,~~ reported in Schedule RC, item 4.b, that are not reported in Schedule RC-R, Part II, items 5.a through 5.c above.

6 **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses reported in Schedule RC, item 4.c.

7 **Trading assets.** Report in column A the fair value of trading assets reported in Schedule RC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.c, column A. The sum of Schedule RC-R, Part II, items 7 and 9.c, column A, must equal Schedule RC, item 5.

If the bank is subject to the market risk capital rule, include in column B the fair value of all trading assets that are covered positions as defined in Schedule RC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule RC-R, Part II, item 9.c, column A). The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27.

<u>Part II. (cont.)</u>

<u>Item No.</u> **<u>Caption and Instructions</u>**

17 **<u>All other off-balance sheet liabilities.</u>** Report in column A:

- The notional amount of all other off-balance sheet liabilities reported in Schedule RC-L, item 9, that are covered by the regulatory capital rules,
- The face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding,
- The full amount of loans or other assets sold with credit-enhancing representations and warranties[24] that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules,
- The notional amount of written option contracts that act as financial guarantees that do not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, and
- The notional amount of all forward agreements, which are defined as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

However, exclude from column A:

- The amount of credit derivatives classified as trading assets that are subject to the market risk capital rule (report in Schedule RC-R, Part II, items 20 and 21, as appropriate),
- Credit derivatives purchased by the bank that are recognized as guarantees of an asset or off-balance sheet exposure under the regulatory capital rules, i.e., credit derivatives on which the bank is the beneficiary (report the guaranteed asset or exposure in Schedule RC-R, Part II, in the appropriate balance sheet or off-balance sheet category – e.g., item 5, "Loans and leases <u>held for investment</u>~~, net of unearned income~~" – and in the risk-weight category applicable to the derivative counterparty – e.g., column G–20% risk weight – rather than the risk-weight category applicable to the obligor of the guaranteed asset), and
- The notional amount of standby letters of credit issued by another depository institution, a Federal Home Loan Bank, or any other entity on behalf of the reporting bank that are reported in Schedule RC-L, item 9, because these letters of credit are not covered by the regulatory capital rules.

- *In column B*, report 100 percent of the face amount, notional amount, or other amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.

[24] The definition of *credit-enhancing representations and warranties* in §.2 of the regulatory capital rules states that such representations and warranties obligate an institution "to protect another party from losses arising from the credit risk of the underlying exposures" and "include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures." Thus, when loans or other assets are sold "with recourse" and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

SCHEDULE RC-S – SERVICING, SECURITIZATION, AND ASSET SALE ACTIVITIES

General Instructions

Schedule RC-S should be completed on a fully consolidated basis. Schedule RC-S includes information on 1-4 family residential mortgages and other financial assets serviced for others (in Memorandum items 2.a, 2.b, and 2.c). Schedule RC-S also includes information on assets that have been securitized or sold and are not reportable on the balance sheet of the Report of Condition, except for credit-enhancing interest-only strips (which are reported in item 2.a of this schedule), subordinated securities and other enhancements (which are reported in items 2.b, 2.c, and 9 and Memorandum items 3.a.(1) and (2)), and seller's interests (which are reported in items 6.a and 6.b).

Column Instructions

***Column A, 1-4 Family Residential Loans*:** 1-4 family residential loans are permanent closed-end loans secured by first or junior liens on 1-to-4 family residential properties as defined for Schedule RC-C, part I, items 1.c.(2)(a) and 1.c.(2)(b).

Column B, Home Equity Lines: Home equity lines are revolving, open-end lines of credit secured by 1-to-4 family residential properties as defined for Schedule RC-C, part I, item 1.c.(1).

Column C, Credit Card Receivables: Credit card receivables are extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards as defined for Schedule RC-C, part I, item 6.a.

***Column D, Auto Loans*:** Auto loans are loans to individuals for the purpose of purchasing private passenger vehicles, including 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.

Column E, Other Consumer Loans: Other consumer loans are loans to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, items 6.b and 6.d.

Column F, Commercial and Industrial Loans: Commercial and industrial loans are loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule RC-C, part I, item 4.

Column G, All Other Loans, All Leases, and All Other Assets: All other loans are loans that cannot properly be reported in Columns A through F of this schedule as defined for Schedule RC-C, part I, items 1.a, 1.b, 1.d, 1.e, 2, 3, ~~and~~ 7 (on the FFIEC 031 only), 8, and~~through~~ 9. All leases are all lease financing receivables as defined for Schedule RC-C, part I, item 10. All other assets are all assets other than loans and leases, e.g., securities.

For purposes of items 1 through 10 of Schedule RC-S on bank securitization activities and other securitization facilities, information about each separate securitization should be included in only one of the seven columns of this schedule. The appropriate column for a particular securitization should be based on the predominant type of loan, lease, or other asset included in the securitization and this column should be used consistently over time. For example, a securitization may include auto loans to individuals and to business enterprises. If these auto loans are predominantly loans to individuals, all of the requested information about this securitization should be included in Column D, Auto Loans.

Item No.	Caption and Instructions

7.b **90 days or more past due.** Report in the appropriate column the outstanding principal balance of loans underlying the seller's interests reported in Schedule RC-S, item 6.a, above that are 90 or more days past due as of the report date.

8 **Charge-offs and recoveries on loan amounts included in interests reported in item 6.a (calendar year-to-date).** Report in the appropriate subitem the amount of charge-offs and recoveries during the calendar year to date on loans that had been underlying the seller's interests reported in Schedule RC-S, item 6.a, above.

8.a **Charge-offs.** Report in the appropriate column the amount of loans that had been underlying the seller's interests reported in Schedule RC-S, item 6.a, above that have been charged off or otherwise designated as losses by the trustees of the securitizations, or other designated parties, during the calendar year-to-date.

Include in column C the amount of credit card fees and finance charges written off as uncollectible that were attributable to the credit card receivables included in ownership interests reported as securities in item 6.a, column C.

8.b **Recoveries.** Report in the appropriate column the amount of recoveries of previously charged-off loans that had been underlying the seller's interests reported in Schedule RC-S, item 6.a, above during the calendar year-to-date.

Include in column C recoveries of previously charged-off or reversed credit card fees and finance charges that had been capitalized into the credit card receivable balances that had been securitized and sold.

For Securitization Facilities Sponsored By or Otherwise Established By Other Institutions

9 **Maximum amount of credit exposure arising from credit enhancements provided by the reporting bank to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements.** Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under credit enhancements provided by the reporting bank to securitization structures sponsored by or otherwise established by other institutions or entities, i.e., securitizations not reported in Schedule RC-S, item 1, above. Report the unused portion of standby letters of credit, the carrying value of purchased subordinated securities and purchased credit-enhancing interest-only strips, and the maximum contractual amount of credit exposure arising from other on- and off-balance sheet credit enhancements that provide credit support to these securitization structures. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under credit enhancement provisions or the fair value of any liability incurred under such provisions.

Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Exclude the amount of credit exposure arising from loans, leases, and other assets that the reporting bank has sold with recourse or other seller-provided credit enhancements to other institutions or entities, which then securitized the loans, leases, and other assets purchased from the bank (report this exposure in Schedule RC-S, item 12, below). Also exclude the amount of credit exposure arising from credit enhancements provided to asset-backed commercial paper conduits (report this exposure in Schedule RC-S, Memorandum item 3.a, if applicable).

Item No. **Caption and Instructions**

10 **Reporting bank's unused commitments to provide liquidity to other institutions' securitization structures.** Report in the appropriate column the unused portions of commitments provided by the reporting bank that function as liquidity facilities to securitization structures sponsored by or otherwise established by other institutions or entities, i.e., securitizations not reported in Schedule RC-S, item 1, above. Exclude the amount of unused commitments to provide liquidity to asset-backed commercial paper conduits (report this amount in Schedule RC-S, Memorandum item 3.b, if applicable).

Bank Asset Sales

11 **Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank.** Report in the appropriate column the unpaid principal balance as of the report date of loans, leases, and other assets, which the reporting bank has sold with recourse or other seller-provided credit enhancements, but which were not securitized by the reporting bank. Include loans, leases, and other assets that the reporting bank has sold with recourse or other seller-provided credit enhancements to other institutions or entities, whether or not the purchaser has securitized the loans and leases purchased from the bank. Include 1-4 family residential mortgages that the reporting bank has sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) with recourse or other seller-provided credit enhancements.

Exclude small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, which are to be reported in Schedule RC-S, Memorandum item 1, below.

12 **Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11.** Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under recourse arrangements or other seller-provided credit enhancements provided by the reporting bank in connection with its sales of the loans, leases, and other assets reported in Schedule RC-S, item 11, above. Report the unused portion of standby letters of credit, the carrying value of retained interests, and the maximum contractual amount of recourse or other credit exposure arising from other on- and off-balance sheet credit enhancements that the reporting bank has provided. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under the recourse arrangements or credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Memoranda

Item No. Caption and Instructions

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~~depository institution.)

   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.

4 **Outstanding credit card fees and finance charges.** Report the amount outstanding of credit card fees and finance charges that the bank has securitized and sold in connection with its securitization and sale of the credit card receivables reported in Schedule RC-S, item 1, column C.

Item Instructions

Item No. **Caption and Instructions**

1 **Assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of the consolidated VIEs.** Report in the appropriate subitem and column those assets of consolidated VIEs reported in Schedule RC, Balance Sheet, that can be used only to settle obligations of the same consolidated VIEs and any related allowance for loan and lease losses. Exclude assets of consolidated VIEs that cannot be used only to settle obligations of the same consolidated VIEs (report such assets in Schedule RC-V, item 3, below).

1.a **Cash and balances due from depository institutions.** Report in the appropriate column the amount of cash and balances due from depository institutions held by consolidated VIEs included in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and item 1.b, "Interest-bearing balances," that can be used only to settle obligations of the same consolidated VIEs.

1.b **Held-to-maturity securities.** Report in the appropriate column the amount of held-to-maturity securities held by consolidated VIEs included in Schedule RC, item 2.a, "Held-to-maturity securities," that can be used only to settle obligations of the same consolidated VIEs.

1.c. **Available-for-sale securities.** Report in the appropriate column the amount of available-for-sale securities held by consolidated VIEs included in Schedule RC, item 2.b, "Available-for-sale securities," that can be used only to settle obligations of the same consolidated VIEs.

1.d **Securities purchased under agreements to resell.** Report in the appropriate column the amount of securities purchased under agreements to resell held by consolidated VIEs included in Schedule RC, item 3.b, "Securities purchased under agreements to resell," that can be used only to settle obligations of the same consolidated VIEs.

1.e **Loans and leases held for sale.** Report in the appropriate column the amount of loans and leases held for sale by consolidated VIEs included in Schedule RC, item 4.a, "Loans and leases held for sale," that can be used only to settle obligations of the same consolidated VIEs.

1.f. **Loans and leases held for investment~~, net of unearned income~~.** Report in the appropriate column the amount of loans and leases held for investment by consolidated VIEs included in Schedule RC, item 4.b, "Loans and leases held for investment~~, net of unearned income~~," that can be used only to settle obligations of the same consolidated VIEs.

1.g **Less: Allowance for loan and lease losses.** Report in the appropriate column the amount of the allowance for loan and lease losses held by consolidated VIEs included in Schedule RC, item 4.c, "LESS: Allowance for loan and lease losses," that is allocated to these consolidated VIEs' loans and leases held for investment that can be used only to settle obligations of the same consolidated VIEs and are reported in Schedule RC-V, item 1.f, above.

1.h **Trading assets (other than derivatives).** Report in the appropriate column the amount of trading assets (other than derivatives) held by consolidated VIEs included in Schedule RC, item 5, "Trading assets," that can be used only to settle obligations of the same consolidated VIEs.

GLOSSARY

The definitions in this Glossary apply to the Consolidated Reports of Condition and Income and are not necessarily applicable for other regulatory or legal purposes. Similarly, the accounting discussions in this Glossary are those relevant to the preparation of these reports and are not intended to constitute a comprehensive presentation on bank accounting. For purposes of this Glossary, the Financial~~ASB~~ Accounting Standards ~~Codification~~Board (FASB) Accounting Standards Codification is referred to as the "ASC."

Acceptances: See "bankers acceptances."

Accounting Changes: Changes in accounting principles – The accounting principles that banks have adopted for the preparation of their Consolidated Reports of Condition and Income should be changed only if (a) the change is required by a newly issued accounting pronouncement or (b) the bank can justify the use of an allowable alternative accounting principle on the basis that it is preferable when there are two or more generally accepted accounting principles for a type of event or transaction. If a bank changes from the use of one acceptable accounting principle to one that is more preferable at any time during the calendar year, it must report the income or expense item(s) affected by the change for the entire year on the basis of the newly adopted accounting principle regardless of the date when the change is actually made. However, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error as discussed below.

New accounting pronouncements that are adopted by the ~~Financial Accounting Standards Board~~FASB (or such other body officially designated to establish accounting principles) generally include transition guidance on how to initially apply the pronouncement. In general, the pronouncements require (or allow) a bank to use one of the following approaches, collectively referred to as "retrospective application":

- Apply a different accounting principle to one or more previously issued financial statements; or
- Make a cumulative-effect adjustment to retained earnings, assets, and/or liabilities at the beginning of the period as if that principle had always been used.

Because each Consolidated Report of Income covers a single discrete period, only the second approach under retrospective application is permitted in the Consolidated Reports of Condition and Income. Therefore, when an accounting pronouncement requires the application of either of the approaches under retrospective application, banks must report the effect on the amount of retained earnings at the beginning of the year in which the new pronouncement is first adopted for purposes of the Consolidated Reports of Condition and Income (net of applicable income taxes, if any) as a direct adjustment to equity capital in Schedule RI-A, item 2, and describe the adjustment in Schedule RI-E, item 4.

In the Consolidated Reports of Condition and Income in which a change in accounting principle is first reflected, the bank is encouraged to include an explanation of the nature and reason for the change in accounting principle in Schedule RI-E, item 7, "Other explanations," or in the "Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income."

Changes in accounting estimates – Accounting and the preparation of financial statements involve the use of estimates. As more current information becomes known, estimates may be changed. In particular, accruals are derived from estimates based on judgments about the outcome of future events and changes in these estimates are an inherent part of accrual accounting.

Reasonable changes in accounting estimates do not require the restatement of amounts of income and expenses and assets, liabilities, and capital reported in previously submitted Consolidated Reports of Condition and Income. Computation of the cumulative effect of these changes is also not ordinarily necessary. Rather, the effect of such changes is handled on a prospective basis. That is, beginning in the period

Accounting Changes (cont.):

when an accounting estimate is revised, the related item of income or expense for that period is adjusted accordingly. For example, if the bank's estimate of the remaining useful life of certain bank equipment is increased, the remaining undepreciated cost of the equipment would be spread over its revised remaining useful life. Similarly, immaterial accrual adjustments to items of income and expenses, including provisions for loan and lease losses and income taxes, are considered changes in accounting estimates and would be taken into account by adjusting the affected income and expense accounts for the year in which the adjustments were found to be appropriate.

However, large and unusual changes in accounting estimates may be more properly treated as constituting accounting errors, and if so, must be reported accordingly as described below.

Corrections of accounting errors – A bank may become aware of an error in a Consolidated Report of Condition or Consolidated Report of Income after it has been submitted to the appropriate federal bank regulatory agency through either its own or its regulator's discovery of the error. An error in the recognition, measurement, or presentation of an event or transaction included in a report for a prior period may result from:

- A mathematical mistake;
- A mistake in applying accounting principles; or
- The oversight or misuse of facts that existed when the Consolidated Reports of Condition and Income for prior periods were prepared.

According to SEC Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108) (Topic 1.N. in the Codification of Staff Accounting Bulletins), the effects of prior year errors or misstatements ("carryover effects") should be considered when quantifying misstatements identified in current year financial statements. SAB 108 describes two methods for accumulating and quantifying misstatements. These methods are referred to as the "rollover" and "iron curtain" approaches:

- The rollover approach "quantifies a misstatement based on the amount of the error originating in the current year income statement" only and ignores the "carryover effects" of any related prior year misstatements. The primary weakness of the rollover approach is that it fails to consider the effects of correcting the portion of the current year balance sheet misstatement that originated in prior years.

- The iron curtain approach "quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origination." The primary weakness of the iron curtain approach is that it does not consider the correction of prior year misstatements in the current year financial statements to be errors because the prior year misstatements were considered immaterial in the year(s) of origination. Thus, there could be a material misstatement in the current year income statement because the correction of the accumulated immaterial amounts from prior years is not evaluated as an error.

Because of the weaknesses in these two approaches, SAB 108 states that the impact of correcting all misstatements on current year financial statements should be accomplished by quantifying an error under both the rollover and iron curtain approaches and by evaluating the error measured under each approach. When either approach results in a misstatement that is material, after considering all relevant quantitative and qualitative factors, an adjustment to the financial statements would be required. Guidance on the consideration of all relevant factors when assessing the materiality of misstatements is provided in SEC Staff Accounting Bulletin No. 99, *Materiality* (SAB 99) (Topic 1.M. in the Codification of Staff Accounting Bulletins).

Bankers Acceptances (cont.):

The following description covers the treatment in the Consolidated Report of Condition of (1) acceptances that have been executed by the reporting bank, that is, those drafts that have been drawn on and accepted by it; (2) "participations" in acceptances, that is, "participations" in the accepting bank's obligation to put the holder of the acceptance in funds at maturity, or participations in the accepting bank's risk of loss in the event of default by the account party; and (3) acceptances owned by the reporting bank, that is, those acceptances – whether executed by the reporting bank or by others – that the bank has discounted or purchased.

(1) Acceptances executed by the reporting bank – With the exceptions described below, the accepting bank must report on its balance sheet the full amount of the acceptance in both (1) the liability item, "Other liabilities" (Schedule RC, item 20), reflecting the accepting bank's obligation to put the holder of the acceptance in funds at maturity, and (2) the asset item, "Other assets" (Schedule RC, item 11), reflecting the account party's liability to put the accepting bank in funds at or before maturity. The acceptance liability and acceptance asset must also be reported in both Schedule RC-G, item 4, "All other liabilities," and Schedule RC-F, item 6, "All other assets," respectively.

Exceptions to the mandatory reporting by the accepting bank of the full amount of all outstanding drafts accepted by the reporting bank in both "Other liabilities" (Schedule RC, item 20) and "Other assets" (Schedule RC, item 11) on the balance sheet of the Consolidated Report of Condition occur in the following situations:

(a) One exception occurs in situations where the accepting bank acquires – through initial discounting or subsequent purchase – and holds its own acceptance (i.e., a draft that it has itself accepted). In this case, the reporting bank's own acceptances that are held by it should not be reported in the "Other liabilities" and "Other assets" items noted above. The bank's holdings of its own acceptances should be reported in "Loans and leases held for sale" (Schedule RC, item 4.a), "Loans and leases held for investment~~, net of unearned income~~" (Schedule RC, item 4.b), or "Trading assets" (Schedule RC, item 5), as appropriate.

(b) Another exception occurs in situations where the account party anticipates its liability to the reporting bank on an acceptance outstanding by making a payment to the bank that reduces the customer's liability in advance of the maturity of the acceptance. In this case, the reporting bank should decrease "Other assets" (Schedule RC, item 11) by the amount of such prepayment; the prepayment will not affect the bank's "Other liabilities" (Schedule RC, item 20), which would continue to reflect the full amount of the acceptance until the bank has repaid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting bank before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 11 of Schedule RC but should be reflected in the bank's deposit liabilities.

In all situations other than these two exceptions just described, the accepting bank must report the full amount of its acceptances in "Other liabilities" (Schedule RC, item 20) and in "Other assets" (Schedule RC, item 11). There are no other circumstances in which the accepting bank can report as a balance sheet liability anything less than the full amount of the obligation to put the holder of the acceptance in funds at maturity. Moreover, there are no circumstances in which the reporting bank can net its acceptance assets against its acceptance liabilities.

NOTE: The amount of a reporting member (both national and state) bank's acceptances that are subject to statutory limitations on eligible acceptances as set forth in federal statute 12 USC 372 and in Federal Reserve regulation 12 CFR Part 250 may differ from the required reporting of

Bankers Acceptances (cont.):

acceptances on the balance sheet of the Consolidated Report of Condition, as described above. These differences are mainly attributable to ineligible acceptances, to participations in the reporting bank's acceptances conveyed to others, to participations acquired by the reporting bank in other banks' acceptances, and to the effect of the consolidation of subsidiaries in the Report of Condition.

(2) "Participations" in acceptances – The general requirement for the accepting bank to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the accepting bank enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity or in the risk of loss in the event of default on the part of the account party.[1] In any such sharing arrangement or participation agreement -- regardless of its form or its contract provisions, regardless of the terminology (e.g., "funded," "risk," "unconditional," or "contingent") used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer's liability or in the accepting bank's obligation or in the risk of default by the account party, and regardless of the system of debits and credits used by the accepting bank to reflect the participation arrangement -- the existence of the participation or other agreement does not reduce the accepting bank's obligation to honor the full amount of the acceptance at maturity nor change the requirement for the accepting bank to report the full amount of the acceptance in the liability and asset items described above.

The existence of such participations is not to be recorded on the balance sheet (Schedule RC) of the accepting bank that conveys shares in its obligation to put the holder of the acceptance in funds or shares in its risk of loss in the event of default on the part of the account party, and similarly is not to be recorded on the balance sheets (Schedule RC) of the other banks that are party to, or acquire, such participations. However, in such cases of agreements to participate, the nonaccepting bank acquiring the participation will report the participation in Schedule RC-R, Part II, item 17, "All other off-balance sheet liabilities." This same reporting treatment applies to a bank that acquires a participation in an acceptance of another (accepting) bank and subsequently conveys the participation to others and to a bank that acquires such a participation. Moreover, the bank that both acquires and conveys a participation in another bank's acceptance must report the amount of the participation in the "All other off-balance sheet liabilities" item in Schedule RC-R, Part II.

(3) Acceptances owned by the reporting bank – The treatment of acceptances owned or held by the reporting bank (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances are held for trading, for sale, or in portfolio and upon whether the acceptances held have been accepted by the reporting bank or by other banks.

All acceptances held for trading by the reporting bank (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 5, "Trading assets." Banks that must complete Schedule RC-D, Trading Assets and Liabilities, should report other banks' acceptances held for trading in item 6.d, "Other loans," and its own acceptances held for trading according to the account party of the draft, generally in item 6.b, "Commercial and industrial loans," or item 6.d, "Other loans," as appropriate.

The reporting bank's holdings of acceptances other than those held for trading (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 4.a, "Loans and leases held for sale," or in item 4.b, "Loans and leases held for investment~~, net of unearned income~~," as appropriate, and in Schedule RC-C, part I, ~~"~~Loans and Leases~~ financing receivables~~.~~"~~

[1] This discussion does not deal with participations in holdings of bankers acceptances, which are reportable as loans. Such participations are treated like any participations in loans as described in the Glossary entry for "transfers of financial assets."

Bankers Acceptances (cont.):

In Schedule RC-C, part I, the reporting bank's holdings of other banks' acceptances, other than those held for trading, are to be reported in "Loans to depository institutions and acceptances of other banks" (item 2). On the other hand, the bank's holdings of its own acceptances, other than those held for trading, are to be reported in Schedule RC-C, part I, according to the account party of the draft. Thus, holdings of own acceptances for which the account parties are commercial or industrial enterprises are to be reported in Schedule RC-C, part I, in "Commercial and industrial loans" (item 4); holdings of own acceptances for which the account parties are other banks (e.g., in connection with the refinancing of another acceptance or for the financing of dollar exchange) are to be reported in Schedule RC-C, part I, in "Loans to depository institutions and acceptances of other banks" (item 2); and holdings of own acceptances for which the account parties are foreign governments or official institutions (e.g., for the financing of dollar exchange) are to be reported in Schedule RC-C, part I, "Loans to foreign governments and official institutions" (item 7) on the FFIEC 031 and in Schedule RC-C, part I, "Other loans" (item 9.b) on the FFIEC 041.

The difference in treatment between holdings of own acceptances and holdings of other banks' acceptances reflects the fact that, for other banks' acceptances, the holding bank's immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the bank's immediate claim is on the account party named in the accepted draft.

If the account party prepays its acceptance liability on an acceptance of the reporting bank that is held by the reporting bank (in the held-for-sale account, in the loan portfolio, or as trading assets) so as to immediately reduce its indebtedness to the reporting bank, the recording of the holding – in "Commercial and industrial loans," "Loans to depository institutions and acceptances of other banks," or "Trading assets," as appropriate – is reduced by the prepayment.

Bank-Owned Life Insurance: ASC Subtopic 325-30, Investments-Other – Investments in Insurance Contracts (formerly FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*, and Emerging Issues Task Force (EITF) Issue No. 06-5, *Accounting for Purchases of Life Insurance–Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4)* addresses the accounting for bank-owned life insurance. According to ASC Subtopic 325-30, only the amount that could be realized under the insurance contract as of the balance sheet date should be reported as an asset. In general, this amount is the cash surrender value reported to the institution by the insurance carrier less any applicable surrender charges not reflected by the insurance carrier in the reported cash surrender value, i.e., the net cash surrender value. An institution should also consider any additional amounts included in the contractual terms of the policy in determining the amount that could be realized under the insurance contract in accordance with ASC Subtopic 325-30.

Because there is no right of offset, an investment in bank-owned life insurance should be reported as an asset separately from any related deferred compensation liability.

Banks that have entered into split-dollar life insurance arrangements should follow the guidance on the accounting for the deferred compensation and postretirement benefit aspects of such arrangements in ASC Subtopic 715-60, Compensation-Retirement Benefits – Defined Benefit Plans-Other Postretirement (formerly EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," and EITF Issue No. 06-10, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements"). In general, in an endorsement split-dollar arrangement, a bank owns and controls the insurance policy on the employee, whereas in a collateral assignment split-dollar arrangement, the employee owns and controls the insurance policy. According to ASC Subtopic 715-60, a bank should recognize a liability for the postretirement benefit related to a split-dollar life insurance arrangement if, based on the substantive agreement with the employee, the bank has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death

Bank-Owned Life Insurance (cont.):

benefit. This liability should be measured in accordance with either ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions”) (if, in substance, a postretirement benefit plan exists) or ASC Subtopic 710-10, Compensation-General – Overall (formerly Accounting Principles Board Opinion No. 12, “Omnibus Opinion – 1967,” as amended by FASB Statement No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions”) (if the arrangement is, in substance, an individual deferred compensation contract), and reported on the balance sheet in Schedule RC, item 20, “Other liabilities,” and in Schedule RC-G, item 4, "All other liabilities." In addition, for a collateral assignment split-dollar arrangement, ASC Subtopic 715-60 states that an employer such as a bank should recognize and measure an insurance asset based on the nature and substance of the arrangement.

The amount that could be realized under bank-owned life insurance policies as of the report date should be reported on the balance sheet in Schedule RC, item 11, “Other assets,” and in Schedule RC-F, item 5, “Life insurance assets.” The net earnings (losses) on or the net increases (decreases) in the bank’s life insurance assets should be reported in the income statement in Schedule RI, item 5.l, "Other noninterest income." Alternatively, the gross earnings (losses) on or increases (decreases) in these life insurance assets may be reported in Schedule RI, item 5.l, and the life insurance policy expenses may be reported in Schedule RI, Item 7.d, "Other noninterest expense." If the absolute value of the earnings (losses) on or the increases (decreases) in the bank’s life insurance assets ~~are~~ reported in Schedule RI, item 5.l, “Other noninterest income,” ~~are~~is greater than $~~25~~100,000 and exceeds 3 percent of “Other noninterest income,” this amount should be reported in Schedule RI-E, item 1.b.

Banks, U.S. and Foreign: In the classification of banks as customers of the reporting bank, distinctions are drawn for purposes of the Consolidated Reports of Condition and Income between "U.S. banks" and "commercial banks in the U.S." and between "foreign banks" and "banks in foreign countries." Some report items call for one set of these categories and other items call for the other set. The distinctions center around the inclusion or exclusion of foreign branches of U.S. banks and U.S. branches and agencies of foreign banks. For purposes of describing the office location of banks as customers of the reporting bank, the term "United States" covers the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. (This is in contrast to the usage with respect to the offices of the reporting bank, where U.S.-domiciled Edge and Agreement subsidiaries and IBFs are included in "foreign" offices. Furthermore, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, offices of the reporting bank in Puerto Rico and U.S. territories and possessions are also included in “foreign” offices, but, for banks chartered and headquartered in Puerto Rico and U.S. territories and possessions, offices of the reporting bank in Puerto Rico and U.S. territories and possessions are included in “domestic” offices.)

U.S. banks – The term "U.S. banks" covers both the U.S. and foreign branches of banks chartered and headquartered in the U.S. (including U.S.-chartered banks owned by foreigners), but excluding U.S. branches and agencies of foreign banks. On the other hand, the term "banks in the U.S." or "commercial banks in the U.S." (the institutional coverage of which is described in detail later in this entry) covers the U.S. offices of U.S. banks (including their IBFs) and the U.S. branches and agencies of foreign banks, but excludes the foreign branches of U.S. banks.

Foreign banks – Similarly, the term "foreign banks" covers all branches of banks chartered and headquartered in foreign countries (including foreign banks owned by U.S. nationals and institutions), including their U.S.-domiciled branches and agencies, but excluding the foreign branches of U.S. banks. In contrast, the term "banks in foreign countries" covers foreign-domiciled branches of banks, including the foreign branches of U.S. banks, but excluding the U.S. branches and agencies of foreign banks.

Deferred Compensation Agreements (cont.):

After the present value of the expected future benefit payments has been determined, an institution should accrue an amount of compensation expense and a liability each year from the date the employee enters into the deferred compensation agreement until the full eligibility date. The amount of these annual accruals should be sufficient to ensure that a deferred compensation liability equal to the present value of the expected benefit payments is recorded by the full eligibility date. Any method of deferred compensation accounting that does not recognize some expense in each year from the date the employee enters into the agreement until the full eligibility date is not systematic and rational. (For indexed retirement plans, some expense should be recognized for the primary benefit and any secondary benefit in each of these years.)

Vesting provisions should be reviewed to ensure that the full eligibility date is properly determined because this date is critical to the measurement of the liability estimate. Because ASC Subtopic 710-10 requires that the present value of the expected benefit payments be recorded by the full eligibility date, institutions also need to consider changes in market interest rates to appropriately measure deferred compensation liabilities. Therefore, institutions should periodically review their estimates of the expected future benefits under deferred compensation agreements and the discount rates used to compute the present value of the expected benefit payments and revise the estimates and rates, when appropriate.

Deferred compensation agreements may include noncompete provisions or provisions requiring employees to perform consulting services during postretirement years. If the value of the noncompete provisions cannot be reasonably and reliably estimated, no value should be assigned to the noncompete provisions in recognizing the deferred compensation liability. Institutions should allocate a portion of the future benefit payments to consulting services to be performed in postretirement years only if the consulting services are determined to be substantive. Factors to consider in determining whether postretirement consulting services are substantive include, but are not limited to, whether the services are required to be performed, whether there is an economic benefit to the institution, and whether the employee forfeits the benefits under the agreement for failure to perform such services.

Deferred compensation liabilities should be reported on the balance sheet in Schedule RC, item 20, "Other liabilities," and in Schedule RC-G, item 4, "All other liabilities." If this amount is greater than $~~25~~100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4, it should be reported in Schedule RC-G, item 4.b. The annual compensation expense (service component and interest component) related to deferred compensation agreements should be reported in the income statement in Schedule RI, item 7.a, "Salaries and employee benefits."

See also "bank-owned life insurance."

Deferred Income Taxes: See "income taxes."

Defined Benefit Postretirement Plans: The accounting and reporting standards for defined benefit postretirement plans, such as pension plans and health care plans, are set forth in ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 87, "Employers' Accounting for Pensions"; FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; and FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"). ASC Topic 715 requires an institution that sponsors a single-employer defined benefit postretirement plan to recognize the funded status of each such plan on its balance sheet. The funded status of a benefit plan is measured as of the end of an institution's fiscal year as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. An overfunded plan is recognized as an asset, which should be reported in Schedule RC-F, item 6, "All other assets," while an underfunded plan is recognized as a liability, which should be reported in Schedule RC-G, item 4, "All other liabilities."

Derivative Contracts (cont.):

accounted for separately from the host contract. For further information, see ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives (formerly Derivatives Implementation Group Issue No. B40, "Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets").

Except in limited circumstances, interest-only and principal-only strips and beneficial interests in securitized assets that were recognized prior to the effective date (or early adoption date) of ASC Subtopic 815-15 are not subject to evaluation for embedded derivatives under ASC Topic 815.

Recognition of Derivatives and Measurement of Derivatives and Hedged Items

A bank should recognize all of its derivative instruments on its balance sheet as either assets or liabilities at fair value. As defined in ASC Topic 820, Fair Value Measurement~~s and Disclosures~~ (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For further information, see the Glossary entry for "fair value."

The accounting for changes in the fair value (that is, gains and losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. Either all or a proportion of a derivative may be designated as a hedging instrument. The proportion must be expressed as a percentage of the entire derivative. Gains and losses on derivative instruments are accounted for as follows:

(1) No hedging designation – The gain or loss on a derivative instrument not designated as a hedging instrument, including all derivatives held for trading purposes, is recognized currently in earnings.

<u>Derivative Contracts (cont.):</u>

In a fair value hedge, an asset or a liability is eligible for designation as a hedged item if the hedged item is specifically identified as either all or a specific portion of a recognized asset or liability or of an unrecognized firm commitment, the hedged item is a single asset or liability (or a specific portion thereof) or is a portfolio of similar assets or a portfolio of similar liabilities (or a specific portion thereof), and certain other criteria specified in ASC Topic 815 are met. If similar assets or similar liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in fair value of the aggregate portfolio attributable to the hedged risk.

In a cash flow hedge, the individual cash flows related to a recognized asset or liability and the cash flows related to a forecasted transaction are both referred to as a forecasted transaction. Thus, a forecasted transaction is eligible for designation as a hedged transaction if the forecasted transaction is specifically identified as a single transaction or a group of individual transactions, the occurrence of the forecasted transaction is probable, and certain other criteria specified in ASC Topic 815 are met. If the hedged transaction is a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged.

An institution should discontinue prospectively its use of fair value or cash flow hedge accounting for an existing hedge if any of the qualifying criteria for hedge accounting is no longer met; the derivative expires or is sold, terminated, or exercised; or the institution removes the designation of the hedge. When this occurs for a cash flow hedge, the net gain or loss on the derivative should remain in "Accumulated other comprehensive income" and be reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. However, if it is probable that the forecasted transaction will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within an additional two-month period of time thereafter (except as noted in ASC Topic 815), the derivative gain or loss reported in "Accumulated other comprehensive income" should be reclassified into earnings immediately.

For a fair value hedge, in general, if a periodic assessment of hedge effectiveness indicates noncompliance with the highly effective criterion that must be met in order to qualify for hedge accounting, an institution should not recognize adjustment of the carrying amount of the hedged item for the change in the item's fair value attributable to the hedged risk after the last date on which compliance with the effectiveness criterion was established.

With certain limited exceptions, a nonderivative instrument, such as a U.S. Treasury security, may not be designated as a hedging instrument.

<u>Reporting Derivative Contracts in the Call Report</u>

When an institution enters into a derivative contract, it should classify the derivative as either held for trading or held for purposes other than trading (end-user derivatives) based on the reasons for entering into the contract. All derivatives must be reported at fair value on the balance sheet (Schedule RC).

Trading derivatives with positive fair values should be reported as trading assets in Schedule RC, item 5. Trading derivatives with negative fair values should be reported as trading liabilities in Schedule RC, item 15. Changes in the fair value (that is, gains and losses) of trading derivatives should be recognized currently in earnings and included in Schedule RI, item 5.c, "Trading revenue."

<u>Derivative Contracts (cont.):</u>

Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have positive fair values should be included in Schedule RC-F, item 6, "All other assets." If the total fair value of these derivatives <u>is greater than $100,000 and</u> exceeds 25 percent of "All other assets," this amount should be disclosed in Schedule RC-F, item 6.c. Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have negative fair values should be included in Schedule RC-G, item 4, "All other liabilities." If the total fair value of these derivatives <u>is greater than $100,000 and</u> exceeds 25 percent of "All other liabilities," this amount should be disclosed in Schedule RC-G, item 4.d. Net gains (losses) on derivatives held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815 should be recognized currently in earnings and reported consistently as either "Other noninterest income" or "Other noninterest expense" in Schedule RI, item 5.l or item 7.d, respectively.

Netting of derivative assets and liabilities is prohibited on the balance sheet except as permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"). <u>See</u> the Glossary entry for "offsetting."

Banks must report the notional amounts of their derivative contracts (both freestanding derivatives and embedded derivatives that are accounted for separately from their host contract under ASC Topic 815) by risk exposure in Schedule RC-L, first by type of contract in Schedule RC-L, item 12, and then by purpose of contract (i.e., trading, other than trading) in Schedule RC-L, items 13 and 14. Banks must then report the gross fair values of their derivatives, both positive and negative, by risk exposure and purpose of contract in Schedule RC-L, item 15. However, these items exclude credit derivatives, the notional amounts and gross fair values of which must be reported in Schedule RC-L, item 7.

<u>Discounts</u>: <u>See</u> "premiums and discounts."

<u>Dividends</u>: <u>Cash dividends</u> are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the bank's board of directors (the declaration date) by debiting "retained earnings" and crediting "dividends declared not yet payable," which is to be reported in other liabilities. Upon payment of the dividend, "dividends declared not yet payable" is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to "dividend checks outstanding" which is reportable in the "demand deposits" category of the bank's deposit liabilities.

A liability for dividends payable may <u>not</u> be accrued in advance of the formal declaration of a dividend by the board of directors. However, the bank may segregate a portion of retained earnings in the form of a net worth reserve in anticipation of the declaration of a dividend.

<u>Stock dividends</u> are distributions of additional shares to stockholders in proportion to the number of shares they own. Stock dividends are to be reported by transferring an amount equal to the fair value of the additional shares issued from retained earnings to a category of permanent capitalization (common stock and surplus). However, the amount transferred from retained earnings must be reduced by the amount of any mandatory and discretionary transfers previously made (such as those from retained earnings to surplus for increasing the bank's legal lending limit) provided such transfers have not already been used to record a stock dividend. In any event, the amount transferred from retained earnings may not be less than the par or stated value of the additional shares being issued.

<u>Property dividends</u>, also known as dividends in kind, are distributions to stockholders of assets other than cash. The transfer of securities of other companies, real property, or any other asset owned by the reporting bank to a stockholder or related party is to be recorded at the fair value of the asset on

Equity-Indexed Certificates of Deposit (cont.):

Unless the bank that issues the equity-indexed certificate of deposit elects to account for the ~~equity-indexed~~ certificate of deposit in its entirety at fair value, the notional amount of the embedded equity call option must be reported in Schedule RC-L, item 12.d.(1), column C, and item 14, column C, and its fair value (which will always be negative or zero, but not positive) must be reported in Schedule RC-L, item 15.b.(2), column C. The notional amount of the freestanding equity derivative must be reported in the appropriate subitem of Schedule RC-L, item 12, column C (e.g., item 12.e, column C, if it is an equity swap), and in Schedule RC-L, item 14, column C. The fair value of the freestanding equity derivative must be included in the appropriate subitem of Schedule RC-L, item 15.b, column C. The equity derivative embedded in the equity-indexed certificate of deposit is a written option, which is not covered by the agencies' risk-based capital standards. However, the freestanding equity derivative is covered by these standards.

For deposit insurance assessment purposes, if the carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative are combined and reported together as a deposit liability on the balance sheet, the difference between these combined amounts and the face amount of the certificate of deposit should be treated as an unamortized premium or discount, as appropriate, for purposes of reporting total deposit liabilities in Schedule RC-O, item 1. If these two amounts are not combined and only the carrying value of the certificate of deposit host contract is reported as a deposit liability on the balance sheet, the difference between the carrying value and the face amount of the certificate of deposit should be treated as an unamortized discount in Schedule RC-O, item 1. If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, the difference between the fair value and the face amount of the certificate of deposit should be treated as an unamortized premium or discount, as appropriate, in Schedule RC-O, item 1.

A bank that purchases an equity-indexed certificate of deposit for investment purposes must either account for the embedded purchased equity call option separately from the certificate of deposit host contract or irrevocably elect to account for the hybrid instrument (the equity-indexed certificate of deposit) in its entirety at fair value.

- If the bank accounts for the purchased equity call option separately from the certificate of deposit, the fair value of this embedded derivative on the date of purchase must be deducted from the purchase price of the certificate, creating a discount on the deposit that must be accreted into income over the term of the deposit using the effective interest method. This accretion should be reported in the income statement in Schedule RI, item 1.c. The embedded equity derivative must be "marked to market" at least quarterly with any changes in its fair value recognized in earnings. These fair value changes should be reported consistently in Schedule RI in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense." The carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative may be combined and reported together as interest-bearing balances due from other depository institutions on the balance sheet in Schedule RC, item 1.b.

- If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, no discount is to be recorded on the certificate of deposit. Rather, the equity-indexed certificate of deposit must be “marked to market” at least quarterly, with changes in the instrument’s fair value reported in the income statement consistently in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense,” excluding interest income that is reported in Schedule RI, item 1.c.

Unless the bank ~~elects to account for~~that purchases the equity-indexed certificate of deposit elects to account for the certificate of deposit in its entirety at fair value, the notional amount of the embedded derivative must be reported in Schedule RC-L, item 12.d.(2), column C, and item 14, column C, and its fair value (which will always be positive or zero, but not negative) must be reported in Schedule RC-L, item 15.b.(1), column C. The embedded equity derivative in the equity-indexed certificate of deposit is a purchased option, which is subject to the agencies' risk-based capital standards unless the fair value election has been made.

Equity Method of Accounting: The equity method of accounting shall be used to account for:

(1) Investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and

(2) Noncontrolling investments in:

   (a) Limited partnerships; and

   (b) Limited liability companies that maintain "specific ownership accounts" for each investor and are within the scope of ASC Subtopic 323-30, Investments-Equity Method and Joint Ventures – Partnerships, Joint Ventures, and Limited Liability Entities (formerly EITF Issue No. 03-16, "Accounting for Investments in Limited Liability Companies")

unless the investment in the limited partnership or limited liability company is so minor that the limited partner or investor may have virtually no influence over the operating and financial policies of the partnership or company. Consistent with guidance in ASC Subtopic 323-30, Investments-Equity Method and Joint Ventures – Partnerships, Joint Ventures, and Limited Liability Entities (formerly EITF Topic D-46, "Accounting for Limited Partnership Investments"), noncontrolling investments of more than 3 to 5 percent are considered to be more than minor.

The entities in which these investments have been made are collectively referred to as "investees."

Under the equity method, the carrying value of a 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 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 Consolidated Report of Condition, but in no case differ by more than 93 days from the report.

See also "subsidiaries."

Excess Balance Account: An excess balance account (EBA) is a limited-purpose account at a Federal Reserve Bank established for maintaining the excess balances of one or more depository institutions (participants) that are eligible to earn interest on balances held at the Federal Reserve Banks. An EBA is managed by another depository institution that has its own account at a Federal Reserve Bank (such as a participant's pass-through correspondent) and acts as an agent on behalf of the participants. Balances in an EBA represent a liability of a Federal Reserve Bank directly to the EBA participants and not to the agent. The Federal Reserve Banks pay interest on the average balance in the EBA over a 7-day maintenance period and the agent disburses that interest to each participant in accordance with the instructions of the participant. Only a participant's excess balances may be placed in an EBA; the account balance cannot be used to satisfy the participant's reserve balance requirement.

The reporting of an EBA by participants and agents differs from the required reporting of a pass-through reserve relationship, which is described in the Glossary entry for "pass-through reserve balances."

Foreclosed Assets: The accounting and reporting standards for the receipt and holding of foreclosed assets are set forth in

ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings"), and ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). Subsequent to the issuance of Statement No. 144, AICPA Statement of Position (SOP) No. 92-3, "Accounting for Foreclosed Assets," was rescinded. Certain provisions of SOP 92-3 are not present in Statement No. 144, but the application of these provisions 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. These provisions of SOP 92-3 have been incorporated into this Glossary entry, which institutions must follow for purposes of preparing their Consolidated Reports of Condition and Income.

An institution that receives from a borrower in full satisfaction of a loan either receivables from a third party, an equity interest in the borrower, or another type of asset (except a long-lived asset that will be sold) shall initially measure the asset received at its fair value at the time of the restructuring. When an institution receives a long-lived asset, such as real estate, from a borrower in full satisfaction of a loan, the long-lived asset is rebuttably presumed to be held for sale and the institution shall initially measure this asset at its fair value less cost to sell. The fair value (less cost to sell, if applicable) of the asset received in full satisfaction of the loan becomes the "cost" of the asset. The amount, if any, by which the recorded investment in the loan[1] exceeds the fair value (less cost to sell, if applicable) of the asset is a loss which must be charged to the allowance for loan and lease losses <u>at the time of restructuring, foreclosure, or repossession</u>. In those cases where property is received in full satisfaction of an asset other than a loan (e.g., a debt security), the loss should be reported on the income statement in a manner consistent with the balance sheet classification of the asset satisfied.

If an asset is sold <u>shortly</u> after it is received in a restructuring, foreclosure, or repossession, it would generally be appropriate to substitute the value received in the sale (net of the cost to sell for a long-lived asset, such as real estate, that has been sold) for the fair value (less cost to sell for a long-lived asset, such as real estate, that will be sold) that had been estimated at the time of restructuring, foreclosure, or repossession. Any adjustments should be made to the loss charged against the allowance.

An asset received in partial satisfaction of a loan should be initially measured as described above and the recorded investment in the loan should be reduced by the fair value (less cost to sell, if applicable) of the asset at the time of restructuring, foreclosure, or repossession.

The measurement and accounting subsequent to acquisition for real estate received in full or partial satisfaction of a loan, including through foreclosure or repossession, is discussed below in this Glossary entry. For other types of assets that an institution receives in full or partial satisfaction of a loan, the institution generally should subsequently measure and account for such assets in accordance with other applicable generally accepted accounting principles and regulatory reporting instructions for such assets.

For purposes of these reports, foreclosed assets include loans (other than residential real estate property collateralizing a consumer mortgage loan) where an institution, as creditor, has received physical possession of a borrower's assets, regardless of whether formal foreclosure proceedings take place. An institution, as creditor, is considered to have received physical possession (resulting from an in-substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan only upon the occurrence of either of the following:

(1) The institution obtains legal title to the residential real estate property upon completion of a foreclosure even if the borrower has redemption rights that provide the borrower with a legal right

[1] The <u>recorded investment in the loan</u> is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus <u>recorded</u> accrued interest.

Foreclosed Assets (cont.):

Dispositions of Foreclosed Real Estate – Until the effective date of ASU 2014-09 "Revenue from Contracts with Customers," which includes amendments to ASC Subtopic 610-20, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets, ~~T~~the primary accounting guidance for sales of foreclosed real estate is ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly FASB Statement No. 66, "Accounting for Sales of Real Estate"). When it takes effect, ASC Subtopic 610-20 supersedes ASC Subtopic 360-20 for real estate sales not accompanied by a leaseback and becomes the primary accounting guidance for sales of foreclosed real estate.

This Glossary entry presents a summary of the methods included in ASC Subtopic 360-20 for institutions that have not yet adopted ASC 610-20. For institutions that have adopted ASC Subtopic 610-20, this Glossary entry also presents a summary of the provisions of ASC Subtopic 610-20, which requires the application of specified portions of ASC Topic 606, Revenue from Contracts with Customers, to an institution's sale of repossessed nonfinancial assets such as foreclosed real estate (also referred to as other real estate owned or OREO).

Effective Date of ASU 2014-09, including ASC Subtopic 610-20 (and ASC Topic 606) – For institutions that are public business entities, these standards are effective for fiscal years beginning after December 15, 2017, including interim reporting periods within those fiscal years. For institutions that are not public business entities (i.e., that are private companies), the standards are effective for fiscal years beginning after December 15, 2018, and interim reporting periods within fiscal years beginning after December 15, 2019. For further information, see the Glossary entries for "public business entity" and "private company." Early application of these standards is permitted for all institutions for fiscal years beginning after December 15, 2016, and interim reporting periods as prescribed in the standards. An institution that early adopts these standards must apply them (including all of ASC Topic 606 on revenue recognition) in their entirety. If an institution chooses to early adopt these standards for financial reporting purposes, the institution should implement them in its Call Report for the same quarter-end report date.

Accounting under ASC Subtopic 360-20 – This subtopic~~standard~~, which applies to all transactions in which the seller provides financing to the buyer of the real estate, establishes the following methods to account for dispositions of real estate. If a profit is involved in the sale of real estate, each method sets forth the manner in which the profit is to be recognized. Regardless of which method is used, however, any losses on the disposition of real estate should be recognized immediately.

(1) Full Accrual Method – Under the full accrual method, the disposition is recorded as a sale. Any profit resulting from the sale is recognized in full and the asset resulting from the seller's financing of the transaction is reported as a loan. This method may be used when the following conditions have been met:

(~~1~~a) A sale has been consummated;
(~~2~~b) The buyer's initial investment (down payment) and continuing investment (periodic payments) are adequate to demonstrate a commitment to pay for the property;
(~~3~~c) The receivable is not subject to future subordination; and
(~~4~~d) The usual risks and rewards of ownership have been transferred.

Guidelines for the minimum down payment that must be made in order for a transaction to qualify for the full accrual method are set forth in ~~the Appendix A to~~ ASC Subtopic 360-20. These vary from five percent to 25 percent of the property's sales value. These guideline percentages vary by type of property and are primarily based on the inherent risk assumed for the type and characteristics of the property. To meet the continuing investment criteria, the contractual loan payments must be sufficient to repay the loan over the customary loan term for the type of property involved. Such periods may range up to 30 years for loans on single family residential property.

(2) Installment Method – Dispositions of foreclosed real estate that do not qualify for the full accrual method may qualify for the installment method. This method recognizes a sale and the corresponding loan. Any profits on the sale are only recognized as the institution receives payments from the purchaser/borrower. Interest income is recognized on an accrual basis, when appropriate.

Foreclosed Assets (cont.):

The installment method is used when the buyer's down payment is not adequate to allow use of the full accrual method but recovery of the cost of the property is reasonably assured if the buyer defaults. Assurance of recovery requires careful judgment on a case-by-case basis. Factors which should be considered include: the size of the down payment, loan-to-value ratios, projected cash flows from the property, recourse provisions, and guarantees.

Since default on the loan usually results in the seller's reacquisition of the real estate, reasonable assurance of cost recovery may often be achieved with a relatively small down payment. This is especially true in situations involving loans with recourse to borrowers who have verifiable net worth, liquid assets, and income levels. Reasonable assurance of cost recovery may also be achieved when the purchaser/borrower pledges additional collateral.

(3) Cost Recovery Method – Dispositions of foreclosed real estate that do not qualify for either the full accrual or installment methods are sometimes accounted for using the cost recovery method. This method recognizes a sale and the corresponding loan, but all income recognition is deferred. Principal payments are applied as a reduction of the loan balance and interest increases the unrecognized gross profit. No profit or interest income is recognized until either the aggregate payments by the borrower exceed the recorded investment in the loan or a change to another accounting method is appropriate (e.g., installment method). Consequently, the loan is maintained in nonaccrual status while this method is being used.

(4) Reduced-Profit Method – This method is used in certain situations where the institution receives an adequate down payment, but the loan amortization schedule does not meet the requirements for use of the full accrual method. The method recognizes a sale and the corresponding loan. However, like the installment method, any profit is apportioned over the life of the loan as payments are received. The method of apportionment differs from the installment method in that profit recognition is based on the present value of the lowest level of periodic payments required under the loan agreement.

Since sales with adequate down payments are generally not structured with inadequate loan amortization requirements, this method is seldom used in practice.

(5) Deposit Method – The deposit method is used in situations where a sale of the foreclosed real estate has not been consummated. It may also be used for dispositions that could be accounted for under the cost recovery method. Under this method a sale is not recorded and the asset continues to be reported as foreclosed real estate. Further, no profit or interest income is recognized. Payments received from the borrower are reported as a liability until sufficient payments or other events have occurred which allow the use of one of the other methods.

~~The preceding discussion represents a brief summary of the methods included in ASC Subtopic 360-20 for accounting for sales of real estate. Refer to ASC Subtopic 360-20 for a more complete description of the accounting principles that apply to sales of real estate, including the determination of the down payment percentage.~~

Accounting under ASC Subtopic 610-20 (and ASC Topic 606) – The amendments to ASC Subtopic 610-20, when effective as a result of ASU 2014-09 (as discussed above), eliminate the prescriptive criteria and methods for sale accounting and gain recognition for dispositions of OREO set forth in ASC Subtopic 360-20. Under ASC Subtopic 610-20, if the buyer of the OREO is a legal entity, an institution should first assess whether it has a controlling financial interest in the legal entity buying the OREO by applying the guidance in ASC Topic 810, Consolidation. If an institution determines that it has a controlling financial interest in the buying legal entity, it should not derecognize the OREO and should apply the guidance in ASC Subtopic 810-10. When an institution does not have a controlling financial interest in the buying legal entity or the OREO buyer is not a legal entity, which is expected to be the case for most sales of OREO, the institution will recognize the entire gain or loss, if any, and derecognize the OREO at the time of sale if the transaction meets certain requirements of ASC Topic 606. Otherwise, the institution generally will record any payments received as a deposit liability to the buyer and continue reporting the OREO as an asset at the time of the transaction.

When applying ASC Subtopic 610-20 and Topic 606, an institution will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the institution has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss. These standards apply to all sales or transfers of real estate by institutions, but greater judgment will generally be required for seller-financed sales of OREO.

Under ASC Subtopic 610-20, when an institution does not have a controlling financial interest in the buying legal entity or the OREO buyer is not a legal entity, the institution's first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In the context of an OREO sale or transfer, in order for an institution's transaction with the party acquiring the property to be a contract under ASC Topic 606, it must meet all the following criteria:

(a) The parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations;
(b) The institution can identify each party's rights regarding the OREO to be transferred;
(c) The institution can identify the payment terms for the OREO to be transferred;
(d) The contract has commercial substance (that is, the risk, timing, or amount of the institution's future cash flows is expected to change as a result of the contract); and
(e) It is probable that the institution will collect substantially all of the consideration to which it will be entitled in exchange for OREO that will be transferred to the buyer, i.e. the transaction price. In evaluating whether collectability of an amount of consideration is probable, an institution shall consider only the buyer's ability and intention to pay that amount of consideration when it is due.

These five criteria require careful analysis for seller-financed sales of OREO. In particular, criteria (a) and (e) may require significant judgment. When determining whether the buyer is committed to perform its obligations under criterion (a) and collectability under criterion (e), a selling institution should consider all facts and circumstances related to the buyer's ability and intent to pay the transaction price, which may include:

- Amount of cash paid as a down payment;
- Existence of recourse provisions;
- Credit standing of the buyer;
- Age and location of the property;
- Cash flow from the property;
- Payments by the buyer to third parties;
- Other amounts paid to the selling institution, including current or future contingent payments;
- Transfer of noncustomary consideration (i.e., consideration other than cash and a note receivable);
- Other types of financing involved with the property or transaction;
- Financing terms of the loan (reasonable and customary terms, amortization, any graduated payments, any balloon payment);
- Underwriting inconsistent with the institution's underwriting policies for loans not involving OREO sales; and
- Future subordination of the selling institution's receivable.

Although ASC Subtopic 610-20 does not include the prescriptive minimum down payment requirements in ASC Subtopic 360-20, the amount and character of a buyer's equity (typically the down payment) and recourse provisions remain important factors when evaluating criteria (a) and (e). Specifically, the buyer's initial equity in the property immediately after the sale is an important consideration in determining whether a buyer is committed to perform its obligations under criterion (a). Furthermore, the buyer's initial equity is a factor to consider under criterion (e) when evaluating the collectability of consideration that the institution is entitled to receive from the buyer.

In applying the revenue recognition principles in ASC Topic 606, all relevant factors are to be weighed collectively in evaluating whether the five contract criteria have been met as the first step in determining the appropriate accounting for a seller-financed OREO transaction. However, the agencies consider the down payment and financing terms to be of particular importance when making this determination. A transaction with an insignificant down payment and nonrecourse financing generally would not meet the definition of a contract (within the meaning of Topic 606) unless there is considerable support from other factors. The need for support from other factors recedes in importance for a transaction with a substantial down payment and recourse financing to a buyer with adequate capacity to repay.

If the five contract criteria in ASC Topic 606 have not been met, the institution generally may not derecognize the OREO asset or recognize revenue (gain or loss) as an accounting sale has not occurred. The institution should continue to assess the transaction to determine whether the contract criteria have been met in a later period. Until that time, any consideration the institution has received from the buyer should generally be recorded as a deposit liability. In addition, if the transaction price is less than the carrying amount of the OREO, the institution should consider whether this indicates a decline in fair value of the OREO that should be recognized as a valuation allowance, or an increase in an existing valuation allowance, and through a charge to expense as discussed above in this Glossary entry.

If an institution determines the contract criteria in ASC Topic 606 have been met, it must then determine whether it has satisfied its performance obligations as identified in the contract by transferring control of the asset to the buyer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. As it relates to an institution's sale of OREO, ASC Topic 606 includes the following indicators of the transfer of control:

(a) The institution has a present right to payment for the asset;
(b) The buyer has legal title to the asset;
(c) The institution has transferred physical possession of the asset;
(d) The buyer has the significant risks and rewards of ownership of the asset; and
(e) The buyer has accepted the asset.

For seller-financed sales of OREO, the transfer of control generally occurs on the closing date of the sale when the institution obtains the right to receive payment for the property and transfers legal title to the buyer. However, an institution must consider all relevant facts and circumstances to determine whether control of the OREO has transferred, which may include the selling institution's:

- Involvement with the property following the transaction;
- Obligation to repurchase the property in the future;
- Obligation to provide support for the property following the sale transaction; and
- Retention of an equity interest in the property.

In particular, if an institution has the obligation or right to repurchase the OREO, the buyer does not obtain control of the OREO because the buyer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset even though it may have physical possession. In this situation, an institution should account for the contract as either a lease in accordance with ASC Topic 840, Leases, or a financing arrangement in accordance with ASC Topic 606. In addition, situations may exist where the selling institution has legal title to the OREO, while the borrower whose property was foreclosed upon under the original loan still has redemption rights to reclaim the property in the future. If such redemption rights exist, the selling institution may not be able to transfer control to the buyer of the OREO and recognize revenue until the redemption period expires.

When a contract exists and an institution has transferred control of the property, the institution should derecognize the OREO asset and recognize a gain or loss for the difference between the transaction price and the carrying amount of the OREO asset. Generally, the transaction price in a sale of OREO will be the contract amount in the purchase/sale agreement, including for a seller-financed sale financed at market terms. However, the transaction price may differ from the amount stated in the contract due to the existence of a significant financing component. Under the new standard, a significant financing component exists if the timing of the buyer's payments explicitly or implicitly provides the selling institution or the buyer with a significant benefit of financing the transfer of the OREO. A seller-financed transaction of OREO at off-market terms generally indicates the existence of a significant financing component. If a significant financing component exists, the contract amount should be adjusted for the time value of money to reflect what the cash selling price of the OREO would have been at the time of its transfer to the buyer. The discount rate used in adjusting for the time value of money should be a market rate of interest considering the credit characteristics of the buyer and the terms of the financing.

Foreign Banks: See "banks, U.S. and foreign."

Foreign Currency Transactions and Translation: Foreign currency transactions are transactions occurring in the ordinary course of business (e.g., purchases, sales, borrowings, and lendings) denominated in a currency other than the office's functional currency (as described below).

Foreign currency translation, on the other hand, is the process of translating financial statements from the foreign office's functional currency into the reporting currency. Such translation normally is performed only at reporting dates.

A functional currency is the currency of the primary economic environment in which an office operates. For most banks, the functional currency will be the U.S. dollar. However, if a bank has foreign offices, one or more foreign offices may have a functional currency other than the U.S. dollar.

Foreign Currency Transactions and Translation (cont.):

Accounting for foreign currency transactions – A change in exchange rates between the functional currency and the currency in which a transaction is denominated will increase or decrease the amount of the functional currency expected to be received or paid. These increases or decreases in the expected functional currency cash flow are foreign currency transaction gains and losses and are to be included in the determination of the income of the period in which the transaction takes place, or if the transaction has not yet settled, the period in which the rate change takes place.

Except for foreign currency derivatives and transactions described in the following section, banks should consistently report net gains (losses) from foreign currency transactions other than trading transactions in Schedule RI, item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense." Net gains (losses) from foreign currency trading transactions should be reported in Schedule RI, item 5.c, "Trading revenue."

Foreign currency transaction gains or losses to be excluded from the determination of net income – Gains and losses on the following foreign currency transactions shall not be included in "Noninterest income" or "Noninterest expense," but shall be reported in the same manner as translation adjustments (as described below):

(1) Foreign currency transactions that are designated as, and are effective as, economic hedges of a net investment in a foreign office.

(2) Intercompany foreign currency transactions that are of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future), when the parties to the transaction are consolidated, combined, or accounted for by the equity method in the bank's Consolidated Reports of Condition and Income.

In addition, the entire change in the fair value of foreign-currency-denominated available-for-sale debt securities should not be included in “Realized gains (losses) on available-for-sale debt securities” (Schedule RI, item 6.b), but should be reported in Schedule RI-A, item 10, "Other comprehensive income." These fair value changes should be accumulated in the "Net unrealized holding gains (losses) on available-for-sale securities” component of "Accumulated other comprehensive income" in Schedule RC, item 26.b. However, if a decline in fair value of a foreign-currency-denominated available-for-sale debt security is judged to be other than temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (Schedule RI, item 6.b).

See the Glossary entry for "derivative contracts" for information on the accounting and reporting for foreign currency derivatives.

Accounting for foreign currency translation (applicable only to banks with foreign offices) -- The Consolidated Reports of Condition and Income must be reported in U.S. dollars. Balances of foreign subsidiaries or branches of the reporting bank denominated in a functional currency other than U.S. dollars shall be converted to U.S. dollar equivalents and consolidated into the reporting bank's Consolidated Reports of Condition and Income. The translation adjustments for each reporting period, determined utilizing the current rate method, should be reported in Schedule RI-A, item 10, "Other comprehensive income." Amounts accumulated in the "Cumulative foreign currency translation adjustments" component of "Accumulated other comprehensive income" in Schedule RC, item 26.b, will not be included in the bank's results of operations until such time as the foreign office is disposed of, when they will be used as an element to determine the gain or loss on disposition.

For further guidance, refer to ASC Topic 830, Foreign Currency Matters (formerly FASB Statement No. 52, "Foreign Currency Translation").

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 particular items in Schedule RI-A of the Consolidated 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~~may 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 Consolidated 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 instructions to Consolidated 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.

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[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.

International Banking Facility (IBF) (cont.):

(2) Borrowings of immediately available funds that have an original maturity of one business day or roll over under a continuing contract that are not securities repurchase agreements, which are to be reported in Schedule RC-M, item 5.b;

(3) Accrued liabilities, which are to be reported in Schedule RC, item 20; and

(4) All other liabilities, including deposits, placements, and borrowings, which are to be treated as deposit liabilities in foreign offices and reported in Schedule RC, item 13.b, and by customer detail in Schedule RC-E, part II, if applicable.

In addition to being included in the appropriate items of the balance sheet, the total assets and total liabilities of the reporting bank's IBFs are to be reported separately in Schedule RC-I, Assets and Liabilities of IBFs, by banks with IBFs and other "foreign" offices. For a bank whose only foreign offices are IBFs, the total assets and liabilities of the reporting bank's IBFs are not reported separately in Schedule RC-I, but are derived from Schedule RC-H, Selected Balance Sheet Items for Domestic Offices.

Treatment of transactions with IBFs of other depository institutions – Transactions between the reporting bank and IBFs outside the scope of the reporting bank's consolidated Reports of Condition and Income are to be reported as transactions with depository institutions in the U.S., as appropriate. (Note, however, that only foreign offices of the reporting bank and the reporting bank's IBFs are permitted to have transactions with other IBFs.)

Interoffice Accounts: See "suspense accounts."

Investments in Common Stock of Unconsolidated Subsidiaries: See “equity method of accounting” and “subsidiaries.”

Joint Venture: See "subsidiaries."

Lease Accounting: A lease is an agreement that transfers the right to use land, buildings, or equipment for a specified period of time. This financing device is essentially an extension of credit evidenced by an obligation between a lessee and a lessor.

Standards for lease accounting are set forth in ASC Topic 840, Leases (formerly FASB Statement No. 13, "Accounting for Leases," as amended and interpreted).

Accounting with bank as lessee – Any lease entered into by a lessee bank that meets certain criteria (defined in the following paragraph) shall be accounted for as a property acquisition financed with a debt obligation. The property shall be amortized according to the bank's normal depreciation policy (except, if appropriate, the amortization period shall be the lease term) unless the lease involves land only. The interest expense portion of each lease payment shall be calculated to result in a constant rate of interest on the balance of the debt obligation. In the Report of Condition, the property "asset" is to be reported in Schedule RC, item 6, and the liability for capitalized leases in Schedule RC-M, item 5.b, "Other borrowings." In the Report of Income, the interest expense portion of the capital lease payments is to be reported in Schedule RI, item 2.c, "Interest on trading liabilities and other borrowed money," and the amortization expense on the asset is to be reported in Schedule RI, item 7.b, "Expenses of premises and fixed assets."

If any one of the following criteria is met, a lease must be accounted for as a capital lease:

(1) ownership of the property is transferred to the lessee at the end of the lease term, or

(2) the lease contains a bargain purchase option, or

Lease Accounting (cont.):

When a lessor bank enters into a lease that has all the characteristics of a direct financing lease but where a long-term creditor provides nonrecourse financing to the lessor, the transaction shall be accounted for as a leveraged lease. The lessor's net investment in a leveraged lease shall be recorded in a manner similar to that for a direct financing lease but net of the principal and interest on the nonrecourse debt. Based on a projected cash flow analysis for the lease term, unearned and deferred income shall be amortized to income at a constant rate only in those years of the lease term in which the net investment is positive. In the years in which the net investment is not positive, no income is to be recognized on the leveraged lease.

If a lease is neither a direct financing lease nor a leveraged lease, the lessor bank shall account for it as an operating lease. The leased property shall be reported as "Other assets" and depreciated in accordance with the bank's normal policy. Rental payments are generally credited to income over the term of an operating lease as they become receivable.

Letter of Credit: A letter of credit is a document issued by a bank on behalf of its customer (the account party) authorizing a third party (the beneficiary), or in special cases the account party, to draw drafts on the bank up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment (except when prepaid by the account party) on the part of the bank to provide payment on drafts drawn in accordance with the terms of the document.

As a matter of sound practice, letters of credit should:

(1) be conspicuously labeled as a letter of credit;

(2) contain a specified expiration date or be for a definite term;

(3) be limited in amount;

(4) call upon the issuing bank to pay only upon the presentation of a draft or other documents as specified in the letter of credit and not require the issuing bank to make determinations of fact or law at issue between the account party and the beneficiary; and

(5) be issued only subject to an agreement between the account party and the issuing bank that establishes the unqualified obligation of the account party to reimburse the issuing bank for all payments made under the letter of credit.

There are four basic types of letters of credit:

~~(1) commercial letters of credit,~~
~~(2) letters of credit sold for cash,~~
~~(3) travelers' letters of credit, and~~
~~(4) standby letters of credit,~~

~~each of which is discussed separately on the following page.~~

(1) A commercial letter of credit is issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

(2) A letter of credit sold for cash is a letter of credit for which the bank has received funds from the account party at the time of issuance. This type of letter of credit is not to be reported as an outstanding letter of credit but as a demand deposit. These letters are considered to have been sold for cash even though the bank may have advanced funds to the account party for the purchase of such letters of credit on a secured or unsecured basis.

Letter of Credit (cont.):

(3) A travelers' letter of credit is issued to facilitate travel. This letter of credit is addressed by the bank to its correspondents authorizing the correspondents to honor drafts drawn by the person named in the letter of credit in accordance with specified terms. These letters are generally sold for cash.

(4) A standby letter of credit is a letter of credit or similar arrangement that:

(~~1~~a) represents an obligation on the part of the issuing bank to a designated third party (the beneficiary) contingent upon the failure of the issuing bank's customer (the account party) to perform under the terms of the underlying contract with the beneficiary, or
(~~2~~b) obligates the bank to guarantee or stand as surety for the benefit of a third party to the extent permitted by law or regulation.

The underlying contract may entail either financial or nonfinancial undertakings of the account party with the beneficiary. The underlying contract may involve such things as the customer's payment of commercial paper, delivery of merchandise, completion of a construction contract, release of maritime liens, or repayment of the account party's obligations to the beneficiary. Under the terms of a standby letter, as a general rule, drafts will be drawn only when the underlying event fails to occur as intended.

Limited-Life Preferred Stock: See "preferred stock."

Loan: For purposes of these reports, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The reporting bank may originate a loan by directly negotiating with a borrower or it may purchase a loan or a portion of a loan originated by another lender that directly negotiated with a borrower. The reporting bank may also sell a loan or a portion of a loan, regardless of the method by which it acquired the loan.

Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances, and similar written or oral obligations.

Among the extensions of credit reportable as loans in Schedule RC-C, which covers both loans held for sale and loans held for investment~~that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff~~, are:

(1) acceptances of other banks purchased in the open market, not held for trading;

(2) acceptances executed by or for the account of the reporting bank and subsequently acquired by it through purchase or discount;

(3) customers' liability to the reporting bank on drafts paid under letters of credit for which the bank has not been reimbursed;

(4) "advances" and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which the reporting bank has given deposit credit to customers;

(5) paper pledged by the bank whether for collateral to secure bills payable (e.g., margin collateral to secure bills rediscounted) or for any other purpose;

(6) sales of so-called "term federal funds" (i.e., sales of immediately available funds with a maturity of more than one business day), other than those involving security resale agreements;

(7) factored accounts receivable;

Loan Impairment (cont.):
the loan. If the measure of an impaired loan is less than the recorded investment in the loan, an impairment should be recognized by creating an allowance for estimated credit losses for the impaired loan or by adjusting an existing allowance with a corresponding charge or credit to "Provision for loan and lease losses."

For purposes of the Reports of Condition and Income, the impairment of an impaired collateral dependent loan must be measured using the fair value of collateral method. In general, any portion of the recorded investment in an impaired collateral dependent loan (including recorded accrued interest, net deferred loan fees or costs, and unamortized premium or discount) in excess of the fair value of the collateral (less estimated costs to sell, if applicable) that can be identified as uncollectible should be promptly charged off against the allowance for loan and lease losses.

An institution should not provide an additional allowance for estimated credit losses on an individually impaired loan over and above what is specified by ASC Topic 310. The allowance established under ASC Topic 310 should take into consideration all available information existing as of the Call Report date that indicates that it is probable that a loan has been impaired. All available information would include existing environmental factors such as industry, geographical, economic, and political factors that affect collectibility.

ASC Topic 310 also addresses the accounting by creditors for all loans that are restructured in troubled debt restructurings involving a modification of terms, except loans that are measured at fair value or the lower of cost or fair value. According to ASC Topic 310, all loans restructured in troubled debt restructurings are impaired loans. For guidance on troubled debt restructurings, see the Glossary entry for "troubled debt restructurings."

As with all other loans, all impaired loans should be reported as past due or nonaccrual loans in Schedule RC-N in accordance with the schedule's instructions. A loan identified as impaired is one for which it is probable that the institution will be unable to collect all principal and interest amounts due according to the contractual terms of the original loan agreement. Therefore, a loan that is not already in nonaccrual status when it is first identified as impaired will normally meet the criteria for placement in nonaccrual status at that time. Exceptions may arise when a loan not previously in nonaccrual status is identified as impaired because its terms have been modified in a troubled debt restructuring, but the borrower's sustained historical repayment performance for a reasonable time prior to the restructuring is consistent with the modified terms of the loan and the loan is reasonably assured of repayment (of principal and interest) and of performance in accordance with its modified terms. This determination must be supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. Exceptions may also arise for those purchased credit-impaired loans for which the criteria for accrual of income under the interest method are met as specified in 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"). Any cash payments received on impaired loans in nonaccrual status should be reported in accordance with the criteria for the cash basis recognition of income in the Glossary entry for "nonaccrual status." For further guidance, see the Glossary entries for "nonaccrual status" and "purchased credit-impaired loans and debt securities."

Loan Secured by Real Estate: For purposes of these reports, a loan secured by real estate is a loan that, at origination, is secured wholly or substantially by a lien or liens on real property for which the lien or liens are central to the extension of the credit – that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien or liens on real property. To be considered wholly or substantially secured by a lien or liens on real property, the estimated value of the real estate collateral at origination (after deducting any more senior liens held by others) must be greater than 50 percent of the principal amount of the loan at origination.~~[1]~~

~~[1] Banks should apply this revised definition of "loan secured by real estate" prospectively beginning April 1, 2009. Loans reported on or before March 31, 2009, as loans secured by real estate need not be reevaluated and, if appropriate, recategorized into other loan categories on Schedule RC-C, part I, Loans and Leases.~~

Offsetting: Offsetting is the reporting of assets and liabilities on a net basis in the balance sheet. Banks are permitted to offset assets and liabilities recognized in the Consolidated Report of Condition when a "right of setoff" exists. Under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"), a right of setoff exists when all of the following conditions are met:

(1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.

(2) The reporting party has the right to set off the amount owed with the amount owed by the other party.

(3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.

(4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership).

According to ASC Subtopic 210-20, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting bank has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract.

Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability in the Consolidated Report of Condition. The reporting entity's choice to offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently.

Offsetting of assets and liabilities is also permitted by other accounting pronouncements identified in ASC Subtopic 210-20. These pronouncements apply to such items as leveraged leases, pension plan and other postretirement benefit plan assets and liabilities, and deferred tax assets and liabilities. In addition, ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), describes the circumstances in which amounts recognized as payables under repurchase agreements may be offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in the balance sheet. The reporting entity's choice to offset or not to offset payables and receivables under ASC Subtopic 210-20 must be applied consistently.

According to the AICPA Audit and Accounting Guide for Depository and Lending Institutions, ASC Subtopic 210-20 does not apply to securities borrowing or lending transactions. Therefore, for purposes of the Consolidated Report of Condition, banks should not offset securities borrowing and lending transactions in the balance sheet unless all the conditions set forth in ASC Subtopic 210-20 are met.

See also "reciprocal balances."

One-Day Transaction: See "federal funds transactions."

Option: See "derivative contracts."

Organization Costs: See "start-up activities."

Other Real Estate Owned: See "foreclosed assets" and the instructions to Schedule RC-M, item 3.

Other-Than-Temporary Impairment: See “securities activities.”

Overdraft: An overdraft can be either planned or unplanned. An unplanned overdraft occurs when a depository institution honors a check or draft drawn against a deposit account when insufficient funds are on deposit and there is no advance contractual agreement to honor the check or draft. When a contractual agreement has been made in advance to allow such credit extensions, overdrafts are referred to as planned or prearranged. Any overdraft, whether planned or unplanned, is an extension of credit and is to be treated and reported as a "loan" rather than being treated as a negative deposit balance.

Planned overdrafts in depositors' accounts are to be classified in Schedule RC-C, part I, by type of loan according to the nature of the overdrawn depositor. For example, a planned overdraft by a commercial customer is to be classified as a "commercial and industrial loan."

Unplanned overdrafts in depositors' accounts are to be classified in Schedule RC-C, part I, as "All other loans," unless the depositor is a depository institution~~, a foreign government or foreign official institution,~~ or a state or political subdivision in the U.S. Such unplanned overdrafts ~~w~~should be reported in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks," ~~item 7, "Loans to foreign governments and official institutions,"~~ and item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," respectively. In addition, on the FFIEC 031, when the depositor is a foreign government or foreign official institution, an unplanned overdraft in the account of such a depositor should be reported in Schedule RC-C, part I, item 7, “Loans to foreign governments and official institutions.”

An overdraft also occurs when a borrower’s loan secured by real estate has an escrow account for the payment of taxes and/or insurance and the institution pays taxes or insurance on behalf of the borrower when the escrow account does not have sufficient funds to cover the full amount of the payment. Because escrow funds are deposits for purposes of these reports, an overdrawn escrow account should be reported as a “loan” in Schedule RC-C, Part I, in the same loan category in Schedule RC-C, Part I, as the related loan.

For purposes of treatment of overdrafts in depositors' accounts, a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that is established under a bona fide cash management arrangement by this customer function as, and are regarded as, one account rather than as multiple separate accounts. In such a situation, overdrafts in one or more of the transaction accounts within the group are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) For further information, see "cash management arrangements."

The reporting institution's overdrafts on deposit accounts it holds with other depository institutions (i.e., its "due from" accounts) are to be reported as borrowings in Schedule RC, item 16, except overdrafts arising in connection with checks or drafts drawn by the reporting institution and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted).

Participations: See "transfers of financial assets."

Participations in Acceptances: See "bankers acceptances."

Participations in Pools of Securities: See "repurchase/resale agreements."

Pass-through Reserve Balances: Under the Monetary Control Act of 1980, and as reflected in Federal Reserve Regulation D, both member and nonmember depository institutions may hold the balances they maintain to satisfy reserve balance requirements (in excess of vault cash) in one of two ways: either (1) directly with a Federal Reserve Bank or (2) indirectly in an account with another institution (referred to here as a "correspondent"), which, in turn, is required to

<u>Pass-through Reserve Balances (cont.):</u>
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.

<u>In the balance sheet of the respondent bank,</u> 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."

<u>In the balance sheet of the correspondent bank,</u> the pass-through reserve balances are to be treated as <u>balances due to respondents</u> and, to the extent that the balances have actually been passed through to the Federal Reserve, as <u>balances due from the Federal Reserve</u>. 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."

<u>Perpetual Preferred Stock:</u> <u>See</u> "preferred stock."

<u>Placements and Takings:</u> 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.

<u>Preauthorized Transfer Account:</u> <u>See</u> "deposits."

<u>Preferred Stock:</u> 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.

<u>Limited-life preferred stock</u> 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.

<u>Perpetual preferred stock</u> 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<u>, if applicable</u>.

Put Option: See "derivative contracts."

Real Estate ADC Arrangements: See "acquisition, development, or construction (ADC) arrangements."

Real Estate, Loan Secured By: See "loan secured by real estate."

Reciprocal Balances: Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a reporting bank has both a due to and a due from balance with another depository institution.

For purposes of the balance sheet of the Consolidated Report of Condition, reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

Renegotiated Troubled Debt: See "troubled debt restructurings."

~~**Reorganizations:** See "business combinations."~~

Repurchase/Resale Agreements: A repurchase agreement is a transaction involving the "sale" of financial assets by one party to another, subject to an agreement by the "seller" to repurchase the assets at a specified date or in specified circumstances. A resale agreement (also known as a reverse repurchase agreement) is a transaction involving the "purchase" of financial assets by one party from another, subject to an agreement by the "purchaser" to resell the assets at a specified date or in specified circumstances.

As stated in the AICPA's Audit and Accounting Guide for Banks and Savings Institutions, dollar repurchase agreements (also called dollar rolls) are agreements to sell and repurchase similar but not identical securities. The dollar roll market consists primarily of agreements that involve mortgage-backed securities (MBS). Dollar rolls differ from regular repurchase agreements in that the securities sold and repurchased, which are usually of the same issuer, are represented by different certificates, are collateralized by different but similar mortgage pools (for example, single-family residential mortgages), and generally have different principal amounts.

General rule – Consistent with 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), repurchase and resale agreements involving financial assets (e.g., securities and loans), including dollar repurchase agreements, are either reported as (a) secured borrowings and loans or (b) sales and forward repurchase commitments based on whether the transferring ("selling") institution maintains control over the transferred assets. (See the Glossary entry for "transfers of financial assets" for further discussion of control criteria.)

If a repurchase agreement both entitles and obligates the "selling" bank to repurchase or redeem the transferred assets from the transferee ("purchaser"), the "selling" bank should report the transaction as a secured borrowing if and only if the following conditions have been met:

(1) The assets to be repurchased or redeemed are the same or "substantially the same" as those transferred, as defined by ASC Topic 860.

(2) The "selling" institution has the ability to repurchase or redeem the transferred assets on substantially the agreed terms, even in the event of default by the transferee ("purchaser"). This ability is presumed to exist if the "selling" bank has obtained cash or other collateral sufficient to fund substantially all of the cost of purchasing replacement assets from others.

Repurchase/Resale Agreements (cont.):

(3) The agreement is to repurchase or redeem the transferred assets before maturity, at a fixed or determinable price.

(4) The agreement is entered into concurrently with the transfer.

Participations in pools of securities are to be reported in the same manner as security repurchase/resale transactions.

Repurchase agreements reported as secured borrowings – If a repurchase agreement qualifies as a secured borrowing, the "selling" institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities "sold" under agreements to repurchase are reported in Schedule RC, item 14.b, "Securities sold under agreements to repurchase."

(2) Financial assets (other than securities) "sold" under agreements to repurchase are reported as follows:

(a) If the repurchase agreement has an original maturity of one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RC, item 14.a, "Federal funds purchased (in domestic offices)," if it is in a domestic office, and in Schedule RC-M, item 5.b, "Other borrowings," if it is in a foreign office.

(b) If the repurchase agreement has an original maturity of more than one business day or is not in immediately available funds, it should be reported in Schedule RC-M, item 5.b.

In addition, the "selling" institution may need to record further entries depending on the terms of the agreement. If the "purchaser" has the right to sell or repledge noncash assets, the "selling" institution should recategorize the transferred financial assets as "assets receivable" and report them in Schedule RC, item 11, "Other assets." Otherwise, the financial assets should continue to be reported in the same asset category as before the transfer (e.g., securities should continue to be reported in Schedule RC, item 2, "Securities," or item 5, "Trading assets," as appropriate).

Resale agreements reported as secured borrowings. Similarly, if a resale agreement qualifies as a secured borrowing, the "purchasing" institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities "purchased" under agreements to resell are reported in Schedule RC, item 3.b, "Securities purchased under agreements to resell."

(2) Financial assets (other than securities) "purchased" under agreements to resell are reported as follows:

(a) If the resale agreement has an original maturity of one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RC, item 3.a, "Federal funds sold (in domestic offices)," if it is in a domestic office, and in Schedule RC, item 4.b, "Loans and leases held for investment~~, net of unearned income~~," if it is in a foreign office.

(b) If the resale agreement has an original maturity of more than one business day or is not in immediately available funds, it should be reported in Schedule RC, item 4.b.

Securities Activities (cont.):

of applicable taxes, should be reported in item 10 of Schedule RI-A, Changes in Bank Equity Capital, and included on the balance sheet in Schedule RC, item 26.b, "Accumulated other comprehensive income." ~~Information about~~The amount of other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings ~~that occur~~ during the current calendar year-to-date reporting period should be reported in Schedule RI, Memorandum item~~s~~ 14~~.a through 14.c~~. For a held-to-maturity debt security on which the institution has recognized an other-than-temporary impairment loss related to factors other than credit loss in other comprehensive income, the institution should report the carrying value of the debt security in Schedule RC, item 2.a, and in column A of Schedule RC-B, Securities. Under ASC Topic 320, this carrying value should be the fair value of the held-to-maturity debt security as of the date of the most recently recognized other-than-temporary impairment loss adjusted for subsequent accretion of the impairment loss related to factors other than credit loss.

The proper categorization of securities is important to ensure that trading gains and losses are promptly recognized in earnings and regulatory capital. This will not occur when securities intended to be held for trading purposes are categorized as held-to-maturity or available-for-sale. The following practices are considered trading activities:

(1) Gains Trading – Gains trading is characterized by the purchase of a security and the subsequent sale of the same security at a profit after a short holding period, while securities acquired for this purpose that cannot be sold at a profit are typically retained in the available-for-sale or held-to-maturity portfolio. Gains trading may be intended to defer recognition of losses, as unrealized losses on available-for-sale and held-to-maturity debt securities do not directly affect regulatory capital and generally are not reported in income until the security is sold.

(2) When-Issued Securities Trading – When-issued securities trading is the buying and selling of securities in the period between the announcement of an offering and the issuance and payment date of the securities. A purchase of a "when-issued" security acquires the risks and rewards of owning a security and may sell the when-issued security at a profit before having to take delivery and pay for it. Because such transactions are intended to generate profits from short-term price movements, they should be categorized as trading.

(3) Pair-offs – Pair-offs are security purchase transactions that are closed-out or sold at, or prior to, settlement date. In a pair-off, an institution commits to purchase a security. Then, prior to the predetermined settlement date, the institution will pair-off the purchase with a sale of the same security. Pair-offs are settled net when one party to the transaction remits the difference between the purchase and the sale price to the counterparty. Pair-offs may also involve the same sequence of events using swaps, options on swaps, forward commitments, options on forward commitments, or other off-balance sheet derivative contracts.

(4) Extended Settlements – In the U.S., regular-way settlement for federal government and federal agency securities (except mortgage-backed securities and derivative contracts) is one business day after the trade date. Regular-way settlement for corporate and municipal securities is three business days after the trade date. For mortgage-backed securities, it can be up to 60 days or more after the trade date. The use of extended settlements may be offered by securities dealers in order to facilitate speculation on the part of the purchaser, often in connection with pair-off transactions. Securities acquired through the use of a settlement period in excess of the regular-way settlement periods in order to facilitate speculation should be reported as trading assets.

(5) Repositioning Repurchase Agreements – A repositioning repurchase agreement is a funding technique offered by a dealer in an attempt to enable an institution to avoid recognition of a loss. Specifically, an institution that enters into a "when-issued" trade or a "pair-off" (which may include an extended settlement) that cannot be closed out at a profit on the payment or settlement date will be provided dealer financing in an effort to fund its speculative position until the security can be sold at a gain. The institution purchasing the security typically pays the dealer a small margin that

Start-Up Activities (cont.):

Costs of start-up activities, including organization costs, should be expensed as incurred. Costs of acquiring or constructing premises and fixed assets and getting them ready for their intended use are not start-up costs, but the costs of using such assets that are allocated to start-up activities (e.g., depreciation of computers) are considered start-up costs.

For a new bank, pre-opening expenses such as salaries and employee benefits, rent, depreciation, supplies, directors' fees, training, travel, postage, and telephone are considered start-up costs.

Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commences operations should be reported in the Consolidated 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 commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence; 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 commences operations should be included, along with the bank's opening (original) equity capital, in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net." 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 commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence.

The organization costs of forming a holding company and the costs of other holding company start-up activities are sometimes paid by the bank that will be owned by the holding company. Because these are the holding company's costs, whether or not the holding company formation is successful, they should not be reported as expenses of the bank. Accordingly, any unreimbursed costs paid by the bank on behalf of the holding company should be reported as a cash dividend to the holding company in Schedule RI-A, item 9. In addition, if a new bank and holding company are being formed at the same time, the costs of the bank's start-up activities, including its organization costs, should be reported as start-up costs for the bank. If the holding company pays these costs for the bank but is not reimbursed by the bank, the bank should treat the holding company's forgiveness of payment as a capital contribution, which should be reported in Schedule RI-A, item 11, "Other transactions with stockholders (including a parent holding company)," and in Schedule RI-E, item 5.

STRIPS: See "coupon stripping, Treasury receipts, and STRIPS."

Subordinated Notes and Debentures: A subordinated note or debenture is a form of debt issued by a bank or a consolidated subsidiary. When issued by a bank, a subordinated note or debenture is not insured by a federal agency, is subordinated to the claims of depositors, and has an original weighted average maturity of five years or more. Such debt shall be issued by a bank with the approval of, or under the rules and regulations of, the appropriate federal bank supervisory agency and is to be reported in Schedule RC, item 19, "Subordinated notes and debentures."

When issued by a subsidiary, a note or debenture may or may not be explicitly subordinated to the deposits of the parent bank and is to be reported in Schedule RC, item 16, "Other borrowed money," or item 19, "Subordinated notes and debentures," as appropriate.

Those subordinated notes and debentures that are to be reported in Schedule RC, item 19, include mandatory convertible debt.

Transfers of Financial Assets (cont.):

interest at any time from whoever holds it and can enforce that right by discontinuing the flow of interest to the holder of the participating interest at the call date. In this situation, the originating lender has maintained effective control over the participating interest and the transfer of the participating interest should be accounted for as a secured borrowing, not as a sale.

~~If an originating FDIC-insured lender has transferred a loan participation to a participating institution with recourse prior to January 1, 2002, the existence of the recourse obligation in and of itself does not preclude sale accounting for the transfer. If a loan participation transferred with recourse prior to January 1, 2002, meets the three conditions then in effect for the transferor to have surrendered control over the transferred assets, the transfer should be accounted for as a sale for financial reporting purposes. However, a loan participation sold with recourse is subject to the banking agencies' risk-based capital requirements as discussed in the instructions for Schedule RC-R, Regulatory Capital.~~

When~~If~~ an originating FDIC-insured lender transfers a loan participation with recourse ~~after December 31, 2001~~, the participation generally will not be considered isolated from the transferor, i.e., the originating lender, in the event of an FDIC receivership. Section 360.6 of the FDIC's regulations limits the FDIC's ability to reclaim loan participations transferred "without recourse," as defined in the regulations, but does not limit the FDIC's ability to reclaim loan participations transferred with recourse. Under Section 360.6, a participation that is subject to an agreement that requires the originating lender to repurchase the participation or to otherwise compensate the participating institution due to a default on the underlying loan is considered a participation "with recourse." As a result, a loan participation transferred "with recourse" ~~after December 31, 2001,~~ generally should be accounted for as a secured borrowing and not as a sale for financial reporting purposes. This means that the originating lender should not remove the participation from its loan assets on the balance sheet, but should report the secured borrowing in Schedule RC-M, item 5.b, "Other borrowings."

Reporting Transfers of Loan Participations That Do Not Qualify for Sale Accounting – If a transfer of a portion of an entire financial asset does not meet the definition of a participating interest, or if a transfer of a participating interest does not meet all of the conditions for sale accounting, the transfer must be reported as a secured borrowing with pledge of collateral. In these situations, because the transferred loan participation does not qualify for sale accounting, the originating lender must continue to report the transferred participation (as well as the retained portion of the loan) as a loan on the Consolidated Report of Condition balance sheet (Schedule RC), normally in item 4.b, "Loans and leases held for investment~~, net of unearned income~~," and in the appropriate loan category in Schedule RC-C, part I, Loans and Leases. The originating lender should report the transferred loan participation as a secured borrowing on the Call Report balance sheet in Schedule RC, item 16, "Other borrowed money," and in the appropriate subitem or subitems in Schedule RC-M, item 5.b, "Other borrowings;" in Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured;" and in Schedule RC-C, part I, Memorandum item 14, "Pledged loans and leases." As a consequence, the transferred loan participation should be included in the originating lender's loans and leases for purposes of determining the appropriate level for the lender's allowance for loan and lease losses.

A bank that acquires a nonqualifying loan participation (or a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting) should normally report the loan participation or participating interest in item 4.b, "Loans and leases held for investment~~, net of unearned income~~," on the Consolidated Report of Condition balance sheet (Schedule RC) and in the loan category appropriate to the underlying loan, e.g., as a "commercial and industrial loan" in item 4 or as a "loan secured by real estate" in item 1, in Schedule RC-C, part I, Loans and Leases. Furthermore, for risk-based capital purposes, the acquiring bank should assign the loan participation or participating interest to the risk-weight category appropriate to the underlying borrower or, if relevant, the guarantor or the nature of the collateral.