# FFIEC 051

# CALL REPORT

# INSTRUCTION BOOK UPDATE

# MARCH 2019

# FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 051 Call Report is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $1 Billion* (FFIEC 051) and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book for the FFIEC 051 Call Report.

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# Instructions for Preparation of Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $1 Billion (FFIEC 051)

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LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME



LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION



LINE ITEM INSTRUCTIONS FOR SCHEDULE SU

| Item No. | Caption and Instructions |
|---|---|
| **2.c** (cont.) | "Subordinated notes and debentures." Include interest expense incurred on other borrowed money and subordinated notes and debentures reported at fair value under a fair value option.<br><br>Include amortization of debt issuance costs associated with other borrowed money and subordinated notes and debentures (unless these liabilities are reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).<br><br>Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 8). |
| **2.d** | Not applicable. |
| **2.e** | **Total interest expense.** Report the sum of Schedule RI, items 2.a through 2.c. |
| **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.** Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should 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 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, column A, "Provision for credit losses." Report negative amounts with a minus (-) sign.<br><br>Institutions that have adopted ASU 2016-13 should report amounts expensed as provisions for credit losses (or reversals of provisions) during the calendar year to date on assets within the scope of the ASU, i.e., financial assets measured at amortized cost (including loans held for investment and held-to-maturity debt securities), net investments in leases, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on financial assets measured at amortized cost and net investments in leases represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets. Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year to date in the amount of impairment related to credit losses on individual available-for-sale debt securities. Exclude the initial allowance gross-up amounts established upon the purchase of credit-deteriorated financial assets, which are recorded at the date of acquisition as an addition to the purchase price to determine the initial amortized cost basis of the assets. The amount reported in this item must equal the sum of Schedule RI-B, Part II, item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum item 5. Report negative amounts with a minus (-) sign.<br><br>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."<br><br>The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes.<br><br>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").

Report a zero 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.** 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:

(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.

| <u>Item No.</u> | <u>Caption and Instructions</u> |
|---|---|

**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").

(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.

<u>Exclude</u> 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** Not applicable.

**5.d.(1)** **<u>Fees and commissions from securities brokerage, investment banking, advisory, and underwriting activities.</u>** Report fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers (if these fees and commissions are not included in Schedule RI, item 5.a, “Income from fiduciary activities,” or as trading revenue in item 5.l, “Other noninterest income”). However, exclude fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary (report such income in Schedule RI, item 5.d.(2), “Income from insurance activities”).

Also report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

Also include the bank’s proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in securities brokerage, investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

| Item No. | Caption and Instructions |
|---|---|
| **5.d.(2)** | **Income from insurance activities.** Report fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from annuities.<br><br>However, exclude fees and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule RI, item 5.a, "Income from fiduciary activities").<br><br>Also report the amount of premiums earned by bank subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums should be reported net of any premiums transferred to other insurance underwriters/reinsurers in conjunction with reinsurance contracts.<br><br>Report income from insurance product sales and referrals, including:<br><br>(1) Service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products.<br><br>(2) Fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank.<br><br>Also include management fees earned from separate accounts and universal life products.<br><br>Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in annuity sales, insurance underwriting or reinsurance activities, or insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence. |
| **5.e** | Not applicable. |

| Item No. | Caption and Instructions |
|---|---|
| **5.l** (cont.) | |

(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 (a) securities brokerage, investment banking, advisory, or securities underwriting activities or (b) insurance and reinsurance underwriting or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1) and 5.d.(2), 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, "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.

(24) Gains on bargain purchases recognized and measured in accordance with ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations").

(25) Revenue from venture capital activities (which may be a net gain or loss), which generally involves the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. For further information, see the instructions for Schedule RI, item 5.e, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

(26) Fee income (other than servicing fees and commercial paper placement fees) from the bank's securitization and structured finance transactions. (Report income from servicing securitized assets in Schedule RI, item 5.f, and fee income from the placement of commercial paper in Schedule RI, item 5.d.(1)).

Exclude from Schedule RI, item 5.l, "Other noninterest income," income from seller's interests and residual interests retained by the bank in the bank's own securitization transactions (report in the appropriate subitem of Schedule RI, item 1, "Interest income").

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

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

**6.a** **Realized gains (losses) on held-to-maturity securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should also include in this item other-than-temporary impairment losses on individual held-to-maturity securities that must be recognized in earnings. For further information on the accounting for impairment of held-to-maturity securities, see the Glossary entry for "securities activities."

Institutions that have adopted ASU 2016-13 should adjust the amortized cost of a held-to-maturity debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain.

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

Exclude from this item realized gains (losses) on available-for-sale securities (report in Schedule RI, item 6.b, below) and on trading securities (report as trading revenue in Schedule RI, item 5.l, "Other noninterest income").

**6.b** **Realized gains (losses) on available-for-sale securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.b, "Available-for-sale securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted ASU 2016-13 should also include in this item other-than-temporary impairment losses on individual available-for-sale securities that must be recognized in earnings. For further information on the accounting for impairment of available-for-sale securities, see the Glossary entry for "securities activities."

Institutions that have adopted ASU 2016-13 should adjust the amortized cost of an available-for-sale debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain. Also include in this item any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (a) the institution intends to sell the security or (b) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis.

For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RI, item 8.b), include realized gains (losses) only on available-for-sale debt securities in item 6.b. Report realized and unrealized gains (losses) during the year-to-date reporting period on equity securities with readily determinable fair values not held for trading in Schedule RI, item 8.b.

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

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

**6.b** (cont.) Exclude from this item:

(1) (a) For institutions that have not adopted ASU 2016-01, the change in net unrealized holding gains (losses) on available-for-sale debt and equity securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").
(b) For institutions that have adopted ASU 2016-01, the change in net unrealized holding gains (losses) on available-for-sale debt securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").

(2) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a, above) and on trading securities (report as trading revenue in Schedule RI, item 5.l, "Other noninterest income").

(3) For institutions that have adopted ASU 2016-13, provisions for credit losses (and reversals of provisions) that increase (and decrease) the allowance for credit losses on available-for-sale debt securities (report in Schedule RI, item 4, "Provision for loan and lease losses").

**7** **Noninterest expense:**

**7.a** **Salaries and employee benefits.** Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). 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 for purposes of this item.

Include as salaries and employee benefits:

(1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation.

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

**7.d** (cont.)

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.

(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 7 percent of the amount reported in Schedule RI, item 7.d.)

| Item No. | Caption and Instructions |
|---|---|

**7.d** (cont.)

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.c, "Other interest expense"). 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").

(4) For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other-than-temporary impairments that must be recognized in earnings (report in Schedule RI, item 6.a, "Realized gains (losses) on held-to-maturity securities," and item 6.b, "Realized gains (losses) on available-for-sale securities," respectively).

(5) For institutions that have adopted ASU 2016-13:
  (a) Charge-offs of the cost basis of individual held-to-maturity and available-for-sale debt securities resulting from credit losses (report as deductions from the applicable allowance for credit losses in columns B and C, respectively, of Schedule RI-B, Part II, item 3, “Charge-offs”); and
  (b) Any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (i) the institution intends to sell the security or (ii) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis (report in Schedule RI, item 6.b, "Realized gains (losses) on available-for-sale securities”).

(6) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option. Banks should report these net decreases (increases) in fair value on servicing assets and liabilities in Schedule RI, item 5.f, and on financial assets and liabilities (including trading assets and liabilities) in Schedule RI, item 5.l. Interest income earned and interest expense incurred on these financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule RI.

**7.e** **Total noninterest expense.** Report the sum of items 7.a through 7.d.

**8.a** **Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations.** Report the institution’s pretax income from continuing operations before unrealized holding gains (losses) on equity securities not held for trading. This amount is determined by taking item 3, "Net interest income," minus item 4, "Provision for loan and lease losses,"[1] plus item 5.m, "Total noninterest income," plus item 6.a, "Realized gains (losses) on held-to-maturity securities," plus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.e, "Total noninterest expense." If the result is negative, report it with a minus (-) sign.

[1] Note: Institutions that have adopted ASU 2016-13 should report provisions for credit losses on all assets within the scope of the ASU in Schedule RI, item 4.

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

NOTE: Item 8.b is to be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Institutions that have not adopted ASU 2016-01 should leave item 8.b blank and report their unrealized gains (losses) on available-for-sale equity securities during the year-to-date reporting period in Schedule RI-A, item 10, "Other comprehensive income."

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

**8.b** **Unrealized holding gains (losses) on equity securities not held for trading.** Report unrealized holding gains (losses) during the year-to-date reporting period on equity securities with readily determinable fair values not held for trading. Include unrealized holding gains (losses) during the year-to-date reporting period on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings. Also include impairment, if any, plus or minus changes resulting from observable price changes during the year-to-date reporting period on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement election is made).

Include realized gains (losses) on equity securities and other equity investments during the year-to-date reporting period. A realized gain (loss) arises if an institution sells an equity security or other equity investment, but had not yet recorded in earnings the change in value to the point of sale since the last value change was recorded.

**8.c** **Income (loss) before applicable income taxes and discontinued operations.** Report the institution's pretax income from continuing operations as the sum of Schedule RI, item 8.a, "Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations," and Schedule RI, item 8.b, "Unrealized holding gains (losses) on equity securities not held for trading." If the amount is negative, report it with a minus (-) sign.

**9** **Applicable income taxes (on item 8.c).** Report the total estimated federal, state, and local income tax expense applicable to item 8.c, "Income (loss) before applicable income taxes and discontinued operations." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report it with a minus (-) sign.

Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts (report such taxes in Schedule RI, item 7.d, "Other noninterest expense").

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## Memoranda

**Item No. Caption and Instructions**

NOTE: Memorandum item 12 is to be completed by banks that are required to complete Schedule RC-C, Part I, Memorandum items 8.b and 8.c, and is to be completed annually as of the December 31 report date.

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

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

**13** Not applicable.

NOTE: Memorandum item 14 is to be completed only by institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Institutions that have adopted ASU 2016-13 should leave Memorandum item 14 blank.

**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 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

**Memoranda**

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

**14** (cont.) 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 entry for “securities activities.”

# SCHEDULE RI-B – CHARGE-OFFS AND RECOVERIES ON LOANS AND LEASES AND CHANGES IN ALLOWANCES FOR CREDIT LOSSES

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

### General Instructions

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

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

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

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

### Item Instructions

**Item No. Caption and Instructions**

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

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

**Part I. (cont.)**

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

**Part I. (cont.)**

| **Item No.** | **Caption and Instructions** |
|---|---|
| **2** and **3** | Not applicable. |
| **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. |
| **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. |
| **5.b** | **Automobile loans.** Report in columns A and B, as appropriate, all loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (as defined for Schedule RC-C, Part I, item 6.c) charged-off and recovered. |
| **5.c** | **Other (includes revolving credit plans other than credit cards and other consumer loans).** Report in columns A and B, as appropriate, all other extensions of credit to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, Part I, items 6.b and 6.d) charged-off and recovered. |
| **6** | Not applicable. |
| **7** | **All other loans.** 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. |
| **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. |
| **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, column A, “Charge-offs,” below. The amount reported in column B must equal Schedule RI-B, Part II, item 2, column A, “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.

**2** Not applicable.

**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,) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, Part I, item 12).

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) charged off and recovered. Such loans will have been included in Schedule RI-B, Part I, item 7, above.

## Part II. Changes In Allowances for Credit Losses

### General Instructions

This part has three columns for information on year-to-date activity in the allowances for credit losses, one for each of the following three asset categories: (1) loans and leases held for investment (column A), (2) held-to-maturity debt securities (column B), and (3) available-for-sale debt securities (column C).

Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should report the reconcilement of the allowance for loan and lease losses on a calendar year-to-date basis in column A. Such institutions should leave columns B and C blank.

Institutions that have adopted ASU 2016-13 should report reconcilements of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities in columns A, B, and C, respectively.

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 in column A the activity in the allocated transfer risk reserve during the calendar year-to-date that relates to loans and leases held for investment. Institutions that have adopted ASU 2016-13 should report such activity that relates to held-to-maturity and available-for-sale debt securities in columns B and C, respectively.

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, regardless of whether the reporting institution has adopted ASU 2016-13, the institution may not carry over the allowance for loan and lease losses or the allowances for credit losses, as applicable, of the acquired institution or other business as of the acquisition date. However, for a reporting institution that has adopted ASU 2016-13 and has acquired financial assets in a business combination that management has determined to be purchased credit-deteriorated as of the acquisition date, the institution should report the initial allowance gross-up amounts established upon the purchase of these assets, which are recorded at the date of acquisition as an addition to the purchase price to determine the initial amortized cost basis of the assets, should be reported as positive amounts in the applicable columns of Schedule RI-B, Part II, item 6, "Adjustments."

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, regardless of whether the reporting institution has adopted ASU 2016-13, the reporting institution's loans and leases must be restated to their acquisition-date fair values and the institution may not carry over its

## Part II. (cont.)

## General Instructions (cont.)

allowance for loan and lease losses or its allowances for credit losses, as applicable, as of the acquisition date. As a consequence:

- For a reporting institution that has not adopted ASU 2016-13, the amount reported in Schedule RI-B, Part II, item 1, column A, 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 amount in Schedule RI-B, Part II, item 6, column A, "Adjustments."
- For a reporting institution that has adopted ASU 2016-13, the amounts reported in Schedule RI-B, Part II, item 1, columns A, B, and C, for the balances of the allowances for credit losses most recently reported for the end of the previous calendar year must be reported as negative amounts in Schedule RI-B, Part II, item 6, columns A, B, and C, "Adjustments." In addition, when applying pushdown accounting, for those financial assets that management has determined to be purchased credit-deteriorated as of the institution's acquisition date, the institution should report as positive amounts in the applicable columns of Schedule RI-B, Part II, item 6, "Adjustments," the initial allowance gross-up amounts established as of the acquisition date, which are recorded as an addition to the acquisition-date fair values of these purchased credit-deteriorated assets to determine their initial amortized cost basis.

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.

- A reporting institution that has not adopted ASU 2016-13 should 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, column A, "Adjustments."
- A reporting institution that has adopted ASU 2016-13 should report the balances as of the end of the previous calendar year of the allowances for credit 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, columns A, B, or C, "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.** For an institution that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, report in column A the balance of the institution's allowance for loan and lease losses as reported in the Reports of Condition and Income for the previous calendar year-end after the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) the previous calendar year-end.

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the balances of the institution's allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, 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 these allowances for credit losses that were made in any amended report(s) for the previous calendar year-end. In the year of adoption of ASU 2016-13, institutions should report a zero balance in columns B and C.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**2** **Recoveries.** For an institution that has not adopted ASU 2016-13, report in column A the amount credited to the allowance for loan and lease losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for loan and lease losses. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column B.

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts credited to the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, for recoveries during the calendar year-to-date on amounts previously charged against these allowances for credit losses. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column B.

**3** **LESS: Charge-offs.** For an institution that has not adopted ASU 2016-13, report in column A the amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column A, "Total" charge-offs, less Schedule RI-B, Part II, item 4, “LESS: Write-downs arising from transfers of financial assets.”

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts of loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities charged against the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column A, "Total" charge-offs, less Schedule RI-B, Part II, item 4, column A, “LESS: Write-downs arising from transfers of financial assets.”

**4** **LESS: Write-downs arising from transfers of financial assets.** For an institution that has not adopted ASU 2016-13, report in column A the amount of write-downs to fair value charged against the allowance for loan and lease losses resulting from transfers of loans and leases to a held-for-sale account during the calendar year-to-date that occurred when:

- The reporting institution decided to sell loans and leases that were not originated or otherwise acquired with the intent to sell, and
- The fair value of those loans and leases had declined for any reason other than a change in the general market level of interest or foreign exchange rates.

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts of write-downs to fair value charged against the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, resulting from transfers of loans and leases to a held-for-sale account (resulting from the events described above), or transfers of held-to-maturity debt securities and available-for-sale debt securities between held-to-maturity, available-for-sale, and trading accounts during the calendar year-to-date.

**5** **Provisions for credit losses.** For an institution that has not adopted ASU 2016-13, report in column A the amount expensed as the provision for loan and losses during the calendar year-to-date. The provision for loan and lease losses represents the amount needed to make the allowance for loan and lease losses adequate to absorb estimated loan and lease losses, based upon management's evaluation of the bank's current loan and lease exposures. The amount reported in this item must equal Schedule RI, item 4. If the amount reported in this item is negative, report it with a minus (-) sign.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**5** (cont.) For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts columns A, B, and C the amounts expensed as provisions for credit losses (or reversals of provisions) on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. Provisions for credit losses (or reversals of provisions) on loans and leases held for investment and held-to-maturity debt securities represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets. Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year to date in the amount of impairment related to credit losses on individual available-for-sale debt securities. The sum of the amounts reported in item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum item 5, "Provisions for credit losses on other financial assets measured at amortized cost," must equal Schedule RI, item 4. If the amount reported in column A, B, or C for this item is negative, report it with a minus (-) sign.

**6** **Adjustments.** Report all activity in the allowance for loan and lease losses or the allowances for credit losses, as applicable, that cannot be properly reported in Schedule RI-B, Part II, items 2 through 5, above.

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):

- A reporting institution that has not adopted ASU 2016-13 should report in column A of this item as a negative amount the balance of the allowance for loan and lease losses most recently reported for the end of the previous calendar year, as reported in Schedule RI-B, Part II, item 1, column A, above.
- A reporting institution that has adopted ASU 2016-13 should report as negative amounts in columns A, B, and C of this item the balances of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, most recently reported for the end of the previous calendar year in Schedule RI-B, Part II, item 1, columns A, B, and C, above. In addition, when applying pushdown accounting, for those financial assets that management has determined to be purchased credit-deteriorated as of the institution's acquisition date, the institution should report as positive amounts in columns A, B, and C of this item, as appropriate, the initial allowance gross-up amounts established as of the acquisition date, which are recorded as an addition to the acquisition-date fair values of these purchased credit-deteriorated assets to determine their initial amortized cost basis.

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:

- A reporting institution that has not adopted ASU 2016-13 should report in column A of this item the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the institution or other business that combined with the reporting institution in the common control transaction.
- A reporting institution that has adopted ASU 2016-13 should report in columns A, B, and C of this item the balances as of the end of the previous calendar year of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, of the institution or other business that combined with the reporting institution in the common control transaction.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **6** (cont.) | A reporting institution that adopted ASU 2016-13 as of an effective date during the year-to-date reporting period should report in columns A, B, and C of this item, as appropriate, changes in allowance amounts from initially applying ASU 2016-13 to loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities as of the beginning of the fiscal year in which the institution adopts this ASU. The changes in allowance amounts include the initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date.<br><br>A reporting institution that has adopted ASU 2016-13 should report in columns A, B, and C of this item, as appropriate, the initial allowance gross-up amounts recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13.<br><br>If the amount reported in this item is negative, report it with a minus (-) sign.<br><br>State the dollar amount of and describe each transaction included in this item in Schedule RI-E, Explanations, item 6. |
| **7** | **Balance end of current period.** Report in columns A, B, and C the sum of items 1, 2, 5, and 6, less items 3 and 4. The amount reported in column A for this item must equal the allowance amount reported in Schedule RC, item 4.c. |

**Part II. (cont.)**

**Memoranda**

| **Item No.** | **Caption and Instructions** |
|---|---|
| **1-4** | Not applicable. |

NOTE: Memorandum items 5 and 6 are to be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses.

**5** **Provisions for credit losses on other financial assets measured at amortized cost (not included in item 5, above).** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) included in Schedule RI, item 4, on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on these other financial assets measured at amortized cost represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets.

Exclude provisions for credit losses on off-balance sheet credit exposures, which are reported in Schedule RI, item 7.d, "Other noninterest expense."

**6** **Allowances for credit losses on other financial assets measured at amortized cost (not included in item 7, above).** Report in this item the total amount of allowances for credit losses on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. The allowances to be included in this item are associated with the provisions for credit losses reported in Memorandum item 5, above.

Exclude the allowance for credit losses on off-balance sheet credit exposures, which is reported in Schedule RC-G, item 3.

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

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.

4 **Cumulative effect of changes in accounting principles and corrections of material accounting errors.** Disclose in items 4.a through 4.d the dollar amount of the cumulative effect of each change in accounting principle and correction of a material accounting error, net of applicable income taxes, that is included in Schedule RI-A, item 2.

If the cumulative effect of an accounting principle change or an accounting error correction represents a reduction of the bank's equity capital, report the dollar amount with a minus (-) sign.

Preprinted captions have been provided for the following accounting principle changes:

- Item 4.a, "Effect of adoption of current expected credit losses methodology – ASU 2016-13," and
- Item 4.b, "Effect of adoption of lease accounting standard – ASC Topic 842."

In item 4.a, report the cumulative-effect adjustment included in Schedule RI-A, item 2, for the changes in the allowances for credit losses, net of applicable income taxes, recognized in retained earnings as of the beginning of the fiscal year in which the institution adopts FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Exclude the initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date (report the initial allowance gross-up amounts for loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities in the appropriate column of Schedule RI-B, Part II, item 6, and in the aggregate in Schedule RI-E, item 6.b). Institutions that have not adopted ASU 2016-13 should leave item 4.a blank.

In item 4.b, report the adjustment to bank equity capital included in Schedule RI-A, item 2, resulting from the initial application of ASC Topic 842, Leases, net of applicable income taxes, as of the beginning of the fiscal year in which the institution adopts this accounting standard. Institutions that have not adopted ASC Topic 842 should leave item 4.b blank.

For other accounting principle changes and accounting error corrections included in Schedule RI-A, item 2, list and briefly describe in items 4.c and 4.d the dollar amount of the cumulative effect of each change in accounting principle and correction of a material accounting error, net of applicable income taxes. If Schedule RI-A, item 2, includes more than two accounting principle changes and accounting error corrections (other than the accounting principle changes reported in items 4.a and 4.b), report the cumulative effect of each additional accounting principle change and accounting error correction in Schedule RI-E, item 7, below.

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

5 **Other transactions with stockholders (including a parent holding company).** List and briefly describe in items 5.a and 5.b the dollar amount of each type of other transaction with the reporting institution's stockholders, including its parent holding company, if any, that is included in Schedule RI-A, item 11. If Schedule RI-A, item 11, includes more than two types of other transactions, report the additional types of other transactions in Schedule RI-E, item 7, below.

If the effect of a type of other transaction with the reporting institution's stockholders, including a parent holding company, if any, is to reduce the institution's equity capital, report the dollar amount with a minus (-) sign.

6 **Adjustments to allowances for credit losses.** Disclose in items 6.a through 4.d the dollar amount of each type of adjustment to allowances for credit losses on loans and leases, held-to-maturity debt securities, and available-for-sale debt securities that is included in Schedule RI-B, Part II, item 6, columns A, B, and C, respectively.

If the effect of an adjustment is to reduce the bank's allowances for credit losses, report the dollar amount with a minus (-) sign.

Preprinted captions have been provided for the following adjustments to allowances for credit losses:

- Item 6.a, "Initial allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13," and
- Item 6.b, "Effect of adoption of current expected credit losses methodology on allowances for credit losses."

In item 6.a, institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should report the initial allowance gross-up amounts recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13 that are included as adjustments in Schedule RI-B, Part II, item 6, columns A, B, and C. Exclude post-acquisition changes in the allowances for credit losses on purchased credit-deteriorated loans and leases, held-to-maturity debt securities, and available-for-sale debt securities (report such changes as provisions for credit losses in Schedule RI-B, Part II, item 5, columns A, B, and C, respectively.) Institutions that have not adopted ASU 2016-13 should leave item 6.a blank.

In item 6.b, institutions that have adopted ASU 2016-13 should report the changes in allowance amounts from initially applying ASU 2016-13 to loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities as of the beginning of the fiscal year in which the institution adopts this ASU. These changes in allowance amounts include the initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date. Institutions that have not adopted ASU 2016-13 should leave item 6.b blank.

Institutions that have not adopted ASU 2016-13 should list and briefly describe in items 6.c and 6.d the dollar amount of each type of adjustment to the allowance for loan and lease losses included in Schedule RI-B, Part II, item 6, column A.

| Item No. | Caption and Instructions |
|---|---|
| 6 (cont.) | Institutions that have adopted ASU 2016-13 should list and briefly describe in items 6.c and 6.d the dollar amount of each type of adjustment to allowances for credit losses included in Schedule RI-B, Part II, item 6, columns A, B, and C, that is not reported in items 6.a or 6.b.<br><br>If Schedule RI-B, Part II, item 6, includes more than two types of adjustments (other than the adjustments reported in items 6.a and 6.b), report the additional adjustments in Schedule RI-E, item 7, below. |
| 7 | **Other explanations.** In the space provided on the report form, the bank may, at its option, list and briefly describe any other significant items relating to the Consolidated Report of Income. The bank's other explanations must not exceed 750 characters, including punctuation and standard spacing between words and sentences. |

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| Item No. | Caption and Instructions |
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| 1.a (cont.) | Exclude from cash items in process of collection: |

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

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

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

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

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date.

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

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

Include as noninterest-bearing balances due from depository institutions:

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

| Item No. | Caption and Instructions |
|---|---|
| 1.a (cont.) | (2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")<br><br>(3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "pass-through reserve balances" for further discussion).<br><br>Exclude from noninterest-bearing balances due from depository institutions:<br><br>(1) Balances due from Federal Reserve Banks (report as interest-bearing balances due from depository institutions in Schedule RC, item 1.b).<br><br>(2) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks").<br><br>(3) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions. |
| 1.b | **Interest-bearing balances.** Report all interest-bearing balances due from depository institutions whether in the form of demand, savings, or time balances, including certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers, but excluding certificates of deposit held for trading. Include balances due from Federal Reserve Banks (including balances maintained to satisfy reserve balance requirements, excess balances, and term deposits), commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Include the fair value of interest-bearing balances due from depository institutions that are accounted for at fair value under a fair value option.<br><br>Exclude from interest-bearing balances:<br><br>(1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, Part I, item 2).<br><br>(2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.<br><br>(3) Certificates of deposit held for trading (report in Schedule RC, item 5).<br><br>(4) Investments in money market mutual funds, which, for purposes of these reports, are to be reported as investments in equity securities. |
| 2 | **Securities:** |
| 2.a | **Held-to-maturity securities.** For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, report the amount from Schedule RC-B, item 8, column A, "Total amortized cost."<br><br>For institutions that have adopted ASU 2016-13, report the amortized cost of held-to-maturity securities net of any applicable allowances for credit losses, i.e., report the amount from Schedule RC-B, item 8, column A, "Total amortized cost," less the amount of allowances for credit losses on held-to-maturity securities reported in Schedule RI-B, Part II, item 7, column B, "Balance end of current period." |

| Item No. | Caption and Instructions |
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| 2.b | **Available-for-sale securities.** Report the amount from Schedule RC-B, item 8, column D, "Total fair value." |

NOTE: Item 2.c is to be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Institutions that have not adopted ASU 2016-01 should leave item 2.c blank and report their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in Schedule RC-B, item 7, and in Schedule RC, item 2.b.

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

**2.c** **Equity securities with readily determinable fair values not held for trading.** Report the fair value of all investments in mutual funds and other equity securities (as defined in ASC Topic 321, Investments-Equity Securities) with readily determinable fair values that are not held for trading. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

Exclude equity securities held for trading from Schedule RC, item 2.c. For purposes of the Call Report balance sheet, 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, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes. When an institution’s holdings of equity securities with readily determinable fair values fall within the scope of the preceding description of trading activities, the equity securities should be reported as trading assets in Schedule RC, item 5. Otherwise, the equity securities should be reported in this item 2.c.

According to ASC Topic 321, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. (“Restricted stock” meets that definition if the

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

**2.c** (cont.) restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund (or in a structure similar to a mutual fund, i.e., a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

Exclude from equity securities with readily determinable fair values not held for trading:

(1) Federal Reserve Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(2) Federal Home Loan Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).

(4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6).

(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(7) Minority interests held by the reporting institution in any companies not meeting the definition of associated company (report as equity investments without readily determinable fair values in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)

| Item No. | Caption and Instructions |
|---|---|
| 2.c (cont.) | (8) Equity holdings in those corporate joint ventures over which the reporting institution does not exercise significant influence (report as equity investments without readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)<br><br>(9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies"). |
| 3 | **Federal funds sold and securities purchased under agreements to resell:** |
| 3.a | **Federal funds sold.** Report the outstanding amount of federal funds sold, i.e., immediately available funds lent 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.<br><br>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.<br><br>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.<br><br>Also exclude from federal funds sold:<br><br>(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").<br><br>(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").<br><br>(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).<br><br>(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").<br><br>For further information, see the Glossary entry for "federal funds transactions." |

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

Except as noted below, 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.

For institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, report securities purchased under agreements to resell net of any applicable allowances for credit losses.

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," 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.

**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. For institutions that have not adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, 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.

For institutions that have adopted ASU 2016-13, no allowances for credit losses should be included in Schedule RC, item 4.c, for loans and leases held for sale.

| Item No. | Caption and Instructions |
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| 4.b | **Loans and leases held for investment.** 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. |
| 4.c | **Less: Allowance for loan and lease losses.** For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit 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." For institutions that have adopted ASU 2016-13, report the allowance for credit losses on loans and leases. 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 Subpart C of Part 28 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, column A, "Balance end of current period." |
| 4.d | **Loans and leases held for investment, net of 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 debt securities within the scope of ASC Topic 320, Investments-Debt 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 debt 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 debt 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. |

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

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

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

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

<u>Include</u> as premises and fixed assets:

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

(2) Leasehold improvements, vaults, and fixed machinery and equipment.

(3) Remodeling costs to existing premises.

(4) Real estate acquired and intended to be used for future expansion.

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

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

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

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

(9) (a) Stocks and bonds issued by nonmajority-owned corporations and
(b) Investments in limited partnerships or limited liability companies (other than investments so minor that the institution has virtually no influence over the partnership or company)
whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the bank, its branches, or its consolidated subsidiaries. For institutions that have adopted ASU 2016-01 (see the Note preceding the instructions for Schedule RC, item 2.c), report such stocks and

.

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

6 (cont.) investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Exclude from premises and fixed assets:

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

(2) Favorable leasehold rights (report in Schedule RC-M, item 2.c, "All other intangible assets")

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

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

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

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

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

9 **Direct and indirect investments in real estate ventures.** Report the amount of the bank's direct and indirect investments in real estate ventures. Exclude real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure, and equity holdings that indirectly represent such real estate (report in Schedule RC-M, item 3, "Other real estate owned").

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

| Item No. | Caption and Instructions |
|---|---|

9 (cont.) Include as direct and indirect investments in real estate ventures:

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

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly AICPA Practice Bulletin 1, Appendix, Exhibit I, "ADC Arrangements").

(3) Real estate originally acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly FASB Statement No. 66, "Accounting for Sales of Real Estate"). Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under ASC Subtopic 360-20 is being used to account for the sale, the receivable resulting from the sale of the real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with ASC Subtopic 360-20.

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

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

(6) Investments in corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the bank has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes. For institutions that have adopted ASU 2016-01 (see the Note preceding the instructions for Schedule RC, item 2.c), report such investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

10 **Intangible assets.** Report the total amount of intangible assets from Schedule RC-M, item 2.d.

| <u>Item No.</u> | <u>Caption and Instructions</u> |
|---|---|
| 11 | **<u>Other assets.</u>** Report the amount from Schedule RC-F, item 7, "Total." |
| 12 | **<u>Total assets.</u>** Report the sum of items 1 through 11. This item must equal Schedule RC, item 29, "Total liabilities and equity capital." |

# LIABILITIES

| Item No. | Caption and Instructions |
|---|---|
| 13 | **Deposits.** (For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for "deposits.") |
| 13.a | **In domestic offices.** Report the total of all deposits of the reporting bank. This item must equal the sum of Schedule RC-E, item 7, columns A and C.<br><br>This item must also equal the sum of items 13.a.(1) and 13.a.(2) below. |
| 13.a.(1) | **Noninterest-bearing.** Report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. Noninterest-bearing deposits include noninterest-bearing demand, time, and savings deposits. |
| 13.a.(2) | **Interest-bearing.** Report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. Include interest-bearing demand deposits. |
| 13.b | Not applicable. |
| 14 | **Federal funds purchased and securities sold under agreements to repurchase:** |
| 14.a | **Federal funds purchased.** Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule RC, item 14.b) and Federal Home Loan Bank advances (which should be reported in Schedule RC, item 16). Transactions that are to be reported as federal funds purchased may be secured or unsecured or may involve an agreement to repurchase loans or other instruments that are not securities.<br><br>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.<br><br>Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, 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 purchased that are accounted for at fair value under a fair value option.<br><br>Also exclude from federal funds purchased:<br><br>(1) Purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 16, "Other borrowed money").<br><br>(2) Security repurchase agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase"). |

# EQUITY CAPITAL

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

**23** **Perpetual preferred stock and related surplus.** Report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value. (See the Glossary entry for "preferred stock" for the definition of perpetual preferred stock.)

**24** **Common stock.** Report the aggregate par or stated value of common stock issued.

**25** **Surplus.** Report the net amount formally transferred to the surplus account, including capital contributions, adjustments arising from treasury stock transactions, and any amount received for common stock in excess of its par or stated value on or before the report date.

Do not include any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate).

**26.a** **Retained earnings.** Report the amount of retained earnings (undivided profits) and capital reserves. The amount of the retained earnings and capital reserves should reflect transfers of net income, declarations of dividends, transfers to surplus, and any other appropriate entries.

Adjustments of accruals and other accounting estimates made shortly after the report date which relate to the income and expenses of the year-to-date period ended as of the report date must be reported in the appropriate items of Schedule RI, Income Statement, for that year-to-date period.

Capital reserves are segregations of retained earnings and are not to be reported as liability accounts or as reductions of asset balances. Capital reserves may be established for such purposes as:

(1) Reserve for undeclared stock dividends – includes amounts set aside to provide for stock dividends (not cash dividends) not yet declared.

(2) Reserve for undeclared cash dividends – includes amounts set aside for cash dividends on common and preferred stock not yet declared. (Cash dividends declared but not yet payable should be included in Schedule RC-G, item 5, "Other" liabilities.)

(3) Retirement account (for limited-life preferred stock or subordinated notes and debentures) – includes amounts allocated under the plan for retirement of limited-life preferred stock or subordinated notes and debentures contained in the bank's articles of association or in the agreement under which such stock or notes and debentures were issued.

(4) Reserve for contingencies – includes amounts set aside for possible unforeseen or indeterminate liabilities not otherwise reflected on the bank's books and not covered by insurance. This reserve may include, for example, reserves set up to provide for possible losses which the bank may sustain because of lawsuits, the deductible amount under the bank's blanket bond, defaults on obligations for which the bank is contingently liable, or other claims against the bank. A reserve for contingencies represents a segregation of retained earnings. It should not include any element of known losses or of any probable incurred losses the amount of which can be estimated with reasonable accuracy (see the Glossary entry for "loss contingencies" for additional information).

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

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

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

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

(3) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., for institutions that have not adopted ASU 2016-13, which governs the accounting for credit losses, the allowance for loan and lease losses, and, for institutions that have adopted ASU 2016-13, allowances for credit losses), reserves for depreciation, and reserves for bond premiums.

**26.b** **Accumulated other comprehensive income.** Report the accumulated balance of other comprehensive income as of the report date in accordance with ASC Subtopic 220-10, Comprehensive Income – Overall (formerly FASB Statement No. 130, "Reporting Comprehensive Income"), net of applicable income taxes, if any. "Other comprehensive income" refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income.

Items of accumulated other comprehensive income include:

(1) Net unrealized holding gains (losses) on available-for-sale securities (including debt securities transferred into the available-for-sale category from the held-to-maturity category), i.e., the difference between the amortized cost and the fair value of the reporting bank's available-for-sale securities (excluding any available-for-sale securities previously written down as other-than-temporarily impaired, and, for institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13) which governs the accounting for credit losses, excluding the portion of the difference consisting of an allowance for credit losses, if any).[1] For most institutions, all "securities," as that term is defined in ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), that are designated as "available-for-sale" will be reported as "Available-for-sale securities" in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, an institution may have certain assets that fall within the definition of "securities" in ASC Topic 320 (e.g., nonrated industrial development obligations) that it has designated as "available-for-sale" and reports in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables") for purposes of the Consolidated Report of Condition. These "available-for-sale" assets must be carried on the Consolidated Report of Condition balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects (and subject to the exclusions mentioned above), also must be included in this item.

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

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

**26.b** (cont.)

(2) The unamortized balance of the unrealized holding gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category. Consistent with ASC Topic 320, when a debt security is transferred from the available-for-sale category into the held-to-maturity category, the unrealized holding gain (loss) at the date of transfer continues to be reported in the accumulated other comprehensive income account, but must be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

(3) (a) For institutions that have not adopted ASU 2016-13, the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, plus the accumulated amount of subsequent decreases (if not other-than-temporary impairment losses) or increases in the fair value of available-for-sale debt securities previously written down as other-than-temporarily impaired.

(b) For institutions that have adopted ASU 2016-13, the unaccreted portion of unrealized losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, plus the accumulated amount of subsequent increases or decreases (not attributable to credit impairment) in the fair value of available-for-sale debt securities, and increases in the fair value of available-for-sale debt securities after a write-down that resulted from the intent to sell or a more-likely-than-not requirement to sell.

(4) Accumulated net gains (losses) on derivative instruments that are designated and qualify as cash flow hedges,[2] i.e., the effective portion[3] of the accumulated change in fair value (gain or loss) on derivative instruments designated and qualifying as cash flow hedges in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended).

Under ASC Topic 815, an institution that elects to apply hedge accounting must exclude from net income the effective portion of the change in fair value of a derivative designated and qualifying as a cash flow hedge and record it on the balance sheet in the accumulated other comprehensive income component of equity capital. The ineffective portion of the change in fair value of the derivative designated and qualifying as a cash flow hedge must be reported in earnings. The component of accumulated other comprehensive income associated with a transaction hedged in a cash flow hedge should be adjusted each reporting period to a balance that reflects the lesser (in absolute amounts) of:

(a) The cumulative gain (loss) on the derivative from inception of the hedge, less (i) amounts excluded consistent with the institution's defined risk management

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[2] Generally, the objective of a cash flow hedge is to link a derivative to an existing recognized asset or liability or a forecasted transaction with exposure to variability in expected future cash flows, e.g., the future interest payments (receipts) on a variable-rate liability (asset) or a forecasted purchase (sale). The changes in cash flows of the derivative are expected to offset changes in cash flows of the hedged item or transaction. To achieve the matching of cash flows, ASC Topic 815 requires that the effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges initially be reported in the accumulated other comprehensive income component of equity capital and subsequently be reclassified into earnings in the same future period or periods that the hedged transaction affects earnings.

[3] The effective portion of a cash flow hedge can be described as the change in fair value of the derivative that offsets the change in expected future cash flows being hedged. Refer to ASC Topic 815, for further information.

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

**26.b** (cont.) strategy and (ii) the derivative's gains (losses) previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction, or

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

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

(5) The accumulated amounts of gains (losses), transition assets or obligations, and prior service costs or credits associated with single-employer defined benefit pension and other postretirement plans that have not yet been recognized as components of net periodic benefit cost in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (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”).

**26.c** **Other equity capital components.** Report in this item as a negative amount the carrying value of any treasury stock and any unearned Employee Stock Ownership Plan (ESOP) shares, which under generally accepted accounting principles are reported in a contra-equity account on the balance sheet. For further information, see the Glossary entry for “treasury stock” and ASC Subtopic 718-40, Compensation-Stock Compensation – Employee Stock Ownership Plans (formerly AICPA Statement of Position 93-6, “Employers’ Accounting for Employee Stock Ownership Plans”).

Report in this item as a negative amount notes receivable that represent a capital contribution and are reported as a deduction from equity capital in accordance with ASC Subtopic 505-10, Equity – Overall (formerly EITF Issue No. 85-1, “Classifying Notes Received for Capital Stock”) and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). Also report in this item as a negative amount accrued interest receivable on such notes receivable that are reported as a deduction from equity capital in accordance with ASC Subtopic 505-10. Interest income accrued on such notes receivable should not be reported as interest income in Schedule RI, but as additional paid-in-capital in Schedule RC, item 23 or 25, as appropriate. For further information, see the Glossary entry for “capital contributions of cash and notes receivable” and ASC Subtopic 505-10.

**27.a** **Total bank equity capital.** Report the sum of items 23 through 26.c. This item must equal Report of Income Schedule RI-A, item 12, “Total bank equity capital end of current period.”

**27.b** **Noncontrolling (minority) interests in consolidated subsidiaries.** Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank held by parties other than the parent bank. A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank’s subsidiary not attributable, directly or indirectly, to the parent bank.

# SCHEDULE RC-B – SECURITIES

## General Instructions

Items 1 through 8 of this schedule have 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. For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, 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. Institutions that have adopted ASU 2016-01 should report their holdings of equity securities with readily determinable fair values not held for trading in Schedule RC, item 2.c, not in Schedule RC-B. For further information on ASU 2016-01, see the Note preceding the instructions for Schedule RC-B, item 7.

For institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, report the amortized cost of held-to-maturity securities and available-for-sale debt securities in columns A and C, respectively, without any deduction for allowances for credit losses on such securities.

Exclude from this schedule all securities held for trading and debt 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 debt securities reported under a fair value option are to be reported in Schedule RC, item 5, "Trading assets." Institutions must report whether they utilize the fair value option to measure any of their assets or liabilities in Schedule SU, item 3, and, if appropriate, information about their fair value option assets and liabilities in the corresponding subitems.

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 (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 debt 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 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 Consolidated Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

## General Instructions (cont.)

(2) Purchases and sales of participations in pools of securities – Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities if the participation agreements meet the criteria for a borrowing set forth in ASC Topic 860. For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

(3) Pledged securities – Pledged securities that have not been transferred to the secured party should continue to be included in the pledging bank's holdings of securities that are reported in Schedule RC-B. If the bank has transferred pledged securities to the secured party, the bank should account for the pledged securities in accordance with ASC Topic 860.

(4) Securities borrowed and lent – Securities borrowed and lent shall be reported on the balance sheet of either the borrowing or lending bank in accordance with ASC Topic 860. For further information, see the Glossary entries for "transfers of financial assets" and "securities borrowing/lending transactions."

(5) Short sales of securities – Such transactions are to be reported as described in the Glossary entry for "short position."

(6) Futures, forward, and option contracts – Such open contracts to buy or sell securities in the future are to be reported as derivatives. Institutions must report whether they have any derivative contracts in Schedule SU, item 1, and, if appropriate, information about their derivative contracts in the corresponding subitems.

## Item Instructions

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

1 **U.S. Treasury securities.** Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held for trading. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed."

Exclude all obligations of U.S. Government agencies. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in Schedule RC-B, item 6.a below). Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

. 2 **U.S. Government agency and sponsored agency obligations.** Report in the appropriate columns the amortized cost and fair value of all obligations of U.S. Government agencies and U.S. Government-sponsored agencies (excluding mortgage-backed securities) not held for trading.

Distinction between U.S. Government Agencies and U.S. Government-sponsored Agencies – For purposes of these reports, a U.S. Government agency is defined as an instrumentality of the U.S. Government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. In contrast, a U.S. Government-sponsored agency is defined as an agency originally established or chartered by the U.S. Government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. Government.

| Item No. | Caption and Instructions |
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**4.c.(1)(b)** **<u>Other pass-through securities.</u>** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.

**4.c.(2)** **<u>Other commercial mortgage-backed securities.</u>** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties. Exclude commercial mortgage pass-through securities (report in Schedule RC-B, item 4.c.(1), above).

**4.c.(2)(a)** **<u>Issued or guaranteed by U.S. Government agencies or sponsored agencies.</u>** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies.

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

**4.c.(2)(b)** **<u>All other commercial MBS.</u>** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.

**5** **<u>Asset-backed securities and structured financial products:</u>**

**5.a** **<u>Asset-backed securities.</u>** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers.

**5.b** **<u>Structured financial products.</u>** Report in the appropriate columns the amortized cost and fair value of all structured financial products not held for trading. Include cash, synthetic, and hybrid instruments, including those issued by non-U.S. issuers. Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, bonds, and similar instruments) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk.

(1) A <u>cash instrument</u> means that the instrument represents a claim against a reference pool of assets.

(2) A <u>synthetic instrument</u> means that the investors do not have a claim against a reference pool of assets; rather, the originating bank merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.

(3) A <u>hybrid instrument</u> means that the instrument is a mix of both cash and synthetic instruments.

| Item No. | Caption and Instructions |
|---|---|
| 5.b (cont.) | One of the more common cash instrument structured financial products is referred to as a collateralized debt obligation (CDO). For example, include in this item investments in CDOs for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts organized by financial institutions or real estate investment trusts. However, exclude from this item investments in trust preferred securities issued by a single U.S. business trust (report in Schedule RC-B, item 6.a, "Other domestic debt securities"). |

Examples of other products to be reported in this item include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets, hybrid structured products that mix cash and synthetic instruments, collateralized loan obligations (CLOs), collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products.

Exclude from structured financial products:

(1) Mortgage-backed pass-through securities (report in Schedule RC-B, item 4, above).

(2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-B, item 4, above).

(3) Asset-backed commercial paper not held for trading (report in Schedule RC-B, item 5.a, above).

(4) Asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-B, item 5.a, above).

(5) Securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a, above).

**6** **Other debt securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all debt securities not held for trading that cannot properly be reported in Schedule RC-B, items 1 through 5, above.

Exclude from other debt securities:

(1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4, above).

(2) Holdings of bankers acceptances and certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers. (Report holdings of bankers acceptances as loans in Schedule RC, item 4.a, if held for sale; item 4.b, if held for investment; and item 5, if held for trading. Report holdings of CDs in Schedule RC, item 1.b, if not held for trading; and item 5, if held for trading.)

(3) All securities that meet the definition of an "equity security" in ASC Topic 321, Investments-Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), for example, common and perpetual preferred stock. (See also the instructions to Schedule RC-B, item 7, and Schedule RC-F, item 4.)

| Item No. | Caption and Instructions |
|---|---|
| 7 (cont.) | Exclude from investments in mutual funds and other equity securities with readily determinable fair values: |

(1) Federal Reserve Bank stock (report as an equity security without a readily determinable fair value in Schedule RC-F, item 4).

(2) Federal Home Loan Bank stock (report as an equity security without a readily determinable fair value in Schedule RC-F, item 4).

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).

(4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6, above).

(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity security that does not have a readily determinable fair value in Schedule RC-F, item 4).

(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity security that does not have a readily determinable fair value in Schedule RC-F, item 4).

(7) Minority interests held by the reporting bank in any companies not meeting the definition of associated company (report as equity securities that do not have a readily determinable fair value in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)

(8) Equity holdings in those corporate joint ventures over which the reporting bank does not exercise significant influence (report as equity securities that do not have a readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)

(9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").

8 **Total.** Report the sum of items 1 through 7. For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, the total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities." For institutions that have adopted ASU 2016-13, the total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities," plus Schedule RI-B, Part II, item 7, column B, "Balance end of current period," for the allowance for credit losses on held-to-maturity debt securities. For all institutions, the total of column D for this item must equal Schedule RC, item 2.b, "Available-for-sale securities."

## 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 should also be reported in Schedule SU, item 7.a).

(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 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 10, column C, must equal Schedule RC-B, sum of items 1 through 6, columns A and D.

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 lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the debt security on a predetermined basis, with the exact rate of interest over the life of the debt security known with certainty to both the borrower and the lender when the debt security 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 "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the debt security carries at any subsequent time cannot be known at the time of origination.

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

# 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 of these loans in Schedule SU, item 3.a.

Exclude from Schedule RC-C, Part I, all loans and leases classified as trading (report in Schedule RC, item 5, "Trading assets.")

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.

## General Instructions for Part I (cont.)

Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should report loans and leases held for investment in this schedule without any deduction for the allowance for loan and lease losses or any allocated transfer risk reserves related to loans and leases, which are to be reported in Schedule RC, item 4.c, "Allowance for loan and lease losses." Institutions that have adopted ASU 2016-13 should report loans and leases held for investment in this schedule without any deduction for allowances for credit losses on loans and leases or any allocated transfer risk reserves related to loans and leases, which are to be reported in Schedule RC, item 4.c, "Allowance for loan and lease losses."

Each item in this schedule should be reported net of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in this schedule in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in Schedule RC-C, Part I, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above." Net unamortized direct loan origination costs shall be added to the related loan balances in each item in this schedule. (See the Glossary entry for "loan fees" for further information.)

For institutions that have not adopted ASU 2016-13, "purchased credit-impaired loans" are loans 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"), 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. Neither the accretable yield nor the nonaccretable difference associated with purchased credit-impaired loans should be reported as unearned income in Schedule RC-C, Part I, item 11. In addition, the nonaccretable difference must not be recognized as an adjustment of yield, loss accrual, or valuation allowance.

For institutions that have adopted ASU 2016-13, "purchased credit-deteriorated loans" are acquired individual loans (or acquired groups of loans with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution's assessment. Unless accounted for at fair value under a fair value option, purchased credit-deteriorated loans should be reported in Schedule RC-C, Part I, at amortized cost. Any noncredit discount or premium on a purchased credit-deteriorated loan should not be reported as unearned income in Schedule RC-C, Part I, item 11.

If, as a result of a change in circumstances, the bank regains control of a loan previously accounted for appropriately as having been sold because one or more of the conditions for sale accounting in ASC Topic 860 are no longer met, such a change should be accounted for in the same manner as a purchase of the loan from the former transferee (purchaser) in exchange for liabilities assumed. The rebooked loan must be reported as a loan asset in Schedule RC-C, Part I, either as a loan held for sale or a loan held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles. This accounting and reporting treatment applies, for example, to U.S. Government-guaranteed or -insured residential mortgage loans backing Government National Mortgage Association (GNMA) mortgage-backed securities that a bank services after it has securitized the loans in a transfer accounted for as a sale. If and when individual loans later meet delinquency criteria specified by GNMA, the loans are eligible for repurchase, the bank is deemed to have regained effective control over these loans, and the delinquent loans must be brought back onto the bank's books as loan assets.

All loans should be categorized in Schedule RC-C, Part I, according to security, borrower, or purpose. All loans satisfying the criteria in the Glossary entry for "Loan secured by real estate" (except those to

**General Instructions for Part I (cont.)**

states and political subdivisions in the U.S.) should be categorized as “Loans secured by real estate” in Schedule RC-C, part I. Loans secured by other collateral, such as securities, inventory, or automobiles, would require further examination of both purpose and borrower to properly categorize the loans in Schedule RC-C, part I. For loan categories in Schedule RC-C, part I, that include certain loans to individuals, the term “individual” may include a trust or other entity that acts on behalf of (or in place of) an individual or a group of individuals for purposes of obtaining the loan. Loans covering two or more categories are sometimes difficult to categorize. In such instances, categorize the entire loan according to the major criterion.

Report in Schedule RC-C, Part I, all loans and leases on the books of the reporting bank even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the bank has sold or charged off. Also exclude assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the bank has obtained physical possession of the underlying collateral, regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower. Refer to the Glossary entries for "troubled debt restructurings" and "foreclosed assets" for further discussion of these topics.

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**Part I. (cont.)**

**Item No. Caption and Instructions**

**9.b** **Other loans.** Report all other loans that cannot properly be reported in one of the preceding items in this schedule.

Other loans include:

(1) Loans for purchasing or carrying securities, including:

(a) All loans to brokers and dealers in securities (other than those that meet the definition of a "loan secured by real estate" and those to depository institutions).

(b) All loans, whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured, to any other borrower for the purpose of purchasing or carrying securities, such as:

(i) Loans made to provide funds to pay for the purchase of securities at settlement date;
(ii) Loans made to provide funds to repay indebtedness incurred in purchasing securities;
(iii) Loans that represent the renewal of loans to purchase or carry securities;
(iv) Loans to investment companies and mutual funds, but excluding loans to Small Business Investment Companies;
(v) Loans to "plan lenders" as defined in Section 221.4(a) of Federal Reserve Regulation U; and
(vi) Loans to Employee Stock Ownership Plans (ESOPs);

but excluding loans to finance an acquirer's purchase of the stock of another entity in a merger or acquisition that meets the definition of a business combination under U.S. generally accepted accounting principles (and which may include funds to cover acquisition-related costs incurred to effect the business combination).

For purposes of the Consolidated Report of Condition, the purpose of a loan collateralized by "stock" is determined as follows:

- For loans that are collateralized in whole or in part by "margin stock," as defined by Federal Reserve Regulation U, the purpose of the loan is determined by the latest Statement of Purpose (Form FR U-1) on file.
- For loans that are collateralized by "stock" other than "margin stock," the bank may determine the purpose of the loan according to the most current information available.

(2) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions, which are to be reported in Schedule RC-C, Part I, item 2; and overdrafts of states and political subdivisions in the U.S., which are to be reported in Schedule RC-C, Part I, item 8).

(3) 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).

(4) 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."

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **9.b** (cont.) | (5) 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". |

(6) 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 other loans:

(1) 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 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.

(2) Loans to depository institutions for the purpose of purchasing or carrying securities (report Schedule RC-C, Part I, item 2).

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

(4) Loans that meet the definition of a "loan secured by real estate" (report in Schedule RC-C, Part I, item 1).

(5) 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).

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

(7) Loans to foreign-government-owned nonbank corporations and enterprises for commercial and industrial purposes (report in Schedule RC-C, Part I, item 4).

**10** **Lease financing receivables (net of unearned income).** Report all outstanding balances relating to direct financing and leveraged leases on property acquired by the bank for leasing purposes.

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.

**<u>Part I. (cont.)</u>**

**<u>Memoranda</u>**

| Item No. | Caption and Instructions |
|---|---|
| **3** | **<u>Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, Part I, items 4 and 9.</u>** Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, that are reported in Schedule RC-C, Part I, items 4, "Commercial and industrial loans," and 9, "Loans to nondepository financial institutions and other loans". |

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

<u>Exclude</u> from this item all loans secured by real estate that are reported in Schedule RC-C, Part I, item 1. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

NOTE: Memorandum item 4 is to be completed semiannually in the June and December reports only.

| Item No. | Caption and Instructions |
|---|---|
| **4** | **<u>Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties.</u>** Report the amount of closed-end loans secured by first liens on 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(2)(a), that have a floating or adjustable interest rate. |

A floating or adjustable 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 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. <u>For purposes of this item</u>, even if the rate on a loan with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the loan is to be reported in this item as an adjustable rate loan.

Also include in this item amortizing fixed rate loans secured by first liens on 1-4 family residential properties that have original maturities of one year or less and require a balloon payment at maturity.

**5** and **6** Not applicable.

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

NOTE: Memorandum items 7.a and 7.b are to be completed semiannually in the June and December reports only by institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13). Institutions that have adopted ASU 2016-13 should leave Memorandum items 7.a and 7.b blank.

**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.

**7.a** **Outstanding balance.** Report the outstanding balance of all purchased credit-impaired loans reported as held for investment in Schedule RC-C, Part I, items 1 through 9. The outstanding balance is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loan, owed to the bank at the report date, whether or not currently due and whether or not any such amounts have been charged off by the bank. However, the outstanding balance does not include amounts that would be accrued under the contract as interest, fees, penalties, and other after the report date.

**7.b** **Amount included in Schedule RC-C, Part I, items 1 through 9.** Report the amount of, i.e., the recorded investment in, all purchased credit-impaired loans reported as held for investment. The recorded investment in these loans will have been included in Schedule RC-C, Part I, items 1 through 9.

**8** **Closed-end loans with negative amortization features secured by 1-4 family residential properties.** Report in the appropriate subitem the amount of closed-end loans with negative amortization features secured by 1-4 family residential properties and, if certain criteria are met, the maximum remaining amount of negative amortization contractually permitted on these loans and the total amount of negative amortization included in the amount of these loans. Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).

Exclude reverse 1-4 family residential mortgage loans as described in the instructions for Schedule RC-C, Part I, item 1.c.

**Part I. (cont.)**

**Memoranda**

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

NOTE: Memorandum item 8.a is to be completed by all banks semiannually in the June and December reports only.

**8.a** **Total amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, Part I, items 1.c.(2)(a) and (b)).** Report the total amount of, i.e., the recorded investment in, closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization. The amounts included in this item will also have been reported in Schedule RC-C, Part I, items 1.c.(2)(a) and (b).

NOTE: Memorandum items 8.b and 8.c are to be completed annually in the December report only 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 held for investment and held for sale (as reported in Schedule RC-C, Part I, item 12) 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 process of foreclosure.** Report the total unpaid principal balance of loans secured by 1-4 family residential properties) included in Schedule RC-C, Part I, item 1.c, 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** and **11** Not applicable.

**Part I. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

NOTE: Memorandum item 12 is to be completed semiannually in the June and December reports only.

12 **Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year.** Report in the appropriate 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 pushdown 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.

Loans and leases acquired in the current calendar year should be reported in this item in the reports for June 30 and December 31 of the current calendar year, as appropriate, regardless of whether the bank still holds the loans and leases. For example, loans and leases acquired in a business combination with an acquisition date in the first six months ot the current calendar year should be reported in this item in both the June 30 and December 31 reports for the current calendar year; loans and leases acquired in the second six months of the current calendar year should be reported in the December 31 report for the current calendar year.

Institutions that have not adopted ASU 2016-13, which governs the accounting for credit losses, should exclude purchased credit-impaired loans held for investment that are 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") (report information on such loans in Schedule RC-C, Memorandum item 7). For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."

Institutions that have adopted ASU 2016-13 should exclude purchased credit-deteriorated loans held for investment that are accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses.

***Column Instructions***

***Column A, Fair value of acquired loans and leases at acquisition date:*** Report in this column the total fair value of acquired loans and leases held for investment at the acquisition date (see the Glossary entry for "fair value").

***Column B, Gross contractual amounts receivable at acquisition date:*** Report in this column the gross contractual amounts receivable, i.e., the total undiscounted amount of all uncollected contractual principal and contractual interest payments on the receivable, both past due, if any, and scheduled to be paid in the future, on the acquired loans and leases held for investment at the acquisition date.

***Column C, Best estimate at acquisition date of contractual cash flows not expected to be collected:*** Report in this column the bank's best estimate at the acquisition date of the portion of the gross contractual cash flows receivable on acquired loans and leases held for investment that the bank does not expect to collect.

[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).

## Memoranda

**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 (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 (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 (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 “brokered reciprocal deposits.” As defined in Section 327.8(q) of the FDIC’s regulations, “brokered reciprocal deposits” are “reciprocal deposits as defined in Section 337.6(e)(2)(v) of the FDIC’s regulations that are not excepted from an institution’s brokered deposits pursuant to Section 337.6(e)” of the FDIC’s regulations.

Limited Exception for Reciprocal Deposits

Pursuant to Section 337.6(e) of the FDIC’s regulations, and consistent with Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, an “agent institution” can except reciprocal deposits from being classified (and reported in this Memorandum item 1.b) as brokered deposits up to its applicable statutory caps, described below.

Definitions that apply to the limited exception for reciprocal deposits:

- “Agent institution” means an insured depository institution that places a covered deposit through a deposit placement network at other insured depository institutions in amounts that are less than or equal to the standard maximum deposit insurance amount, specifying the interest rate to be paid for such amounts, if the insured depository institution:
  - When most recently examined under section 10(d) of the Federal Deposit Insurance Act (12 U.S.C. 1820(d)) was found to have a composite condition of outstanding or good, and is well capitalized;
  - Has obtained a waiver pursuant to Section 337.6(c) of the FDIC’s regulations; or
  - Does not receive an amount of reciprocal deposits that causes the total amount of reciprocal deposits held by the agent institution to be greater than its *special cap*, described below.
- “Covered deposit” means a deposit that (i) is submitted for placement through a deposit placement network by the agent institution; and (ii) does not consist of funds that were obtained for the agent institution, directly or indirectly, by or through a deposit broker before submission for placement through a deposit placement network.
- “Deposit placement network” means a network in which an insured depository institution participates, together with other insured depository institutions, for the processing and receipt of reciprocal deposits.

## Memoranda

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

**1.b** (cont.)

- "Network member bank" means an insured depository institution that is a member of a deposit placement network.
- "Reciprocal deposits" means deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.

All reciprocal deposits, whether they are brokered reciprocal deposits or not, should be reported in Schedule RC-E, Memorandum item 1.g, below.

Deposits placed and received through a "deposit placement network" that are not "covered deposits" under Section 337.6(b)(2)(ii)(e)(2)(ii) of the FDIC's regulations must be reported as brokered deposits in this Memorandum item 1.b.

General Cap

Under the *general cap*, an agent institution may except reciprocal deposits from treatment as brokered deposits up to the lesser of $5 billion or an amount equal to 20 percent of the agent institution's total liabilities. An agent institution that holds reciprocal deposits in excess of the *general cap* should report such excess deposits as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a), and include such excess deposits as part of its total reciprocal deposits in Schedule RC-E, Memorandum item 1.g,

Special Cap

A *special cap* applies if the institution is either not well rated or not well capitalized.[1] The special cap is defined as:

> "the average amount of reciprocal deposits held by the agent institution on the last day of each of the 4 calendar quarters preceding the calendar quarter in which the agent institution was found not to have a composite condition of outstanding or good or was determined to be not well capitalized."

In no event, however, can an institution's non-brokered reciprocal deposits exceed the *general cap.*

An institution that is not well rated or not well capitalized may qualify as an "agent institution" if:

(1) The amount of reciprocal deposits that the institution holds as of the first reporting period of being subject to the special cap is below or equal to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap; OR
(2) The amount of reciprocal deposits that it holds as of the first quarter of being subject to the special cap is above the special cap, if such deposits were received before the institution became subject to the special cap and, in any reporting period that it remains

[1] See generally, 12 CFR Part 324, Subpart H (FDIC); 12 CFR Part 208, Subpart D (Federal Reserve Board); 12 CFR Part 6 (OCC). 12 U.S.C. 1831o. "Well capitalized" is defined in 12 CFR 337.6(a)(3)(i).

**Memoranda**

**Item No. Caption and Instructions**

**1.b** (cont.) subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap and the institution satisfies all other qualifications necessary to be an agent institution.

If an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of "agent institution" and all of its reciprocal deposits should be reported as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a) and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g.

An institution shall consider the effective date of a CAMELS composite rating to be the date of written notification to the institution by its primary federal regulator, or state authority, of its supervisory rating.

An institution that is not well capitalized or that has composite supervisory rating of other than outstanding (CAMELS "1") or good (CAMELS "2") as of the quarter-end date of the Call Report for which the institution is filing shall calculate the special cap by:

(1) Determining the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.
(2) Calculating the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding step) and on each of the three preceding calendar quarters.

To illustrate how an institution should calculate the special cap, consider the examples after the instructions to Schedule RC-E, Memorandum item 5.

**1.c** **Brokered deposits of $250,000 or less (fully insured brokered deposits).** Report in this 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 this item. 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,

**Memoranda**

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

**1.c** (cont.) the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured brokered deposits and should be reported in this item.

The dollar amount used as the basis for reporting fully insured brokered deposits in this Memorandum item reflects the deposit insurance limit in effect on the report date. At present, this limit is $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") included in Schedule RC-E, Memorandum item 1.b, above.

**1.d.(1)** **Brokered deposits of $250,000 or less with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of $250,000 or less reported in Schedule RC-E, Memorandum item 1.c, 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 $250,000 or less that were reported in Schedule RC-E, Memorandum item 1.c, above.

**1.d.(2)** Not applicable.

**1.d.(3)** **Brokered deposits of more than $250,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of more than $250,000 reported in Schedule RC-E, Memorandum item 1.b, 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 more than $250,000 that were reported in Schedule RC-E, Memorandum item 1.b, above.

**1.e** **Preferred deposits.** (This item is to be reported for the December 31 report only.) Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule RC-E, item 3, columns A and C above, which are secured or collateralized as required under state law. Exclude deposits of the U.S. Government which are secured or collateralized as required under federal law. Also exclude deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S. The amount reported in this memorandum item must be less than the sum of Schedule RC-E, item 3, column A, and item 3, column C, above.

State law may require a bank to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the bank has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has $450,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($200,000 in this example). The bank has pledged securities with a value of $300,000 to secure these deposits. Only the $200,000 uninsured amount of the political subdivision's $450,000 in deposits, given the currently applicable $250,000 deposit insurance limit, would be considered "preferred deposits."

**Memoranda**

**Item No. Caption and Instructions**

**1.e** (cont.) In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has $1,600,000 in public deposits under the program from four political subdivisions and $700,000 of this amount is uninsured, given the currently applicable $250,000 deposit insurance limit. The bank's most recent calculation indicates that it must pledge securities with a value of at least $77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of $80,000. The bank should report the $700,000 in uninsured public deposits as "preferred deposits."

**1.f** **Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits.** Report in this Memorandum item the estimated amount of all nonbrokered deposits obtained through the use of deposit listing services included in total deposits (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument.

The objective of this Memorandum item is not to capture all deposits obtained through the Internet, such as deposits that a bank receives because a person or entity has seen the rates the bank has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the bank's rates on its site without the bank's authorization. Rather, the objective of this Memorandum item is to collect the estimated amount of deposits obtained as a result of action taken by the bank to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the bank whose rates are being listed or by the persons or entities who view the listed rates. A bank should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time. However, for those nonbrokered deposits acquired through the use of a deposit listing service that offers deposit tracking, the actual amount of listing service deposits, rather than an estimate, should be reported.

When a nonbrokered time deposit obtained through the use of a deposit listing service is renewed or rolled over at maturity, the time deposit should continue to be reported in this item as a listing service deposit if the reporting institution continues to have its time deposit rates listed by a listing service and the listing service is compensated for this listing as described above. In contrast, if the reporting institution no longer has its time deposit rates listed by a listing service when a nonbrokered listing service time deposit matures and is renewed or rolled over by the depositor, the time deposit would no longer need to be reported as a listing service deposit after the renewal or rollover. The reporting institution should continue to report nonbrokered listing service deposits other than time deposits in this item as long as the reporting institution continues to have its deposit rates for the same type of deposit (e.g., NOW account, money market deposit account) listed by a listing service and the listing service is compensated for this listing as described above.

## Memoranda

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

**1.f** (cont.) If the reporting institution has merged with or acquired another institution that had obtained nonbrokered deposits through the use of deposit listing services, these deposits would continue to be regarded as listing service deposits after the merger or acquisition. In this situation, the reporting institution should determine whether it must continue to report these deposits as listing service deposits after the merger or acquisition in accordance with the guidance in the preceding paragraph.

Exclude from this item all brokered deposits reported in Schedule RC-E, Memorandum item 1.b.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of certificates of deposit). A deposit listing service is not a deposit broker if all of the following four criteria are met:

(1) The listing service is not involved in placing deposits. Any funds to be invested in deposit accounts are remitted directly by the depositor to the insured depository institution and not, directly or indirectly, by or through the listing service.

(2) The person or entity providing the listing service is compensated solely by means of subscription fees (i.e., the fees paid by subscribers as payment for their opportunity to see the rates gathered by the listing service) and/or listing fees (i.e., the fees paid by depository institutions as payment for their opportunity to list or "post" their rates). The listing service does not require a depository institution to pay for other services offered by the listing service or its affiliates as a condition precedent to being listed.

(3) The fees paid by depository institutions are flat fees: they are not calculated on the basis of the number or dollar amount of deposits accepted by the depository institution as a result of the listing or "posting" of the depository institution's rates.

(4) In exchange for these fees, the listing service performs no services except (A) the gathering and transmission of information concerning the availability of deposits; and/or (B) the transmission of messages between depositors and depository institutions (including purchase orders and trade confirmations). In publishing or displaying information about depository institutions, the listing service must not attempt to steer funds toward particular institutions (except that the listing service may rank institutions according to interest rates and also may exclude institutions that do not pay the listing fee). Similarly, in any communications with depositors or potential depositors, the listing service must not attempt to steer funds toward particular institutions.

**1.g** **Total reciprocal deposits.** Report in this Memorandum item the total amount of the reporting institution's reciprocal deposits as of the report date that are included in the institution's total deposits (Schedule RC-E, sum of item 7, columns A and C). As defined in Section 337.6(e)(2)(v) of the FDIC's regulations, "reciprocal deposits" means "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks."

An institution should report its total reciprocal deposits in this Memorandum item 1.g, including any reciprocal deposits that are reported as brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d), and as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, in item 9.a).

**Memoranda**

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

**1.g** (cont.) In this regard, if an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of "agent institution," but the institution should report all of its reciprocal deposits in this Memorandum item 1.g (and as brokered deposits in Schedule RC-E, Memorandum item 1.b, and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a). See the instructions for Schedule RC-E, Memorandum item 1.b, for the definitions of "special cap" and "agent institution."

Funds obtained through a deposit placement network, with the assistance of a deposit broker, should only be reported as brokered deposits in Schedule RC-E, Memorandum item 1.b, and, if applicable, in Memorandum items 1.c and 1.d, and should not be reported in this Memorandum item 1.g as total reciprocal deposits.

For an institution that is not well capitalized or not well rated, the amount reported in this Memorandum item will be used to compute the institution's average amount of reciprocal deposits held at quarter-end during the last four quarters preceding the quarter that the institution fell below well capitalized or well rated. This average will be used to determine whether the institution meets the third prong of the definition of "agent institution" under Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act and Section 337.6(e)(2)(i) of the FDIC's regulations. Section 202 and Section 337.6(e)(2)(i) allow an institution to meet the "agent institution" definition, and exclude certain reciprocal deposits from its brokered deposits, if it does not receive reciprocal deposits that cause its total reciprocal deposits to exceed the four-quarter average mentioned above.

**2** **Components of total nontransaction accounts.** Memorandum item 2 divides total nontransaction accounts into two major categories: savings deposits (Memorandum items 2.a.(1) and 2.a.(2)) and time deposits (Memorandum items 2.b, 2.c, and 2.d). The sum of Memorandum items 2.a.(1) and 2.a.(2) equals total savings deposits. The sum of Memorandum items 2.b, 2.c, and 2.d equals total time deposits. The sum of Memorandum items 2.a.(1) and 2.a.(2) (savings deposits) and Memorandum items 2.b, 2.c, and 2.d (time deposits) equals total nontransaction deposits reported in item 7, column C, above.

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**Memoranda**

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

**5** (cont.) 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."

**Examples – Calculating the Special Cap**
(Note: Amounts shown are in thousands of dollars.)

Example 1 – Well capitalized but not well rated

As of March 31, 2019, an institution has $9,000,000 in liabilities and $180,000 in total reciprocal deposits, is well capitalized (and has been well capitalized in every quarter for 10 years), but has a composite supervisory rating of "3". Therefore, the institution is subject to the special cap.

(1) Determine the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.

The effective date of the composite CAMELS rating of not "1" or "2" was March 15, 2018, the day the institution was notified in writing of a downgrade from CAMELS "2" to CAMELS "3". Thus, December 31, 2017, represents the most recent quarter-end that the bank was rated CAMELS "1" or "2" and was well capitalized

(2) Calculate the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding bullet) and on each of the three preceding calendar quarters.

To calculate the special cap, the institution must calculate the average amount of total reciprocal deposits that it held as of the end of the four quarters ending December 31, 2017, September 30, 2017, June 30, 2017, and March 31, 2017. In this example, the institution received reciprocal deposits as follows for the last quarter in which it was well capitalized and had a composite CAMELS rating of "1" or "2", and for the three prior quarters:

**Examples – Calculating the Special Cap (cont.)**

- December 31, 2017 = $180,000
- September 30, 2017 = $300,000
- June 30, 2017 = $300,000
- March 31, 2017 = $350,000
- Average for the four quarters = $282,500

The special cap would be $282,500 and the general cap would be $1,800,000 (the lesser of $5,000,000 or $9,000,000 multiplied by 20 percent). In this example, assuming that the institution satisfies all other qualifications necessary to be an agent institution, the institution would meet the definition of an "agent institution."

For its March 31, 2019, Call Report, the institution would report $180,000 in total reciprocal deposits in Schedule RC-E, Memorandum item 1.g. Because the institution holds total reciprocal deposits that are below its special cap, it would not have to report any reciprocal deposits as brokered reciprocal deposits in Schedule RC-O, items 9 and 9.a, and would not have to include the reciprocal deposits in its brokered deposits in Schedule RC-E, Memorandum items 1.b, 1.c, and 1.d.

If the institution receives reciprocal deposits that cause its total reciprocal deposits to be greater than $282,500, it would no longer meet the definition of "agent institution" and all of the institution's reciprocal deposits would need to be reported as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, item 9.a), and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g, and they also would need to be included as part of the institution's brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c, and 1.d).

Example 2 – Well rated but not well capitalized

As of March 31, 2019, an institution has $5,000,000 in liabilities and $80,000 in total reciprocal deposits, has a composite CAMELS rating of "2" (and has been "2"-rated in every quarter for 5 years), but is not well capitalized, and has not received a waiver to accept brokered deposits. Therefore, the institution is subject to the special cap.

(1) Determine the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.

    The bank was last well capitalized as of its September 30, 2017, Call Report. Thus, September 30, 2017, represents the most recent quarter-end that the bank was well capitalized and rated CAMELS "1" or "2".

(2) Calculate the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding bullet) and on each of the three preceding calendar quarters.

    To calculate the special cap, the institution must calculate the average amount of total reciprocal deposits that it held as of the end of the four quarters ending September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016. In the example, the institution held reciprocal deposits as follows for the last quarter in which it was well-capitalized and had a composite CAMELS rating of "1" or "2", and for the three prior quarters:

    - September 30, 2017 = $100,000
    - June 30, 2017 = $150,000
    - March 31, 2017 = $100,000
    - December 31, 2016 = $0
    - Average for the four quarters = $87,500

**Examples – Calculating the Special Cap (cont.)**

The special cap would be $87,500 and the general cap would be $1,000,000 (the lesser of $5,000,000 or $5,000,000 multiplied by 20 percent). In this example, assuming that the institution satisfies all other qualifications necessary to be an agent institution, the institution would meet the definition of an "agent institution."

For its March 31, 2019, Call Report, the institution would report $80,000 in total reciprocal deposits in Schedule RC-E, Memorandum item 1.g. Because the institution holds total reciprocal deposits that are below its special cap, it would not have to report any reciprocal deposits as brokered reciprocal deposits in Schedule RC-O, items 9 and 9.a, and would not have to include the reciprocal deposits in its brokered deposits in Schedule RC-E, Memorandum items 1.b, 1.c, and 1.d.

The institution may not receive reciprocal deposits that cause its total reciprocal deposits to be greater than $87,500. Doing so would prevent the institution from meeting the definition of "agent institution" and, as a consequence, all of its reciprocal deposits then would need to be reported as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, item 9.a), and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g, and they also would need to be included as part of its brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d).[1]

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[1] Under Section 29 of the Federal Deposit Insurance Act, an insured depository institution that is less than well capitalized is restricted from accepting deposits by or through a deposit broker. The FDIC may waive this restriction if the insured depository institution is adequately capitalized; however, the restriction cannot be waived if the institution is undercapitalized.

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# SCHEDULE RC-F – OTHER ASSETS

## General Instructions

Institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should report assets reportable in Schedule RC-F that fall within the scope of the standard net of any applicable allowances for credit losses.

## Item Instructions

**Item No. Caption and Instructions**

1 **Accrued interest receivable.** Report the amount of recorded accrued interest on interest-bearing assets applicable to current or prior periods that has not yet been collected. Exclude accrued interest receivable on interest-bearing assets that is reported elsewhere on Schedule RC, Balance Sheet.

Institutions that have adopted ASU 2016-13 should report amounts in this item net of any applicable allowance for credit losses.

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 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).** Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans and all other financial assets.

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."

[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 Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities").

| Item No. | Caption and Instructions |
|---|---|
| 3 (cont.) | 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. |
| 4 | **Equity investments without readily determinable fair values.** Report the reporting institution's equity securities and other equity investments without readily determinable fair values that are not reportable in other items on the Call Report balance sheet (Schedule RC). An equity security does not have a readily determinable fair value if sales prices or bid-and-asked quotations are not currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or are not publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. The fair value of an equity security traded only in a foreign market is not readily determinable if that foreign market is not of a breadth and scope comparable to one of the U.S. markets referred to above. |

Equity investments without readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), report equity securities and other equity investments without readily determinable fair values at historical cost. These equity securities are outside 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").

For institutions that have adopted ASU 2016-01, report equity securities and other equity investments without readily determinable fair values at (i) fair value or (ii) if chosen by the reporting institution for an individual equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These equity securities are within the scope of ASC Topic 321, Investments-Equity Securities, or ASC Topic 323, Investments-Equity Method and Joint Ventures.

Although Federal Reserve Bank stock and Federal Home Loan Bank stock do not have readily determinable fair values, they are outside the scope of ASC Topics 321 and 323. In accordance with ASC Subtopic 942-325, Financial Services-Depository and Lending – Investments-Other, Federal Reserve Bank stock and Federal Home Loan Bank stock are carried at cost and evaluated for impairment.

Include in this item:

(1) Federal Reserve Bank stock.

(2) Federal Home Loan Bank stock.

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac).

(4) "Restricted stock," as defined in ASC Topic 320, i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year.

| Item No. | Caption and Instructions |
|---|---|
| 6 (cont.) | Institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, should report financial assets included in this item net of any applicable allowances for credit losses. |

Disclose in Schedule RC-F, items 6.a through 6.j, 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.

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.g, describe the component with a clear but concise caption in Schedule RC-F, items 6.h through 6.j. These descriptions should not exceed 50 characters in length (including spacing between words).

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."

(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.

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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.) | (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"). |
| | (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.e, 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. |
| | (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. |
| | (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.d, 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.") |

# SCHEDULE RC-G – OTHER LIABILITIES

## Item Instructions

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

1.a **Interest accrued and unpaid on deposits.** Report the amount of interest on deposits 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.

1.b **Other expenses accrued and unpaid.** Report the amount of income taxes, interest on nondeposit liabilities, 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 (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 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 credit exposures established in accordance with generally accepted accounting principles.

Institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, should exclude off-balance sheet credit exposures that are unconditionally cancellable by the institution when estimating expected credit losses.

NOTE: Items 4.a through 4.g are to be completed semiannually in the June and December reports only.

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 $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 $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 $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 $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.

(13) Cash payments and other consideration received in connection with transfers of the reporting institution’s other real estate owned that have been financed by the institution and do not qualify for sale accounting, which applicable accounting standards describe as a “liability,” a “deposit,” or a “deposit liability.” See the Glossary entry for “foreclosed assets” for further information.

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

For all institutions, 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.

Institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, should not deduct allowances for credit losses, if any, from the related amortized cost amounts when calculating quarterly averages for interest-bearing balances due from depository institutions, debt securities, federal funds sold and securities purchased under agreements to resell, loans, and lease financing receivables for Schedule RC-K, items 1 through 8 and Memorandum item 1. However, such institutions should deduct allowances for credit losses from the related amortized cost amounts when calculating the quarterly average for total assets for Schedule RC-K, item 9.

## Item Instructions

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

### ASSETS

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

2 **U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale U.S. Treasury and U.S. Government agency and sponsored agency obligations (as defined for Schedule RC-B, items 1 and 2, columns A and C).

3 **Mortgage-backed securities.** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale mortgage-backed securities (as defined for Schedule RC-B, item 4, columns A and C).

4 **All other debt securities and equity securities with readily determinable fair values not held for trading purposes.**

For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding Schedule RC-B, item 7), report the quarterly average of the amortized cost of the institution'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 the institution's investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 7, column C).

For institutions that have adopted ASU 2016-01, report the quarterly average of the amortized cost of the institution'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 fair value of the institution's investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC, item 2.c).

5 **Federal funds sold and securities purchased under agreements to resell.** Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).

6 **Loans:**

6.a **Total loans.** Report the quarterly average for total loans held for investment and held for sale (as defined for Schedule RC-C, Part I, sum of items 1 through 9, less item 11).

| Item No. | Caption and Instructions |
|---|---|
| 6.b | **Loans secured by real estate:** |
| 6.b.(1) | **Loans secured by 1-4 family residential properties.** Report the quarterly average for loans secured by 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c).<br><br>Exclude "1-4 family residential construction loans" (as defined for Schedule RC-C, Part I, item 1.a.(1)). |
| 6.b.(2) | **All other loans secured by real estate.** Report the quarterly average for all construction, land development, and other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties (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)).<br><br>Exclude loans "Secured by 1-4 family residential properties" (as defined for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b)). |
| 6.c | **Commercial and industrial loans.** Report the quarterly average for commercial and industrial loans (as defined for Schedule RC-C, Part I, item 4). |
| 6.d | **Loans to individuals for household, family, and other personal expenditures:** |
| 6.d.(1) | **Credit cards.** Report the quarterly average for credit cards (as defined for Schedule RC-C, Part I, item 6.a). |
| 6.d.(2) | **Other.** Report the quarterly average for loans 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). |
| 7 | Not applicable. |
| 8 | **Lease financing receivables (net of unearned income).** Report the quarterly average for lease financing receivables, net of unearned income (as defined for Schedule RC-C, Part I, item 10). |
| 9 | **Total assets.**<br><br>For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), 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:<br>• All debt securities not held for trading at amortized cost;<br>• Available-for-sale equity securities with readily determinable fair values not held for trading at the lower of cost or fair value; and<br>• Equity securities and other equity investments without readily determinable fair values not held for trading at historical cost.<br>This exception for equity securities and other equity investments does not apply to those accounted for under the equity method or that result in consolidation. |

| Item No. | Caption and Instructions |
|---|---|
| 9 (cont.) | For institutions that have adopted ASU 2016-01, 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:<br>• All debt securities not held for trading at amortized cost;<br>• Equity securities with readily determinable fair values not held for trading at fair value; and<br>• Equity securities and other equity investments without readily determinable fair values not held for trading at their balance sheet carrying values (i.e., fair value or, if elected, cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer).<br>This exception for equity securities and other equity investments does not apply to those accounted for under the equity method or that result in consolidation.<br><br>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.<br><br>This item 9 is <u>not</u> the sum of items 1 through 8 above. |

# 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, institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should 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”), not simply the asset’s delinquent payments.

For assets that are past due or in nonaccrual status, institutions that have adopted ASU 2016-13 should report the balance sheet amount of the asset in Schedule RC-N without deducting any applicable allowance for credit losses, not simply the asset’s delinquent payments. For example, the amount to be reported in Schedule RC-N for a past due or nonaccrual loan held for investment should equal the amount at which the loan is reported in Schedule RC, Balance Sheet, item 4.b, “Loans and leases held for investment.” The amount to be reported in Schedule RC-N, item 10, for a past due or nonaccrual held-to-maturity debt security should equal the amortized cost at which the debt security is reported in Schedule RC-B, Securities, column A.

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 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, and 11.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 borrower is in arrears two or more monthly payments. (At a bank's option, loans and leases with payments scheduled monthly may be reported as past due when one scheduled payment is due and unpaid for 30 days or more.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.

(2) Open-end credit such as credit cards, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.

(3) Single payment and demand notes, debt securities, and other assets providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

(4) Single payment notes, debt securities, and other assets providing for the payment of interest at maturity are to be reported as past due after maturity if interest or principal remains unpaid for 30 days or more.

(5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, banks should use one of two methods to recognize partial payments on “retail credit,” i.e., open-end and closed-end credit extended to individuals for household, family, and other personal expenditures, including consumer loans and credit cards, and loans to individuals secured by their personal residence, including home equity and home improvement loans. A payment equivalent to 90 percent or more of the contractual payment may be considered a full payment in computing delinquency. Alternatively, a bank may aggregate payments and give credit for any partial payment received. For example, if a regular monthly installment is $300 and the borrower makes payments of only $150 per month for a six-month period, the loan would be $900 ($150 shortage times six payments), or three monthly payments past due. A bank may use either or both methods for its retail credit, but may not use both methods simultaneously with a single loan.

For institutions that have not adopted ASU 2016-13, when accrual of income on a purchased credit-impaired loan accounted for individually or a purchased credit-impaired debt security is appropriate, the delinquency status of the individual asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amount of the loan or debt security as past due in the appropriate items of Schedule RC-N, column A or B. When accrual of income on a pool of purchased credit-impaired loans with common risk characteristics is appropriate, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan’s contractual repayment terms for purposes of reporting the amount of individual loans within the pool as past due in the appropriate items of Schedule RC-N, column A or B. For further information, see the Glossary entry for “purchased credit-impaired loans and debt securities.”

For institutions that have adopted ASU 2016-13, any purchased credit-impaired loans and debt securities held as of the adoption date of the standard should prospectively be accounted for as purchased credit-deteriorated assets. As of the adoption date of the standard, the remaining noncredit discount or premium on a purchased credit-deteriorated asset, after the adjustment for the allowance for credit

**Definitions (cont.)**

losses, should be accreted to interest income at the new effective interest rate on the asset, if the asset is not required to be placed on nonaccrual. For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by an institution.

Nonaccrual – For purposes of this schedule, an asset is to be reported as being in nonaccrual status if:

(1) It is maintained on a cash basis because of deterioration in the financial condition of the borrower,

(2) Payment in full of principal or interest is not expected, or

(3) Principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (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.

**Definitions (cont.)**

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 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.

For further information, see the Glossary entry for "nonaccrual status."

Restructured in Troubled Debt Restructurings – 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 schedule, 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 (or meets the conditions discussed under “Accounting for a Subsequent Restructuring of a Troubled Debt Restructuring” in the Glossary entry for “troubled debt restructurings). 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 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."

## Column Instructions

The columns of Schedule RC-N are mutually exclusive. Any given loan, lease, debt security, or other asset should be reported in only one of columns A, B, and C. Information reported for any given derivative contract should be reported in only column A or column B.

Institutions that have adopted ASU 2016-13 should report asset amounts in columns A, B, and C without any deduction for applicable allowances for credit losses.

Report in columns A and B of Schedule RC-N the balance sheet amounts of (not just the delinquent payments on) loans, leases, debt securities, and other assets that are past due and upon which the bank continues to accrue interest, as follows:

(1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations with payments scheduled other than monthly when one scheduled payment is due and unpaid for 30 through 89 days; single payment and demand notes, debt securities, and other assets providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes, debt securities, and other assets providing for payment of interest at maturity, on which interest or principal remains unpaid for 30 through 89 days after maturity; unplanned overdrafts, whether or not the bank is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

(2) In column B, report the loans, lease financing receivables, debt securities, and other assets as specified above on which payment is due and unpaid for 90 days or more.

Include in columns A and B, as appropriate, all loans, leases, debt securities, and other assets which, subsequent to their restructuring by means of a modification of terms, 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.

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## Memoranda

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

**1.g** **Total loans restructured in troubled debt restructurings included in Schedule RC-N, items 1 through 7, above.** 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.

**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.

**3** Not applicable.

NOTE: 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, 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, 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.

NOTE: Memorandum item 5 is to be completed semiannually in the June and December reports only.

**5** **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, whether measured 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. 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.

**6** Not applicable.

NOTE: Memorandum items 7 and 8 are to be reported semiannually in the June and December reports only.

**7** **Additions to nonaccrual assets during the previous six months.** 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 six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. Include those assets placed in nonaccrual status during this six month period that are included as of the current report date in Schedule RC-N, column C, items 1 through 8 and 10. Also include those assets placed in nonaccrual status during this six month period that, before the current semiannual report date for this item, 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 semiannual report date 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

**Memoranda**

| Item No. | Caption and Instructions |
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| 7 (cont.) | status more than once during the six month period ending on the current semiannual report date, report the amount of the asset only once. |
| 8 | **Nonaccrual assets sold during the previous six months.** 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 8 and 10) that were sold during the six months ending on the semiannual (i.e., June 30 or December 31) report date for this item. 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." |

NOTE: Memorandum items 9.a and 9.b are to be completed semiannually in the June and December reports only by institutions that have not adopted ASU 2016-13. Institutions that have adopted ASU 2016-13 should leave Memorandum items 9.a and 9.b blank.

| Item No. | Caption and Instructions |
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| 9 | **Purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3).** Report in the appropriate subitem and column the outstanding balance and amount of "purchased credit-impaired loans" reported as held for investment in Schedule RC-C, Part I, Memorandum items 7.a and 7.b, respectively, that are past due 30 days or more or are in nonaccrual status as of the report date. The amount of such loans will have been included by loan category in items 1 through 7 of Schedule RC-N, above. Purchased credit-impaired loans are 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 an institution 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 institution will be unable to collect all contractually required payments receivable. Loans held for investment are those that the institution has the intent and ability to hold for the foreseeable future or until maturity or payoff.<br><br>For guidance on determining the delinquency and nonaccrual status of purchased credit-impaired loans accounted for individually and purchased credit-impaired loans with common risk characteristics that are aggregated and accounted for as a pool, refer to the "Definitions" section of the Schedule RC-N instructions and the Glossary entry for "purchased credit-impaired loans and debt securities." |
| 9.a | **Outstanding balance.** Report in the appropriate column the outstanding balance of all purchased credit-impaired loans reported as held for investment in Schedule RC-C, Part I, Memorandum item 7.a, that are past due 30 days or more or are in nonaccrual status as of the report date. The outstanding balance is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loan, owed to the institution at the report date, whether or not currently due and whether or not any such amounts have been charged off by the institution. However, the outstanding balance does not include amounts that would be accrued under the contract as interest, fees, penalties, and other after the report date. |
| 9.b | **Amount included in Schedule RC-N, items 1 through 7, above.** Report in the appropriate column the amount of all purchased credit-impaired loans reported as held for investment in Schedule RC-C, Part I, Memorandum item 7.b, that are past due 30 days or more or are in nonaccrual status as of the report date. |

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

8 **Subordinated notes and debentures with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's subordinated notes and debentures (as defined for Schedule RC, item 19, and in the Glossary entry for "subordinated notes and debentures") in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate subordinated notes and debentures.

The sum of Schedule RC-O, items 8.a through 8.d, must be less than or equal to Schedule RC, item 19, "Subordinated notes and debentures."

8.a **One year or less.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of one year or less. Include subordinated notes and debentures with a remaining maturity of over one year for which the holder has the option to redeem the subordinated debt within one year of the report date.

8.b **Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over one year through three years.

8.c **Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over three years through five years.

8.d **Over five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over five years.

9 **Brokered reciprocal deposits.** Report on an unconsolidated single FDIC certificate number basis the amount of brokered reciprocal deposits included in the amount of brokered deposits reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits." Exclude reciprocal deposits that are not brokered reciprocal deposits. The amount reported in this item for brokered reciprocal deposits should be less than or equal to Schedule RC-E, Memorandum item 1.g, "Total reciprocal deposits."

As defined in Section 327.8(q) of the FDIC's regulations, "brokered reciprocal deposits" are "reciprocal deposits as defined in Section 337.6(e)(2)(v) of the FDIC's regulations that are not excepted from the institution's brokered deposits pursuant to Section 337.6(e)" of the FDIC's regulations.

As defined in Section 337.6(e)(2)(v) of the FDIC's regulations, "reciprocal deposits" means "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks." All reciprocal deposits, whether they are brokered reciprocal deposits or not, should be reported in Schedule RC-E, Memorandum item 1.g. The definitions of the terms "covered deposit," "deposit placement network," and "network member bank" are included in the instructions for Schedule RC-E, Memorandum item 1.g.

Limited Exception for Reciprocal Deposits

An "agent institution," as defined in Section 337.6(b)(2)(ii)(e)(1) of FDIC regulations, can except reciprocal deposits from being classified (and reported in Schedule RC-E, Memorandum item 1.b) as brokered deposits up to its applicable statutory caps, described below.

| Item No. | Caption and Instructions |
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**9** (cont.) Under the *general cap*, an agent institution may except reciprocal deposits from treatment as brokered deposits up to the lesser of $5 billion or an amount equal to 20 percent of the agent institution's total liabilities. Reciprocal deposits in excess of the *general cap,* as well as those reciprocal deposits that do not meet the definition of "covered deposit" under Section 337.6(b)(2)(ii)(e)(2)(ii) of the FDIC's regulations, are brokered deposits and must be reported in Schedule RC-E, Memorandum item 1.b.

Definition of Special Cap – A *special cap* applies if the institution is either not well rated or not well capitalized.[1] The special cap is defined as:

> "the average amount of reciprocal deposits held by the agent institution on the last day of each of the 4 calendar quarters preceding the calendar quarter in which the agent institution was found not to have a composite condition of outstanding or good or was determined to be not well capitalized."

In no event, however, can an institution's non-brokered reciprocal deposits exceed the *general cap.*

Agent Institution – An institution that is not well rated or not well capitalized may qualify as an "agent institution" if:

(1) The amount of reciprocal deposits that the institution holds as of the first reporting period of being subject to the special cap is below or equal to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap; OR

(2) The amount of reciprocal deposits that it holds as of the first quarter of being subject to the special cap is above the special cap, if such deposits were received before the institution became subject to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap and the institution satisfies all other qualifications necessary to be an agent institution.

If an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of "agent institution" and all of its reciprocal deposits should be reported as brokered deposits in Schedule RC-E, Memorandum item 1.b, and as brokered reciprocal deposits in this item 9, and, if applicable, in item 9.a, below.

An institution shall consider the effective date of a CAMELS composite rating to be the date of written notification to the institution by its primary federal regulator, or state authority, of its supervisory rating.

An institution that is not well capitalized or that has a composite supervisory rating of other than outstanding (CAMELS "1") or good (CAMELS "2") as of the quarter-end date of the Call Report for which the institution is filing shall calculate the special cap by:

[1] See generally, 12 CFR Part 324, Subpart H (FDIC); 12 CFR Part 208, Subpart D (Federal Reserve Board); 12 CFR Part 6 (OCC). 12 U.S.C. 1831o. ''Well capitalized'' is defined in 12 CFR 337.6(a)(3)(i).

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| 9 (cont.) | (1) Determining the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of “1” or “2” at quarter-end.<br>(2) Calculating the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding step) and on each of the three preceding calendar quarters.<br><br>To illustrate how an institution should calculate the special cap, consider the examples after the instructions to Schedule RC-E, Memorandum item 5. |

NOTE: Item 9.a is to be completed on a fully consolidated basis by institutions that own another insured depository institution.

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| 9.a | **Fully consolidated brokered reciprocal deposits.** Report on a fully consolidated basis the amount of brokered reciprocal deposits (as defined in Schedule RC-O, item 9, above) included in the amount of brokered deposits reported in Schedule RC-E, Memorandum item 1.b, “Total brokered deposits.” |
| 10 | **Banker’s bank certification: Does the reporting institution meet both the statutory definition of a banker’s bank and the business conduct test set forth in FDIC regulations?** If the reporting institution meets both of these criteria on an unconsolidated single FDIC certificate number basis, it is a qualifying banker’s bank and should answer “Yes” to item 10 and complete items 10.a and 10.b. If the reporting institution does not meet both of these criteria, it should answer “No” to item 10 and it should not complete items 10.a and 10.b.<br><br>The definition of “banker’s bank” is set forth in 12 U.S.C. 24, which states that a banker’s bank is an FDIC-insured bank where the stock of the bank or its parent holding company “is owned exclusively (except to the extent directors’ qualifying shares are required by law) by depository institutions or depository institution holding companies (as defined in section 1813 of this title)” and the bank or its parent holding “company and all subsidiaries thereof are engaged exclusively in providing services to or for other depository institutions, their holding companies, and the officers, directors, and employees of such institutions and companies, and in providing correspondent banking services at the request of other depository institutions or their holding companies.”<br><br>A bank that would otherwise meet the definition of a banker’s bank, but has received funds from federal capital infusion programs (such as the Troubled Assets Relief Program and the Small Business Lending Fund), has stock owned by the FDIC as a result of bank failures, or has non-bank-owned stock resulting from equity compensation programs, is not excluded from the definition of a banker’s bank for purposes of Schedule RC-O, item 10, provided the bank also meets the business conduct test.<br><br>To meet the business conduct test, which is set forth in Section 327.5(b)(3) of the FDIC’s regulations, a bank must conduct 50 percent or more of its business with entities other than its parent holding company or entities other than those controlled either directly or indirectly by its parent holding company. Control has the same meaning as in Section 3(w)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)(5)). |
| 10.a | **Banker’s bank deduction.** A qualifying banker’s bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the banker’s bank deduction, which equals the sum of a qualifying banker’s bank’s average balances due from Federal Reserve Banks plus its average federal funds sold. These averages should be calculated on a daily |

| Item No. | Caption and Instructions |
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| **10.a** (cont.) | or weekly basis consistent with the qualifying banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a). |

Balances due from Federal Reserve Banks include the total balances due from Federal Reserve Banks, including the qualifying banker's bank's own reserves and other balances as well as reserve balances actually passed through to a Federal Reserve Bank by the banker's bank on behalf of its respondent depository institutions (as described in the instructions for Schedule RC-A, item 4, "Balances due from Federal Reserve Banks," in the instructions for the FFIEC 031 and FFIEC 041 Call Reports). For a qualifying banker's bank that is a respondent in a pass-through reserve relationship with a correspondent bank, balances due from Federal Reserve Banks include the reserve balances the correspondent bank has passed through to a Federal Reserve Bank for the respondent banker's bank. Balances due from Federal Reserve Banks also include the qualifying banker's bank's excess balance accounts, which are limited-purpose accounts at Federal

# SCHEDULE RC-R – REGULATORY CAPITAL

## General Instructions for Schedule RC-R

The instructions for Schedule RC-R should be read in conjunction with the regulatory capital rules issued by the primary federal supervisory authority of the reporting bank or saving association (collectively, banks): for national banks and federal savings associations, 12 CFR Part 3; for state member banks, 12 CFR Part 217; and for state nonmember banks and state savings associations, 12 CFR Part 324.

## Part I. Regulatory Capital Components and Ratios

### Contents – Part I. Regulatory Capital Components and Ratios



## General Instructions for Schedule RC-R, Part I.

***Transition Provisions:*** Transition provisions apply to the minimum regulatory capital ratios, the capital conservation buffer, the regulatory capital adjustments and deductions, and non-qualifying capital instruments. For example, transition provisions for the regulatory capital adjustments and deductions specify that certain items that were deducted from tier 1 capital previously will be deducted from common equity tier 1 capital under the regulatory capital rules, with the amount of the deduction changing each calendar year until the transition period ends. For some regulatory capital deductions and adjustments, the non-deducted portion of the item is either risk-weighted for the remainder of the transition period or deducted from additional tier 1 capital, as described in the instructions for the applicable items below. NOTE: For small institutions eligible to file the FFIEC 051 Call Report, the transition provisions applicable during 2017 under the banking agencies' regulatory capital rules have been extended indefinitely for certain regulatory capital deductions and risk weights as well as certain minority interest requirements. The Schedule RC-R instructions reflect the extension of the regulatory capital treatment of these capital deductions, risk weights, and minority interest requirements applicable to eligible small institutions during 2017.

**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.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (electing institution) should also include in this item its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, an electing institution includes 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

***Example and a worksheet calculation:***

*Assumptions:*

- For example, consider an institution that elects to apply the CECL transition and that has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the electing institution has $10 million in retained earnings and $1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the electing institution has $1.2 million in allowances for credit losses (ACL), which also equals $1.2 million of adjusted allowances for credit losses (AACL), as defined in the regulatory capital rules.
- The electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of $200,000 (credit), with an offsetting increase in temporary difference deferred tax assets (DTAs) of $42,000 (debit) and a reduction in beginning retained earnings of $158,000 (debit).

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

2 (cont.)

- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the electing institution increases both retained earnings and average total consolidated assets by $118,500 ($158,000 x 75 percent), decreases temporary difference DTAs by $31,500 ($42,000 x 75 percent), and decreases AACL by $150,000 ($200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the CECL transition provision of the electing institution is transitioned into regulatory capital according to the schedule provided in Table X below.

Table X

| Dollar Amounts in Thousands | Transitional Amounts | Transitional Amounts Applicable During Each Year of the Transition Period | | |
|---|---|---|---|---|
| | | Year 1 at 75% | Year 2 at 50% | Year 3 at 25% |
| | Column A | Column B | Column C | Column D |
| 1. Increase retained earnings and average total consolidated assets by the CECL transitional amount | CECL transitional amount = $158 | $118.50 | $79 | $39.50 |
| 2. Decrease temporary difference DTAs by the DTA transitional amount | DTA transitional amount = $42 | $31.50 | $21 | $10.50 |
| 3. Decrease AACL by the AACL transitional amount | AACL transitional amount = $200 | $150 | $100 | $50 |

**2.a** **To be completed only by institutions that have adopted ASU 2016-13: Does your institution have a CECL transition election in effect as of the quarter-end report date?** An institution may make a one-time election to use the CECL transition provision, as described in section 301 of the regulatory capital rules. Such an institution is required to begin applying the CECL transition provision as of the institution's CECL adoption date. An institution must indicate its election to use the CECL transition provision beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL. An institution that does not elect to use the CECL transition provision in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL would not be permitted to make an election in subsequent reporting periods. For example, an institution that adopts CECL as of January 1, 2020, and does not elect to use the CECL transition provision in its Call Report for the March 31, 2020, report date would not be permitted to use the CECL transition provision in any subsequent reporting period.

An institution that has adopted CECL and has elected to apply the CECL transition provision must enter "1" for "Yes" in item 2.a for each quarter in which the institution uses the transition provisions. An institution that has adopted CECL and has elected not to use the CECL transition provision must enter a "0" for "No" in item 2.a. An institution that has not adopted CECL must not complete item 2.a.

Each institution should complete item 2.a beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Effective December 31, 2025, item 2.a will be removed from Schedule RC-R, Part I, because the optional three-year phase-in period will have ended for all electing institutions. If an individual electing institution's three-year phase-in period ends before item 2.a is removed (e.g., its phase-in period ends December 31, 2022), the institution would report "0" in item 2.a to indicate that it no longer has a CECL transition election in effect.

**Part I. (cont.)**

**Item No. Caption and Instructions**

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 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.**

An institution that is not an advanced approaches institution as defined in the regulatory capital rules may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, Part I, 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.

Each institution (except an advanced approaches institution) 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 institution. With prior notice to its primary federal supervisor, an institution resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the regulatory capital rules.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**9.a LESS: Net unrealized gains (losses) on available-for-sale securities.**

For institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted ASU 2016-01 (as referenced in the instructions for item 9 above), report the amount of net unrealized gains (losses) on available-for-sale debt and equity securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt and equity securities reported in Schedule RC-B, items 1 through 7, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).

For institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01, report the amount of net unrealized gains (losses) on available-for-sale debt securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt securities reported in Schedule RC-B, items 1 through 6, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).

NOTE: Schedule RC-R, Part I, item 9.b is to be completed only by institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted ASU 2016-01 (as referenced in the instructions for Schedule RC-R, Part I, item 9, above).

Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01 should leave Schedule RC-R, Part I, item 9.b, blank.

**9.b LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.** Report as a positive value the amount of any net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." Available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures are reported in Schedule RC-B, item 7, columns C and D, and include investments in mutual funds.

**9.c LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." The amount reported in Schedule RC-R, Part I, item 9.c, should include gains (losses) on cash flow hedges that are no longer effective but included in AOCI. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 9.d | **LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.** Report the amounts recorded in AOCI, net of applicable income taxes, and included in Schedule RC, item 26.b, "Accumulated other comprehensive income," resulting from the initial and subsequent application of ASC Topic 715, Compensation–Retirement Benefits (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans") to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, Part I, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item. |
| 9.e | **LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes, and is included in AOCI as reported in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.<br><br>Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, net of applicable income taxes, and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), net of applicable income taxes. |
| 9.f | **To be completed only by institutions that entered "0" for No in Schedule RC-R, Part I, item 3.a:**<br><br>**LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet.** Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value. |
| 10 | **Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:** |
| 10.a | **LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk.** Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the institution's own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.<br><br>***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 8. |

**Part I. (cont.)**

**Item No. Caption and Instructions**

**14** **LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:

(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12, report the difference in this item 14.
(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12, enter zero in this item 14.

***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 13 (that is, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).

**15** **LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.**

(1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12, report the difference in this item 15.
(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12, enter zero in this item 15.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

***Transition provisions:*** Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 13 (that is, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).

**16** **LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.**

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the institution's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

**Part I. (cont.)**

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

**16** (cont.) ***Transition provisions:***

A. Calculate this item 16 as follows:
   (i) Calculate the aggregate amount of the threshold items before deductions:
      a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, Part I, item 13, step 1);
      b. MSAs, net of associated DTLs (Schedule RC-R, Part I, item 14, step 1); and
      c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, Part I, item 15, step 1).
   (ii) Multiply the amount in Schedule RC-R, Part I, item 12 (Subtotal) by 15 percent. This is *the 15 percent common equity deduction threshold for transition purposes*.
   (iii) Sum up the amounts that would have been reported in Schedule RC-R, Part I, items 13, 14, and 15 prior to applying the transition provisions (that is, as if the 10 percent common equity tier 1 capital deduction threshold were fully phased in).
   (iv) Deduct (iii) from (i).
   (v) Deduct (ii) from (iv). If this amount is negative, enter zero in this item 16.
   (vi) Multiply the amount in (v) by 80 percent. Report the resulting amount in this item 16.

***Example and a worksheet calculation:***

*Assume the following balance sheet amounts prior to deduction of these items:*

- Common equity tier 1 capital subtotal amount reported in Schedule RC-R, Part I, item 12 = $100
- Significant investments in the common shares of unconsolidated financial institutions, net of associated DTLs = $15
- MSAs, net of associated DTLs = $7
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs = $6
- Amount of each item that exceeds the 10% common equity tier 1 capital deduction threshold (as if the amounts subject to the 10% limit were fully phased in):
   - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = $5 (amount that would have been reported in Schedule RC-R, Part I, item 13, if the amount were fully phased in)
   - MSAs net of associated DTLs = $0 (amount that would have been reported in Schedule RC-R, Part I, item 14, if the amount were fully phased in)
   - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = $0 (amount that would have been reported in Schedule RC-R, Part I, item 15, if the amount were fully phased in).

*Calculation steps:*

(i) Sum of the significant investments in the common shares of unconsolidated financial institutions, MSAs, and DTAs (all net of associated DTLs) before deductions: $15 + $7 + $6 = $28
(ii) 15% of the amount from Schedule RC-R, Part I, item 12: 15% x $100 = $15
(iii) Sum of the amounts that would have been reported in Schedule RC-R, Part I, items 13, 14, and 15, if the amounts subject to the 10% common equity tier 1 capital deduction threshold were fully phased in: $5

**Part I. (cont.)**

**Item No. Caption and Instructions**

**29** (cont.) ***Example and a worksheet calculation:*** Calculate total capital minority interest that is not included in tier 1 capital includable at the institution level as follows:

*Assumptions:*

- This is a continuation of the example used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: $1,000 in each case.
- Subsidiary's total capital: $130, which is composed of subsidiary's common equity tier 1 capital $80, and additional tier 1 capital of $30, and tier 2 capital of $20.
- Subsidiary's common equity tier 1 capital owned by minority shareholders: $24.
- Subsidiary's additional tier 1 capital owned by minority shareholders: $15.
- Subsidiary's total capital instruments owned by minority shareholders: $15.
- Other relevant numbers are taken from the examples in Schedule RC-R, Part I, items 4 and 22.

| | | |
|---|---|---|
| (1) | Determine the risk-weighted assets of the subsidiary. | *$1,000* |
| (2) | Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation. | *$1,000* |
| (3) | Determine the lower of (1) or (2), and multiply that amount by 10.5%.[3] | *$1,000 x 10.5% = $105* |
| (4) | Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1, additional tier 1, and total capital minority interest ($54 in this example) in step (9). Otherwise continue on to step (5). | *$130* |
| (5) | Subtract the amount in step (3) from the amount in step (4). This is the "surplus total capital of the subsidiary." | *$130 - $105 = $25* |
| (6) | Determine the percent of the subsidiary's total capital instruments that are owned by third parties (the minority shareholders). | *$24 + $15 + $15 = $54. Then $54/$130 = 41.54%* |
| (7) | Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus total capital minority interest of the subsidiary" | *41.54% x $25 = $10.39* |
| (8) | Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount. | *$24 + $15 + $15 = $54. Then $54 - $10.39 = $43.62.* |
| (9) | The "total capital minority interest includable at the institution level" is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary. | *$43.62 (report the lesser of $43.62 or $54).* |
| (10) | Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest not included in tier 1 capital includable in total capital. | *$43.62 – ($21 + $9.14 (from examples in items 4 and 22)) = $13.48.* |

[3] The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 29 (cont.) | ***Transition provisions:*** For surplus minority interest and non-qualifying minority interest that can be included in tier 2 capital during the transition period, follow the transition provisions in the instructions for Schedule RC-R, Part I, item 4, after taking into consideration (that is, excluding) any amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22). In the example (and assuming no outstanding amounts of non-qualifying minority interest), the institution has $1.53 of surplus total capital minority interest available to be included during the transition period in tier 2 capital ($10.39 (from step 7 of the worksheet in item 29) of surplus total capital minority interest minus $8.86 (from step 7 of the worksheet in item 22) of tier 1 minority interest). In 2017, the institution would include an additional $0.31 in item 29 (20% of $1.53). Starting in 2018 the institution would include the same amount of surplus minority interest in its regulatory capital as it included in 2017 (20% of $1.53 or $0.31). NOTE: If the amount of surplus total capital minority interest (from step 7 of the worksheet in item 29) is less than the amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22), the amount of surplus total capital minority interest available to be included during the transition period in tier 2 capital is zero. |
| 30 | **Allowance for loan and lease losses includable in tier 2 capital.** Report the portion of the institution's allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital. None of the institution's allocated transfer risk reserve, if any, is includable in tier 2 capital.<br><br>For an institution that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), the institution's ALLL for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses"; less any allocated transfer risk reserve included in Schedule RC, item 4.c; plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."<br><br>For an institution that has adopted ASU 2016-13, the institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''<br><br>An institution that has adopted ASU 2016-13 and has elected to apply the CECL transition provision (electing institution) should decrease its applicable AACL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, an electing institution should reduce the amount of its AACL includable in tier 2 capital by 75 percent of its AACL transitional amount during the first year of the transition period, 50 percent of its AACL transitional amount during the second year of the transition period, and 25 percent of its AACL transitional amount during the third year of the transition period (see Table X in the instructions for Schedule RC-R, Part I, item 2). |

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **30** (cont.) | The amount to be reported in this item is the lesser of (1) the institution's ALLL or AACL, as applicable, for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation, as applicable, as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule, in accordance with the applicable transition provisions. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL or AACL calculation, as applicable, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.<br><br>The amount, if any, by which an institution's ALLL or AACL, as applicable, for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." For an institution that has <u>not</u> adopted ASU 2016-13, the sum of the amount of ALLL includable in tier 2 capital reported in Schedule RC-R, Part I, item 30, plus the amount of excess ALLL reported in Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3. |

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Part I. (cont.)

Item No. Caption and Instructions

33 (cont.) **(3) Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.**

Calculate this amount as follows (similar to Schedule RC-R, Part I, item 11):

(1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.
(3) If (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, Part I, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item.
(4) If (1) is less than the ten percent threshold for non-significant investments, enter zero.

For example, assume an institution has a total of $200 in non-significant investments (step 1), including $40 in the form of tier 2 capital (step 2), and its ten percent threshold for non-significant investments is $100 (as calculated in Schedule RC-R, Part I, item 11, step 4). Since the aggregate amount of non-significant investments exceed the ten percent threshold for non-significant investments by $100 ($200-$100), the institution would multiply $100 by the ratio of 40/200 (step 3). Thus, the institution would need to deduct $20 from its tier 2 capital.

***Transition provisions:*** Follow the transition provisions for investments in capital instruments in the instructions for Schedule RC-R, Part I, item 11.

**(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital.** Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

***Transition provisions:*** Follow the transition provisions for investments in capital instruments in the instructions for Schedule RC-R, Part I, item 11.

**(5) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.

34 **Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 32 less item 33, or zero.

Total Capital

35 **Total capital.** Report the sum of Schedule RC-R, Part I, items 26 and 34.

Total Assets for the Leverage Ratio

36 **Average total consolidated assets.** All banks and savings associations must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.

An institution that has adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301(b)(4)(iv) of the regulatory capital rules. For example, an electing institution should increase its average total consolidated assets as

**Part I. (cont.)**

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

36 reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table X in the instructions for Schedule RC-R, Part I, item 2).

37 **LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.** Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 11, 13 through 17, and item 24, except any adjustments to additional tier 1 capital related to changes in the fair value of liabilities that are reported in item 24 during the transition period. Also exclude the amount reported in item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in item 24. (This is to avoid double counting.)

38 **LESS: Other deductions from (additions to) assets for leverage ratio purposes.** Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule RC-R, Part I, item 37, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

***Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a – Defined benefit postretirement plans:***

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"), the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income" (AOCI), affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Subtopic 715-20 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to total assets for leverage ratio purposes. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

***Institutions that do not make the AOCI opt-out election – Available-for-sale securities:***

Available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as deductions from (additions to) assets for leverage ratio purposes the amounts needed to adjust (i) the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on

## Part II. Risk-Weighted Assets

### Contents – Part II. Risk-Weighted Assets

Part II. (cont.)

General Instructions for Schedule RC-R, Part II.

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.)**

**Adjustments for Financial Subsidiaries**

Section 121 of the Gramm-Leach-Bliley Act allows national banks and insured state banks to establish entities known as financial subsidiaries. (Savings associations are not authorized under the Gramm-Leach-Bliley Act to have financial subsidiaries.) One of the statutory requirements for establishing a financial subsidiary is that a national bank or insured state bank must deduct any investment in a financial subsidiary from the bank's assets and tangible equity. Therefore, under the regulatory capital rules, a bank must deduct the aggregate amount of its outstanding equity investment in a financial subsidiary, including the retained earnings of the subsidiary, from its common equity tier 1 capital elements in Schedule RC-R, Part I, item 10.b. In addition, the assets and liabilities of the subsidiary may not be consolidated with those of the parent bank for regulatory capital purposes.

For further information, a bank with one or more financial subsidiaries should refer to the discussion of "Adjustments for Financial Subsidiaries" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Treatment of Embedded Derivatives**

If a bank has a hybrid contract containing an embedded derivative that must be separated from the host contract and accounted for as a derivative instrument under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), then the host contract and embedded derivative should be treated separately for risk-based capital purposes. When the fair value of the embedded derivative has been reported as part of the bank's assets on Schedule RC – Balance Sheet, that fair value (whether positive or negative) should be reported (as a positive or negative number) in column B of the corresponding asset category item in Schedule RC-R, Part II (items 1 to 8). The host contract, if an asset, should be risk weighted according to the obligor or, if relevant, the guarantor or the nature of the collateral. All derivative exposures should be risk weighted in the derivative items of Schedule RC-R, Part II, as appropriate (items 20 or 21).

**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

**Part II. (cont.)**

**General Instructions for Schedule RC-R, Part II. (cont.)**

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 Certain Centrally Cleared Derivative Contracts**

In August 2017, the banking agencies issued supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts, which are reported in Schedule RC-R, Part II, item 21, in light of revisions to the rulebooks of certain central counterparties. Under the previous requirements of these central counterparties' rulebooks, variation margin transferred to cover the exposure that arises from marking cleared derivative contracts, and netting sets of such contracts, to fair value was considered collateral pledged by one party to the other, with title to the collateral remaining with the posting party. These derivative contracts are referred to as collateralized-to-market contracts. Under the revised rulebooks of certain central counterparties, variation margin for certain centrally cleared derivative contracts, and certain netting sets of such contracts, is considered a settlement payment for the exposure that arises from marking these derivative contracts and netting sets to fair value, with title to the payment transferring to the receiving party. In these circumstances, the derivative contracts and netting sets are referred to as settled-to-market contracts.

For further information, an institution with settled-to-market contracts should refer to the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. In addition, institutions should refer to the August 2017 supervisory guidance in its entirety for purposes of determining the appropriate regulatory capital treatment of settled-to-market contracts under the regulatory capital rules.

**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." 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**

**2.a** (cont.) Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- *In column B*, include the amount of:
  - Non-significant investments in tier 2 capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 33.
  - Significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 33.

  For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number in column B:
  - The portion of Schedule RI-B, Part II, item 7, column B, "Balance end of current period" for HTM debt securities that relates to HTM securities reported in column A of this item, less
  - The portion of Schedule RC-R, Part II, Memorandum item 4.b, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for HTM debt securities that relates to purchased credit-deteriorated HTM securities reported in column A of this item.

  For example, if an institution reports $100 in Schedule RI-B, Part II, item 7, column B, and $10 in Schedule RC-R, Part II, Memorandum item 4.b, the institution would report ($90) in this column B.

- *In column C–0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 1, "U.S. Treasury securities,"
  - Item 2, those obligations issued by U.S. Government agencies,
  - Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
  - Item 4.b.(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,
  - Item 4.c.(1)(a), those commercial mortgage-backed securities (MBS) "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
  - Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
  - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by

**Part II. (cont.)**

**Item No. Caption and Instructions**

**2.a** (cont.)

the U.S. government, as well as exposures to U.S. government-sponsored enterprises. Certain foreign government and foreign bank exposures may qualify as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:

- Item 2, those obligations issued by U.S. Government-sponsored agencies, Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
- Item 4.a.(1), those residential mortgage pass-through securities issued by FNMA and FHLMC,
- Item 4.b.(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies,"
- Item 4.c.(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities,
- Item 4.c.(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities,
- Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," and
- Any securities categorized as “structured financial products” on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H–50% risk weight,* include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk-weight category.)
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
  - Item 4.b.(3), “All other residential MBS.” Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranched for credit risk; those must be reported as securitization exposures in Schedule RC-R, Part II, item 9.a. Exclude interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

**Part II. (cont.)**

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

**2.a** (cont.)

- *In column I–100% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excludes portions subject to an FDIC loss-sharing agreement), that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(3), "All other residential MBS," Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. (Note: Do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.a.),
  - Item 4.c.(1)(b), "Other [commercial mortgage] pass-through securities,"
  - Item 4.c.(2)(b), "All other commercial MBS,"
  - Item 5.a, "Asset-backed securities," and

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**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 4.c (cont.) | • *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFS included in Schedule RC, item 4.a, 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. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.c, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports. |
| 4.d | **All other exposures.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above.<br><br>• *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFS Small Business Administration (SBA) "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases HFS collateralized by deposits at the reporting institution.<br><br>• *In column G–20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFS covered by FDIC loss-sharing agreements.<br><br>• *In column H–50% risk weight,* include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.<br><br>• *In column I–100% risk weight*, include the carrying value of HFS loans and leases reported in Schedule RC, item 4.a, that are not included in columns C through H, J, or R. This item would include 1-4 family construction loans reported in Schedule RC-C, Part I, item 1.a.(1) and loans secured by multifamily residential properties reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than $1 million. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFS that that are not reported in Schedule RC-R, Part II, items 4.a through 4.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight. |

**Part II. (cont.)**

**Item No. Caption and Instructions**

**4.d** (cont.)

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS loans and leases, including HFS eligible margin loans, reported in Schedule RC, item 4.a, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.d, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For all other HFS loans and leases that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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

The carrying value of those loans and leases HFI 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 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 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 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 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 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 reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.

[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.) 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 HFI loans should be reported in Schedule RC-R, Part II, item 5.d.

- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated residential mortgage exposures.

- *In column C–0% risk weight*, include the portion of any HFI exposure 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 guarantee that qualifies for the zero percent risk weight. This would include loans and leases 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 included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI 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 covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight*, include the carrying value of loans HFI 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 residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of $1 million or less), 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 that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan HFI 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).*

**Part II. (cont.)**

**Item No. Caption and Instructions**

5.a (cont.)

- ○ *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 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 that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans HFI that are *residential mortgage exposures* that have been restructured or modified, except
  - ○ Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
  - o The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loan HFI 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

5.b **High volatility commercial real estate exposures.** Report in column A the portion of the carrying value of loans HFI 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 B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to purchased credit-deteriorated high volatility commercial real estate exposures.

- *In column C–0% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI, 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 collateralized by deposits at the reporting institution.

[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 G–20% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI 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.

- *In column H–50% risk weight,* include the portion of any HVCRE exposure included in loans and leases HFI 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 which is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

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

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFI 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

5.c **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases HFI 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 B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated exposures past due 90 days or more or on nonaccrual.

- *In column C–0% risk weight,* include the portion of loans and leases HFI 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 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 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 covered by an FDIC loss-sharing agreement.

- *In column H–50% risk weight,* include the portion of loans and leases HFI 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, 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 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 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.c, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**5.d** **All other exposures.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in items 5.a through 5.c above.

- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment that are applicable to all purchased credit-deteriorated exposures 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. Also include the portion of any loans and leases HFI 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 collateralized by deposits at the reporting institution.

**Part II. (cont.)**

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

**5.d** (cont.)

- *In column G–20% risk weight*, include the carrying value of HFI loans to and acceptances of other U.S. depository institutions 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 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 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 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 covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include the carrying value of loans and leases HFI 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 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 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 reported in Schedule RC-C, Part I, item 1.a.(1) and the portion of loans HFI 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 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 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, 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 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. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.d, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For all other loans and leases HFI that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**6** **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses or the allowance for credit losses on loans and leases reported in Schedule RC, item 4.c.

**Part II. (cont.)**

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

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. For further information on the market risk capital rule and the meaning of the term "covered position," refer to the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

For banks not subject to the market risk capital rule and for those trading assets reported in column A that are held by banks subject to the market risk capital rule and do not meet the definition of a covered position:

- *In column B*, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of derivative contracts that are assets (excluding those derivative contracts reported in Schedule RC, item 5, that qualify as securitization exposures, which are excluded from column A of this item 7). For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk-weight categories in Schedule RC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.

  *In column B*, include the amount of:
  - Non-significant investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item 33.
  - Significant investments in the capital of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 24 and item 33.
  - Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule RC, item 5, that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 and 16.

  Also include in column B the fair value of any unsettled transactions (failed trades) that are reported as trading assets in Schedule RC, item 5. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

- *In column C–0% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the zero percent risk weight and are not securitization exposures, which may include the fair value of U.S. Treasury securities, securities issued by U.S. Government agencies, and mortgage-backed securities (MBS) guaranteed by GNMA.

**Part II. (cont.)**

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

**7** (cont.)

- Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of trading assets collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 20 percent risk weight and are not securitization exposures, which may include the fair value of securities issued by U.S. Government-sponsored agencies; general obligations issued by states and political subdivisions in the United States; MBS issued by FNMA and FHLMC; and asset-backed securities, structured financial products, other debt securities, loans and acceptances, and certificates of deposit that represent exposures to U.S. depository institutions..
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 50 percent risk weight and are not securitization exposures, which may include the fair value of revenue obligations issued by states and political subdivisions in the United States and MBS.
  - Also include the portion of the fair value of any trading assets 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 the amount reported in Schedule RC, item 5, that qualifies for the 100 percent risk weight and are not securitization exposures, which may include the fair value of MBS and other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - Also include the fair value of significant investments in the capital of unconsolidated financial institutions in the form of common stock held as trading assets that does not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules.
  - Also include publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
  - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. <u>Exclude</u> those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
  - Also include the portion of the fair value of any trading assets 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 exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

7 (cont.)

- *In column L–300% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of publicly traded equity securities with readily determinable fair values.

- *In column M–400% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity securities (other than those issued by investment firms) that do not have readily determinable fair values.

- *In column N–600% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity exposures to investment firms.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include:
  - The portion of any trading assets reported in Schedule RC, item 5, 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.
  - Equity exposures to investment funds (including mutual funds) reported as trading assets in Schedule RC, item 5, if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. These exposures are subject to a minimum risk weight of 20 percent.
  - For information on the reporting of such trading assets in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 7, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these assets to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

8 **All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets"; item 7, "Other real estate owned"; item 8, "Investments in unconsolidated subsidiaries and associated companies"; item 9, "Direct and indirect investments in real estate ventures"; item 10, "Intangible assets"; and item 11, "Other assets," excluding those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures (as well as the amount reported in Schedule RC, item 11, for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC) must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of item 8, columns B through R (including items 8.a and 8.b, column R), must equal item 8, column A. Amounts reported in Schedule RC-R, Part II, items 8.a and 8.b, column R, should not also be reported in Schedule RC-R, Part II, item 8, column R.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 8 (cont.) | Treatment of Defined Benefit Postretirement Plan Assets – Applicable Only to Banks That Have Made the Accumulated Other Comprehensive Income (AOCI) Opt-Out Election in Schedule RC-R, Part I, item 3.a |

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"), the institution should adjust the asset amount reported in column A of this item for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income," affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 should be reported as an adjustment to assets in column B of this item. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Topic 715 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B*, include the amount of:
  - Any goodwill reported in Schedule RC-M, item 2.b, without regard to any associated DTLs;
  - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule RC-R, Part I, item 7, without regard to any associated DTLs;
  - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule RC-R, Part I, item 8, as well as the amount of such DTAs that are deducted from additional tier 1 capital in Schedule RC-R, Part I, item 24, or from common equity tier 1 capital in Schedule RC-R, Part I, item 17, during the transition period;
  - The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule RC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule RC-R, Part II, item 20 or 21, as appropriate);
    - Note: The fair value of derivative contracts reported as assets in Schedule RC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called "derivative loan commitments," i.e., a lender's commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8.
  - Non-significant investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item 33.
  - Significant investments in the capital of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 24 and item 33.

**Part II. (cont.)**

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

**8** (cont.)

- Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 through 16. These excess amounts pertain to three items:
  - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
  - MSAs; and
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances; and
- Unsettled transactions (failed trades) that are reported as "Other assets" in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.

An institution that has adopted the current expected credit losses methodology (CECL) should report as a negative number in column B:
- The portion of Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost," that relates to assets reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for other financial assets measured at amortized cost that relates to assets reported in column A of this item.

For example, if an institution reports $100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and $10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report ($90) in this column B.

An institution that has adopted CECL and has elected to apply the CECL transition provision (electing institution) should report as a positive number in column B its applicable DTA transitional amount from temporary difference DTAs, in accordance with section 301 of the regulatory capital rules. Specifically, an electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement.

- *In column C–0% risk weight*, include:
  - The carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule RC-R, Part II, items 1 through 7);
  - The carrying value of gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of these assets collateralized by deposits in the reporting institution.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**8** (cont.)

- *In column G–20% risk weight*, include:
  - The carrying value of Federal Home Loan Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Schedule RC-R, Part II, items 1 through 7);
  - The portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of these assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include:
  - Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Schedule RC-R, Part II, items 1 through 7);
  - The amount of all other assets reported in column A that is not included in columns B through H, J through N, or R;
  - The amounts of items that do not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules. These amounts pertain to three items:
    - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
    - MSAs; and
    - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances;
  - Publicly traded equity exposures, equity exposures without readily determinable fair values, and equity exposures to investment funds, to the extent that the aggregate carrying value of the bank’s equity exposures does not exceed 10 percent of total capital. If the bank’s aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its equity exposures reported in Schedule RC, items 6 through 11, in either columns L, M, or N, as appropriate; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J–150% risk weight*, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 150 percent risk weight.

- *In column L–300% risk weight*, include the fair value of publicly traded equity securities with readily determinable fair values that are reported in Schedule RC, items 8 and 9.

- *In column M–400% risk weight*, include the historical cost of equity securities (other than those issued by investment firms) that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.

**Part II. (cont.)**

**Item No. Caption and Instructions**

8 (cont.)

- *In column N–600% risk weight,* include the historical cost of equity securities issued by investment firms that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.

- *In columns R and S of item 8–Application of Other Risk-Weighting Approaches*, include:
  - The portion of any asset reported in Schedule RC, items 6 through 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), 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.
  - Equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 8 or 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. These exposures are subject to a minimum risk weight of 20 percent.
  - For information on the reporting of such assets in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- *In columns R and S of item 8.a—Separate Account Bank-Owned Life Insurance*, include the bank's investments in separate account life insurance products, including hybrid separate account life insurance products. Exclude from columns R and S any investment in bank-owned life insurance that is solely a general account insurance product (report such general account insurance products in *column I—100 percent risk weight*). Report in column R the carrying value of the bank's investments in separate account life insurance products, including hybrid separate account products. Report in column S the risk-weighted asset amount of these insurance products. When a bank has a separate account policy, the portion of the carrying value that represents general account claims on the insurer, including items such as deferred acquisition costs (DAC) and mortality reserves realizable as of the balance sheet date, and any portion of the carrying value attributable to a Stable Value Protection (SVP) contract should be risk weighted at the 100 percent risk weight as claims on the insurer or the SVP provider. The remaining portion of the investment in separate account life insurance products is an equity exposure to an investment fund that should be measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach, all three of which require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8.b—Default Fund Contributions to Central Counterparties*

  Note: Item 8.b only applies to banks that are clearing members, and therefore will not be applicable to the vast majority of banks. Banks must report the aggregate on-balance sheet amount of default fund contributions to central counterparties (CCPs) in column A. Banks must report the aggregate off-balance sheet amount, if any, of default fund contributions to CCPs as a negative amount in column B of item 8. For information on

Part II. (cont.)

Item No. Caption and Instructions

8 (cont.) the reporting of default fund contributions to central counterparties in columns R and S, refer to the instructions for Schedule RC-R, Part II, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For the portions of those exposures described above in the instructions for Schedule RC-R, Part II, item 8, that are exposures to sovereigns or foreign banks reported in Schedule RC, items 6 through 11, that must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part, II, item 8, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

9 **On-balance sheet securitization exposures.** When determining the amount of risk-weighted assets for securitization exposures, banks that are not subject to the market risk capital rule may elect to use either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, as described above and in §.41 to §.45 of the regulatory capital rules. However, such banks must use the SSFA or Gross-Up Approach consistently across all securitization exposures (items 9.a through 10), but banks may risk weight any individual securitization exposure at 1,250 percent in lieu of applying the SSFA or Gross-Up Approach to that individual exposure.

Banks subject to the market risk capital rule must use the SSFA when determining the amount of risk-weighted assets for securitization exposures.

For further information, refer to the discussion of "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule RC-R, Part II.

9.a **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 2.a, for a summary of the reporting locations of HTM securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For a security classified as HTM where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security reported on the balance sheet of the bank and in column A, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

If an HTM securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the HTM security that is reported in Schedule RC, item 11, "Other assets," and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**9.a** (cont.)

- *In column B:*
  - If an HTM securitization exposure will be risk weighted using the 1,250 percent risk weight approach, report any difference between the carrying value of the HTM securitization exposure reported in column A of this item and the exposure amount of the HTM securitization exposure that is to be risk weighted.
  - If an HTM securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, report the carrying value of the HTM securitization exposure reported in column A of this item.
  - For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number:
    - The portion of Schedule RI-B, Part II, item 7, column B, "Balance end of current period" for HTM debt securities that relates to HTM securitization exposures, less
    - The portion of Schedule RC-R, Part II, Memorandum item 4.b, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for HTM debt securities that relates to purchased credit-deteriorated HTM securitization exposures.

    For example, if an institution reports $100 in Schedule RI-B, Part II, item 7, column B, that relates to HTM securitization exposures and $10 in Schedule RC-R, Part II, Memorandum item 4.b that relates to purchased credit-deteriorated HTM securitization exposures, the institution would report ($90) in this column B.

- *In column Q*, report the exposure amount of those HTM securitization exposures that are assigned a 1,250 percent risk weight (i.e., those HTM securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column T,* report the risk-weighted asset amount (not the exposure amount) of those HTM securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

- *In column U*, report the risk-weighted asset amount (not the exposure amount) of HTM securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

**9.b** **Available-for-sale securities.** Report in column A the fair value of those available-for-sale (AFS) securities reported in Schedule RC, item 2.b, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 2.b, for a summary of the reporting locations of AFS securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank that has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:

For an AFS debt security that is a securitization exposure where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the bank is the carrying value of the debt security, which is the value of the asset reported on the balance sheet of the bank (Schedule RC, item 2.b) determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A of this item.

**Part II. (cont.)**

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

**9.b** (cont.) Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For an AFS debt security that is a securitization exposure where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the bank is the carrying value of the debt security, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

If an AFS securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the AFS debt security that is reported in Schedule RC, item 11, “Other assets,” and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

- *In column B:*
  - If an AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach, a bank that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that qualify as securitization exposures. This difference equals the amounts reported in Schedule RC-B, items 4 and 5, column D, minus items 4 and 5, column C, for those AFS debt securities included in these items that are securitization exposures. When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, Part II, item 9.b, column B. When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule RC-R, Part II, item 9.b, column B.
  - If an AFS securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, a bank should report the carrying value of the AFS securitization exposure reported in column A of this item.

- *In column Q*, report the exposure amount of those AFS securitization exposures that are assigned a 1,250 percent risk weight (i.e., those AFS securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

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**Part II. (cont.)**

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

**18.b** (cont.)

- *In column J–150% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 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 columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of unused commitments 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 an unused commitment may not be less than 20 percent. For information on the reporting of such unused commitments in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 18.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For unused commitments with an original maturity exceeding one year that represent exposures to foreign banks, and commercial and similar letters of credit with an original maturity exceeding one year that have been conveyed to foreign banks, that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign the credit equivalent amount of these exposures to risk-weight categories based on the CRC methodology described in instructions for Schedule RC-R, Part, II, item 18.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**19** **Unconditionally cancelable commitments.** Report the unused portion of those unconditionally cancelable commitments reported in Schedule RC-L, item 1, that are subject to the regulatory capital rules. The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the bank (to the extent permitted by applicable law) have a zero percent credit conversion factor. The bank should report the unused portion of such commitments in column A of this item and zero in column B of this item.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are defined to be short-term commitments that should be converted at zero percent and included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

**20** **Over-the-counter derivatives.** Report in column B the credit equivalent amount of over-the-counter derivative contracts covered by the regulatory capital rules. As defined in §.2 of the regulatory capital rules, an *over-the-counter (OTC) derivative contract* is a derivative contract that is not a cleared transaction.[24a] Include OTC credit derivative contracts held for trading purposes and subject to the market risk capital rule. Do not include the credit equivalent amount of centrally cleared derivative contracts, which must be reported in Schedule RC-R, Part II, item 21. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**20** (cont.) The credit equivalent amount of an OTC derivative contract to be reported in column B is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1) plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.34 of the regulatory capital rules. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's OTC derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 2.a through 2.g.

| Remaining Maturity | Interest Rate | Foreign exchange rate and gold | Credit (investment grade reference assets) | Credit (non-investment grade reference assets) | Equity | Precious metals (except gold) | Other |
|---|---|---|---|---|---|---|---|
| One year or less | 0.0% | 1.0% | 5.0% | 10.0% | 6.0% | 7.0% | 10.0% |
| Greater than one year & less than or equal to five years | 0.5% | 5.0% | 5.0% | 10.0% | 8.0% | 7.0% | 12.0% |
| Greater than five years | 1.5% | 7.5% | 5.0% | 10.0% | 10.0% | 8.0% | 15.0% |

Under the banking agencies' regulatory capital rules and for purposes of Schedule RC-R, Part II, the existence of a legally enforceable bilateral netting agreement between the reporting bank and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule RC-R, Part II, Memorandum item 1, and §.34 of the regulatory capital rules.

When assigning OTC derivative exposures to risk-weight categories, banks can recognize the risk-mitigating effects of financial collateral by using either the Simple Approach or the Collateral Haircut Approach, as described in §.37 of the regulatory capital rules.

- *In column C–0% risk weight,* include the credit equivalent amount of OTC derivative contracts with 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. This includes OTC derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by cash on deposit at the reporting institution.

[24a] An OTC derivative includes a transaction:
(1) Between an institution that is a clearing member and a counterparty where the institution is acting as a financial intermediary and enters into a cleared transaction with a central counterparty (CCP) that offsets the transaction with the counterparty; or
(2) In which an institution that is a clearing member provides a CCP a guarantee on the performance of the counterparty to the transaction.

**Part II. (cont.)**

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

20 (cont.)

- *In column F–10% risk weight,* include the credit equivalent amount of OTC derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by a sovereign exposure that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules.

- *In column G–20% risk weight,* include the credit equivalent amount of OTC derivative contracts with 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.

- *In column H–50% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 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 I–100% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 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. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H, J, and R.

- *In column J–150% risk weight,* include the credit equivalent amount of OTC derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 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 columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of OTC derivative contracts that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach or the Collateral Haircut Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the OTC derivative exposure may not be less than 20 percent. For information on the reporting of such OTC derivative exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 20, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

21 **Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. As described in §.2 of the regulatory capital rules, a centrally cleared derivative contract is an exposure associated with an outstanding derivative contract that an institution, or an institution that is a clearing member has entered into with a central counterparty (CCP), that is, a transaction that a CCP has accepted. Include centrally cleared credit derivative contracts held for trading purposes and subject to the market risk capital rule. For information on the regulatory capital treatment of settled-to-market contracts, see the discussion of "Treatment of Certain Centrally Cleared Derivative Contracts" in the General Instructions for Schedule RC-R, Part II.

Do not include the credit equivalent amount of over-the-counter derivative contracts, which must be reported in Schedule RC-R, Part II, item 20. Do not include centrally cleared derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**21** (cont.) The credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Memorandum item 1), plus the potential future exposure over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's centrally cleared derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 3.a through 3.g.

| Remaining Maturity | Interest Rate | Foreign exchange rate and gold | Credit (investment grade reference assets) | Credit (non-investment grade reference assets) | Equity | Precious metals (except gold) | Other |
|---|---|---|---|---|---|---|---|
| One year or less | 0.0% | 1.0% | 5.0% | 10.0% | 6.0% | 7.0% | 10.0% |
| Greater than one year & less than or equal to five years | 0.5% | 5.0% | 5.0% | 10.0% | 8.0% | 7.0% | 12.0% |
| Greater than five years | 1.5% | 7.5% | 5.0% | 10.0% | 10.0% | 8.0% | 15.0% |

- *In column C–0% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other 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 D–2% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) where the collateral posted by the bank to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client bank has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions. See the definition of QCCP in §.2 of the regulatory capital rules.

- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with QCCPs in all other cases that do not meet the qualification criteria for a 2 percent risk weight, as described in §.2 of the regulatory capital rules.

- *In column G–20% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other 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.

**Part II. (cont.)**

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

**21** (cont.)

- *In column H–50% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 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 I–100% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 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. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 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.

**22** **Unsettled transactions (failed trades).** NOTE: This item includes unsettled transactions in the reporting bank's trading book and in its banking book. Report as unsettled transactions all on- and off-balance sheet transactions involving securities, foreign exchange instruments, and commodities that have a risk of delayed settlement or delivery, or are already delayed, and against which the reporting bank must hold risk-based capital as described in §.38 of the regulatory capital rules.

For delivery-versus-payment (DvP) transactions[25] and payment-versus-payment (PvP) transactions,[26] report in column A the positive current exposure of those unsettled transactions with a normal settlement period in which the reporting bank's counterparty has not made delivery or payment within five business days after the settlement date, which are the DvP and PvP transactions subject to risk weighting under §.38 of the regulatory capital rules. Positive current exposure is equal to the difference between the transaction value at the agreed settlement price and the current market price of the transaction, if the difference results in a credit exposure of the bank to the counterparty.

For delayed non-DvP/non-PvP transactions,[27] also include in column A the current fair value of the deliverables owed to the bank by the counterparty in those transactions with a normal settlement period in which the reporting bank has delivered cash, securities, commodities, or currencies to its counterparty, but has not received its corresponding deliverables, which are the non-DvP/non-PvP transactions subject to risk weighting under §.38 of the regulatory capital rules.

For further information on the reporting of unsettled transactions, including assigning these exposures to risk-weight categories, refer to the instructions for Schedule RC-R, Part, II, item 22, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

[25] DvP transaction means a securities or commodities transaction in which the buyer is obligated to make payment only if the seller has made delivery of the securities or commodities and the seller is obligated to deliver the securities or commodities only if the buyer has made payment.

[26] PvP transaction means a foreign exchange transaction in which each counterparty is obligated to make a final transfer of one or more currencies only if the other counterparty has made a final transfer of one or more currencies.

[27] Non-DvP/non-PvP transaction means any other delayed or unsettled transaction that does not meet the definition of a DvP or a PvP transaction.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**Totals**

23 **Total assets, derivatives, off-balance sheet items, and other items subject to risk weighting by risk weight category.** For each of columns C through P, report the sum of items 11 through 22. For column Q, report the sum of items 10 through 22.

24 **Risk weight factor.**

25 **Risk-weighted assets by risk weight category.** For each of columns C through Q, multiply the amount in item 23 by the risk weight factor specified for that column in item 24.

26 **Risk-weighted assets base for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold.** Report the sum of:

- Schedule RC-R, Part II:
  - Items 2.b through 20, column S,
  - Items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U, and
  - Item 25, columns C through Q
- Schedule RC-R, Part I:
  - The portion of item 10.b composed of "Investments in the institution's own shares to the extent not excluded as part of treasury stock,"
  - The portion of item 10.b composed of "Reciprocal cross-holdings in the capital of financial institutions in the form of common stock,"
  - Items 11 and 13 through 16,
  - Item 24, excluding the portion of item 24 composed of tier 2 capital deductions reported in Part I, item 33, for which the institution does not have a sufficient amount of tier 2 capital before deductions reported in Part I, item 32, to absorb these deductions, and
  - Item 33.

For institutions that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets base reported in this item 26 is for purposes of calculating the adjusted allowances for credit losses (AACL) 1.25 percent threshold.

NOTE: Item 27 is applicable only to banks that are subject to the market risk capital rule.

27 **Standardized market risk-weighted assets.** Report the amount of the bank's standardized market risk-weighted assets. This item is applicable only to those banks covered by Subpart F of the regulatory capital rules (i.e., the market risk capital rule), as provided in §.201 of the regulatory capital rules and in the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II.

A bank's measure for market risk for its covered positions is the sum of its value-at-risk (VaR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A bank's standardized market risk-weighted assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

For further information on the meaning of the term "covered position," refer to the discussion of "Banks That Are Subject to the Market Risk Capital Rule" in the General Instructions for Schedule RC-R, Part II.

**Part II. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| 28 | **Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.** Report the sum of items 2.b through 20, column S; items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U; item 25, columns C through Q; and, if applicable, item 27. (Item 27 is applicable only to banks that are subject to the market risk capital rule.)<br><br>For institutions that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets reported in this item 28 represents the amount of risk-weighted assets before deductions for excess adjusted allowances for credit losses (AACL) and allocated transfer risk reserve. |
| 29 | **LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the bank's allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes exceeds 1.25 percent of the bank's risk-weighted assets base reported in Schedule RC-R, Part II, item 26.<br><br>For an institution that has not adopted the current expected credit losses methodology (CECL), the institution's ALLL for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures." If an institution's ALLL for regulatory capital purposes, as defined in the preceding sentence, exceeds 1.25 percent of Schedule RC-R, Part II, item 26, the amount to be reported in this item equals the institution's ALLL for regulatory capital purposes less Schedule RC-R, Part I, item 30, "Allowance for loan and lease losses includable in tier 2 capital."<br><br>For an institution that has adopted CECL, the institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''<br><br>For an institution that has not adopted CECL, the sum of the amounts reported in Schedule RC-R, Part I, item 30, and Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3. |
| 30 | **LESS: Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) 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 12 CFR Part 28, Subpart C (OCC)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is included in Schedule RC, item 4,c, "Allowance for loan and lease losses") plus the ATRR for assets other than loans and leases held for investment. |
| 31 | **Total risk-weighted assets.** Report the amount derived by subtracting items 29 and 30 from item 28. |

**Part II. (cont.)**

**Memoranda**

**Item No. Caption and Instructions**

1 **Current credit exposure across all derivative contracts covered by the regulatory capital rules.** Report the total current credit exposure amount after considering applicable legally enforceable bilateral netting agreements for all interest rate, foreign exchange rate, gold, credit (investment grade reference assets), credit (non-investment grade reference assets), equity, precious metals (except gold), and other derivative contracts that are over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) or derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) and are covered by §.34 and §.35 of the regulatory capital rules, respectively. Banks that are subject to the market risk capital rule should exclude all covered positions subject to that rule, except for foreign exchange derivatives that are outside of the trading account.[28] Foreign exchange derivatives that are outside of the trading account and all over-the-counter derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the bank is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a covered position under the market risk capital rule or (b) not defined as a covered position under the market risk capital rule and not recognized as a guarantee for regulatory capital purposes.

As discussed further below, current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero.

Exclude the positive fair value of derivative contracts that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. Written option contracts that are, in substance, financial guarantees, are discussed below. For “derivative loan commitments,” which are reported as over-the-counter written option contracts in Schedule RC-L, if the fair value of such a commitment is positive and reported as an asset in Schedule RC, item 11, this positive fair value should be reported in the appropriate risk-weight category in Schedule RC-R, Part II, item 8, and not as a component of the current credit exposure to be reported in this item.

Purchased options held by the reporting bank that are traded on an exchange are covered by the regulatory capital rules unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

If a written option contract acts as a financial guarantee that does not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, then for risk-based capital purposes the notional amount of the option should be included in Schedule RC-R, Part II, item 17, column A, as part of "All other off-balance sheet liabilities." An example of such a contract occurs when the reporting bank writes a put option to a second bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If

[28] For further information on the market risk capital rule and the meaning of the term “covered position,” refer to the discussion of “Banks That Are Subject to the Market Risk Capital Rule” in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 1 (cont.) | the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second bank, the reporting bank would be required by the second bank to take the loan onto its books. |

Do not include derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

Current credit exposure should be derived as follows: Determine whether a qualifying master netting agreement, as defined in §.2 of the regulatory capital rules, is in place between the reporting bank and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are netted to a single amount.

Next, for all other derivative contracts covered by the regulatory capital rules that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable derivative contracts subject to qualifying master netting agreements and (ii) the total positive fair values of all other contracts covered by the regulatory capital rules for both OTC and centrally cleared contracts. The current credit exposure reported in this item is a component of the credit equivalent amount of derivative contracts that is to be reported in Schedule RC-R, items 20 or 21, column B, depending on whether the contracts are centrally cleared.

2 **Notional principal amounts of over-the-counter derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all over-the-counter (OTC) derivative contracts, including credit derivatives, that are subject to §.34 of the regulatory capital rules.[29] Such contracts include swaps, forwards, and purchased options. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the OTC derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

The notional amount or par value to be reported for an OTC derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported for an amortizing OTC derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of "interest rate derivative contracts," "foreign exchange contracts," "equity derivative contracts," "commodity contracts" (including gold and precious metals), and "credit derivative contracts," refer to the instructions for Schedule SU, item 1.

[29] See the instructions for Schedule RC-R, Part II, item 20, for the definition of an OTC derivative contract.

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 2 (cont.) | Exclude from this item the notional amount of OTC written option contracts, including so-called "derivative loan commitments," which are not subject to §.34 of the regulatory capital rules. |
| 3 | **Notional principal amounts of centrally cleared derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all derivative contracts, including credit derivatives, that are cleared transactions (as described in §.2 of the regulatory capital rules) and are subject to §.35 of the regulatory capital rules.[30] Such centrally cleared derivative contracts include swaps, forwards, and purchased options. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the centrally cleared derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.<br><br>The notional amount or par value to be reported for a centrally cleared derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)<br><br>The notional amount to be reported for an amortizing centrally cleared derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.<br><br>For descriptions of "interest rate derivative contracts," "foreign exchange contracts," "equity derivative contracts," "commodity contracts" (including gold and precious metals), and "credit derivative contracts," refer to the instructions for Schedule SU, item 1. |
| **2.a and 3.a** | **Interest rate.** Report the remaining maturities of interest rate contracts that are subject to the regulatory capital rules. |
| **2.b and 3.b** | **Foreign exchange rate and gold.** Report the remaining maturities of foreign exchange contracts and the remaining maturities of gold contracts that are subject to the regulatory capital rules. |
| **2.c and 3.c** | **Credit (investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity meets the definition of investment grade as described in §.2 of the regulatory capital rules. |
| **2.d and 3.d** | **Credit (non-investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity does not meet the definition of investment grade as described in §.2 of the regulatory capital rules. |
| **2.e and 3.e** | **Equity.** Report the remaining maturities of equity derivative contracts that are subject to the regulatory capital rules. |

[30] See the instructions for Schedule RC-R, Part II, item 21, for the description of derivative contracts that are cleared transactions, referred to hereafter as centrally cleared derivative contracts.

**Part II. (cont.)**

**Memoranda**

| Item No. | Caption and Instructions |
|---|---|
| 2.f and 3.f | **Precious metals (except gold).** Report the remaining maturities of other precious metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts. |
| 2.g and 3.g | **Other.** Report the remaining maturities of other derivative contracts that are subject to the regulatory capital rules. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract. |

NOTE: Memorandum items 4.a through 4.c should be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses.

| Item No. | Caption and Instructions |
|---|---|
| 4 | **Amount of allowances for credit losses on purchased credit-deteriorated assets**. ASU 2016-13 introduces the concept of purchased credit-deteriorated (PCD) assets as a replacement for purchased credit-impaired (PCI) assets. The PCD asset definition covers a broader range of assets than the PCI asset definition. As defined in ASU 2016-13, "purchased credit-deteriorated assets" are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution's assessment.<br><br>ASU 2016-13 requires institutions to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets. |
| 4.a | **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment. |
| 4.b | **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities. |
| 4.c | **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. |

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| Item No. | Caption and Instructions |
|---|---|

**7 (cont.)** consolidate the VIE. For further information, see the Glossary entry for "variable interest entity."

VIEs include, but are not limited to, securitization vehicles that have been created to pool and repackage mortgages, other assets, or other credit exposures into securities that can be transferred to investors and asset-backed commercial paper conduits that primarily issue externally rated commercial paper backed by assets or other exposures.

Schedule SU, items 7.a and 7.b, collect aggregate information on VIEs that have been consolidated by the reporting institution for purposes of the Consolidated Reports of Condition and Income because the institution (or a consolidated subsidiary of the institution) is the primary beneficiary of the VIE. Schedule SU, items 7.a and 7.b, should be completed on a fully consolidated basis, i.e., after eliminating intercompany transactions. The asset and liability amounts included in the total assets and total liabilities reported in Schedule SU, items 7.a and 7.b, respectively, should be the same amounts at which these assets and liabilities are reported on Schedule RC, Balance Sheet, e.g., held-to-maturity securities should be reported at amortized cost and available-for-sale securities should be reported at fair value.

**7.a** **Total assets of consolidated variable interest entities.** Report the total amount of assets of consolidated variable interest entities reported in Schedule RC, items 1 through 11. Loans and leases held for investment that are included in this item should be reported net of any allowance for loan and lease losses allocated to these loans and leases.

**7.b** **Total liabilities of consolidated variable interest entities.** Report the total amount of liabilities of consolidated variable interest entities reported in Schedule RC, items 14 through 20.

**Credit Card Lending Specialized Items**

**8** **Does the institution, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or is the institution a credit card specialty institution as defined for Uniform Institution Performance Report purposes?**

If your institution, together with affiliated institutions, has outstanding credit card receivables that exceed $500 million as of the report date or if it is a credit card specialty institution as defined for Uniform Institution Performance Report purposes, place an "X" in the box marked "Yes" and complete items 8.a through 8.d, below.

If your institution, together with affiliated institutions, does not have outstanding credit card receivables that exceed $500 million as of the report date and it is not a credit card specialty institution as defined for Uniform Institution Performance Report purposes, place an "X" in the box marked "No," skip item items 8.a through 8.d, and go to item 9.

Note: To answer item 8 with a "Yes," an institution must meet the following criteria:

(1) Either individually or on a combined basis with its affiliated depository institutions, the institution reports 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;

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

8 (cont.)

(b) Credit card receivables sold and securitized by the reporting institution with servicing retained or with recourse or other seller-provided credit enhancements included in Schedule SU, item 4.a; and

(c) The reporting institution's seller's interests in credit card receivables included as assets in Schedule RC if not reported in Schedule RC-C, Part I, item 6.a.

(Include comparable data on credit card receivables for any affiliated depository institutions.)

OR

(2) The institution is a credit card specialty institution as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty institutions are currently defined as those institutions that exceed 50 percent 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.

8.a **Outstanding credit card fees and finance charges included in credit cards to individuals for household, family, and other personal expenditures (retail credit cards).** 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.

8.b **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 institution 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 item is only applicable to those institutions 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.

8.c **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.

8.d **Uncollectible retail credit card fees and finance charges reversed against year-to-date income.** Report the amount of fees and finance charges on credit cards (as defined for Schedule RC-C, Part I, item 6.a) that the institution 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. Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should 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.

Institutions that have adopted ASU 2016-13 should exclude from this item credit card fees and finance charges reported as charge-offs against the allowance for credit losses on loans and leases in Schedule RI-B, Part I, item 5.a, column A.

**Brokered Deposits (cont.):**

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

Section 202 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*, enacted on May 24, 2018, amends Section 29 of the Federal Deposit Insurance Act to except a capped amount of reciprocal deposits from treatment as, and from being reported as, brokered deposits for qualifying institutions. The FDIC has amended its regulations to conform to the treatment of reciprocal deposits set forth in Section 202. As defined in Section 337.6(e)(2)(v) of the FDIC's regulations, "reciprocal deposits" means "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks." As defined in Section 327.8(q) of the FDIC's regulations, "brokered reciprocal deposits" are "reciprocal deposits as defined in Section 337.6(e)(2)(v) of the FDIC's regulations that are not excepted from an institution's brokered deposits pursuant to Section 337.6(e)" of the FDIC's regulations. Brokered reciprocal deposits should be reported as (1) brokered deposits and included in Schedule RC-E, Memorandum item 1.b, and, if applicable, Memorandum items 1.c and 1.d, and (2) brokered reciprocal deposits and included in Schedule RC-O, item 9 and, if applicable, item 9.a. An institution should report its total reciprocal deposits, including any reciprocal deposits that are reported as brokered deposits, in Schedule RC-E, Memorandum item 1.g. For further information on reciprocal deposits and brokered reciprocal deposits, see the instructions for Schedule RC-E, Memorandum items 1.b and 1.g, and the examples after the instructions for Schedule RC-E, Memorandum item 5.

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

For additional information on brokered deposits, refer to the FDIC's "Identifying, Accepting and Reporting Brokered Deposits: Frequently Asked Questions."

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

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

**Business Combinations (cont.):**

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

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

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

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

**<u>Business Combinations (cont.):</u>**

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

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

<u>Pushdown accounting</u> – Pushdown accounting is an acquiree's establishment of a new accounting basis in its separate financial statements when an acquirer obtains control of the acquired entity. On November 18, 2014, the FASB issued ASU No. 2014-17, "Pushdown Accounting," which amended ASC Subtopic 805-50, Business Combinations–Related Issues, and took effect upon issuance. Under

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