FFIEC 051

CALL REPORT

INSTRUCTION BOOK UPDATE

SEPTEMBER 2023

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 $5 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.

Remove Pages	**Insert Pages**
Cover Page (3-23)	Cover Page (9-23)
RI-31 – RI-32 (3-19)	RI-31 – RI-32 (9-23)
RC-B-9 – RC-B-10 (6-22)	RC-B-9 – RC-B-10 (9-23)*
RC-C-37 – RC-C-40a (3-21, 12-21)	RC-C-37 – RC-C-40 (9-23)
RC-F-5 – RC-F-6 (3-19)	RC-F-5 – RC-F-6 (9-23)
RC-M-19 – RC-M-21 (9-19)	RC-M-19 – RC-M-20 (9-23)
RC-N-7 – RC-N-8 (3-17)	RC-N-7 – RC-N-8 (9-23)
RC-O-3 – RC-O-4 (6-20)	RC-O-3 – RC-O-4 (9-23)*
RC-T-1 – RC-T-6 (6-21, 9-21)	RC-T-1 – RC-T-6 (9-23)
A-33 – A-40 (12-22)	A-33 – A-40 (9-23)*
SU-1 – SU-2 (3-20)	SU-1 – SU-2 (9-23)*
SU-15 – SU-16 (6-18)	

*Updates to these pages are limited solely to technical and non-substantive edits such as correction, formatting, spacing, indentation, capitalization, and removal of outdated accounting terminology.

Instructions for Preparation of

Consolidated Reports of Condition and Income

FFIEC 051

Updated September 2023

This page intentionally left blank.

Memoranda

Item No. Caption and Instructions

12 - 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."

NOTE: Memorandum items 15.a through 15.d are to be completed annually in the December report only by institutions with $1 billion or more in total assets[1] that answered "Yes" to Schedule RC-E, Memorandum item 5, "Does your institution offer one or more consumer deposit account products, i.e., transaction account or nontransaction savings account deposit products intended primarily for individuals for personal, household, or family use?"

15 **Components of service charges on deposit accounts.** Report in the appropriate subitem the calendar year-to-date amount of the specified category of service charges on deposit accounts included in Schedule RI, item 5.b, "Service charges on deposit accounts." Consistent with the instructions for Schedule RI, item 5.b, the amount of service charges on deposit accounts reported in Memorandum items 15.a through 15.d should be net of amounts refunded to depositors.

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

Once a customer has opened a deposit account with the reporting institution that is a deposit product intended primarily for individuals for personal, household, or family use, the institution is not required thereafter to review the customer's status or usage of the account to determine whether the transaction account is being used for personal, household, or family purposes. Thus, when reporting the amount of service charges on consumer deposit account products in Schedule RI, Memorandum items 15.a through 15.c, below, the reporting institution is not required to identify those individual accounts within the population of a particular consumer deposit account product that are not being used for personal, household, or family purposes and remove any service charges levied against these accounts from the total amounts of overdraft-related, periodic maintenance, and customer automated teller machine (ATM) fees charged to customer accounts within that consumer deposit product.

Treatment of Transfer Fees – If the reporting institution levies a service charge or fee on a consumer deposit account for a transfer between the account holder's deposit account and

[1] In general, the determination as to whether an institution has $1 billion or more in total assets is measured as of June 30 of the previous calendar year. See pages 6a and 7 of the General Instructions for guidance on shifts in reporting status.

Item No.	Caption and Instructions
4.c.(1)(b)	**Other pass-through securities.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.
4.c.(2)	**Other commercial mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties. Exclude commercial mortgage pass-through securities (report in Schedule RC-B, item 4.c.(1), above).
4.c.(2)(a)	**Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans, or securities secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies. U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).
4.c.(2)(b)	**All other commercial MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.
5	**Asset-backed securities and structured financial products:**
5.a	**Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities issued by non-U.S. issuers.
5.b	**Structured financial products.** 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. One of the more common cash instrument structured financial products is referred to as a

Item No.	Caption and Instructions

5.b (cont.) 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. Also include in this item structured financial products that are guaranteed by U.S. government agencies such as FHLMC K-Deals and Q-Deals.

<u>Exclude</u> 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 **<u>Other debt securities.</u>** 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.

<u>Exclude</u> 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, for example, common and perpetual preferred stock. (See also the instructions to Schedule RC, item 2.c, and Schedule RC-F, item 4.)

Part I. (cont.)

Memoranda

Item No. Caption and Instructions

13 **Construction, land development, and other land loans with interest reserves.** Memorandum items 13.a and 13.b are to completed by banks that had construction, land development, and other land loans (in domestic offices) (as reported in Schedule RC-C, Part I, items 1.a.(1) and 1.a.(2), column B) that exceeded the sum of tier 1 capital (as reported in Schedule RC-R, Part I, item 26) plus the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable (as reported in Schedule RC, item 4.c), as of the previous December 31. For purposes of Memorandum items 13, 13.a, and 13.b, construction, land development, and other land loans are hereafter referred to as "construction loans."

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

13.a **Amount of loans that provide for the use of interest reserves.** Report the amount of construction loans included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, for which the loan agreement with the borrower provides for the use of interest reserves.

If a construction loan included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, has been fully advanced or the funds budgeted for interest have been fully advanced, but the loan agreement provided for the use of interest reserves, continue to report the loan in this item even if the borrower is now paying interest from other sources of funds. Similarly, if a construction loan included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, has been renewed or extended, but the original loan agreement provided for the use of interest reserves, continue to report the loan in this item.

Include in this item new construction loans (as defined for and reported in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B) that have been granted for the purpose of paying interest on existing construction loans (in domestic offices) when the new construction loan is secured by the same real estate that secures the existing construction loan.

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

14 **Pledged loans and leases.** Report the amount of all loans and leases included in Schedule RC-C, Part I, above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the loans and leases are pledged) or for any other purpose. Include loans and leases that have been transferred in transactions that are accounted for as secured borrowings with a

Part I. (cont.)

Memoranda

Item No. Caption and Instructions

14 (cont.) pledge of collateral because they do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended). Also include loans and leases held for sale or investment by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs. (Such loans and leases should also be reported in Schedule SU, item 7.a). In general, the pledging of loans and leases is the act of setting aside certain loans and leases to secure or collateralize bank transactions with the bank continuing to own the loans and leases unless the bank defaults on the transaction.

When a bank is subject to a blanket lien arrangement or has otherwise pledged an entire portfolio of loans to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio of loans subject to the blanket lien in this item. Any loans within the portfolio that have been explicitly excluded or specifically released from the lien and that the bank has the right, without constraint, to repledge to another party should not be reported as pledged in this item. However, if any such loans have been repledged to another party, they should be reported in this item.

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

15 **Reverse mortgages.** A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his or her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. The reverse mortgage market currently consists of two basic types of products: proprietary products designed and originated by financial institutions and a federally-insured product known as a Home Equity Conversion Mortgage (HECM).

Report the specified information about the bank's involvement with reverse mortgages.

15.a **Reverse mortgages outstanding that are held for investment.** Report the amount of HECM and proprietary reverse mortgages held for investment that are included in Schedule RC-C, Part I, item 1.c, Loans "Secured by 1-4 family residential properties." A loan is held for investment if the bank has the intent and ability to hold the loan for the foreseeable future or until maturity or payoff. Exclude reverse mortgages that are held for sale.

Part I. (cont.)

Memoranda

Item No.	Caption and Instructions
15.b	**Estimated number of reverse mortgage loan referrals to other lenders during the year from whom compensation has been received for services performed in connection with the origination of the reverse mortgages.** A bank that does not underwrite and fund reverse mortgages may refer customers to other lenders that underwrite and fund such mortgages. Under the Real Estate Settlement Procedures Act and its implementing regulations, a mortgage lender may pay fees or compensation to another party, such as a bank that has referred a customer to the mortgage lender, only for services actually performed by that party. If the bank receives compensation from reverse mortgage lenders for services the bank has performed in connection with the origination of reverse mortgages granted to customers that the bank has referred to the reverse mortgage lenders, report a reasonable estimate of the number of HECM and proprietary reverse mortgages for which the bank received such compensation during the year. Do not report the estimated amount of referral fee income in this item.
15.c	**Principal amount of reverse mortgage originations that have been sold during the year.** Report the principal amount of HECM and proprietary reverse mortgages sold during the year that were originated by the bank. Report the principal balance outstanding of the reverse mortgages as of their sale dates, which excludes any unused commitments to the borrowers on the reverse mortgages sold.

NOTE: Memorandum item 16 is to be completed semiannually in the June and December reports only.

16	**Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) that have converted to non-revolving closed-end status (included in item 1.c.(1) above).** Report the amount outstanding of loans included in Schedule RC-C, Part I, item 1.c.(1), that have converted to non-revolving, closed-end status, but originated as draws under revolving, open-end lines of credit secured by 1-to-4 family residential properties, including those for which the draw periods have ended.
17	**Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act.** As provided for under the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a financial institution may elect to account for an eligible loan modification under Section 4013 of that Act (Section 4013 loan). If a loan modification is not eligible under Section 4013, or if the institution elects not to account for an eligible loan modification under Section 4013, the institution should not report the loan in Memorandum items 17.a and 17.b and should instead evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables– Troubled Debt Restructurings by Creditors. To be an eligible loan modification under Section 4013, as amended by the Consolidated Appropriations Act, 2021, a loan modification must be (1) related to the Coronavirus Disease 2019 (COVID-19); (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act or (B) January 1, 2022 (the applicable period).

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

17 (cont.) Institutions accounting for eligible loan modifications under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification and do not have to report Section 4013 loans as TDRs in regulatory reports, subject to the following considerations for additional modifications. If an institution elects to account for a loan modification under Section 4013, an additional loan modification could also be eligible under Section 4013 provided it is executed during the applicable period and meets the other statutory criteria referenced above. If an institution does not elect to account for a loan modification under Section 4013 or a loan modification is not eligible under Section 4013 (e.g., because it is executed after the applicable period), additional modifications should be viewed cumulatively in determining whether the additional modification is accounted for as a TDR under ASC Subtopic 310-40.

Consistent with the CARES Act, the agencies are collecting information on a fully consolidated basis about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 17.a) and the outstanding balance of Section 4013 loans (Memorandum item 17.b). These two items are collected on a confidential basis at the institution level. Once the term of an eligible Section 4013 loan modification ends, an institution should no longer include the loan in these Schedule RC-C, Part I, Memorandum items.

For further information on loan modifications, including those that may not be eligible under Section 4013 or for which an institution elects not to apply Section 4013, institutions may refer to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), issued April 7, 2020, and the Joint Statement on Additional Loan Accommodations Related to COVID-19 issued August 3, 2020.

17.a **Number of Section 4013 loans outstanding.** Report the number of Section 4013 loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-C, Part I, Memoranda item 17.b, below.

17.b **Outstanding balance of Section 4013 loans.** Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule RC-C, Part I, and Section 4013 loans held for trading are included in Schedule RC, item 5, as of the report date.

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.

[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. (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.”)

Item No. **Caption and Instructions**

16.b.(2) **Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent exchange rate exception set forth in 12 CFR § 1005.32(b)(4).

16.b.(3) **Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent covered third-party exception set forth in 12 CFR § 1005.32(b)(5).

17 **U.S. Small Business Administration Paycheck Protection Program (PPP) loans and the Federal Reserve PPP Liquidity Facility (PPPLF).** The PPP was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020, and amended on June 5, 2020. PPP covered loans (PPP loans) are fully guaranteed as to principal and accrued interest by the U.S. Small Business Administration (SBA).

The PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks extends non-recourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased.

Items 17.a through 17.e should be completed on a fully consolidated basis.

17.a **Number of PPP loans outstanding.** Report the number of PPP loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-M, Memoranda item 17.b, below.

17.b **Outstanding balance of PPP loans.** Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and PPP loans held for trading are included in Schedule RC, item 5, as of the report date.

17.c **Outstanding balance of PPP loans pledged to the PPPLF.** For PPP loans pledged to the PPPLF, report the aggregate amount at which such PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and such PPP loans held for trading are included in Schedule RC, item 5, as of the report date.

Pledged PPP loans held for investment or held for sale that should be included in this item will also have been included in Schedule RC-C, Part I, Memorandum item 14, “Pledged loans and leases.” On the FFIEC 031, pledged PPP loans held for trading that should be included in this item will also have been included in Schedule RC-D, Memorandum item 4.b, “Pledged loans.”

Item No. **Caption and Instructions**

17.d **Outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of.** Report in the appropriate subitem the specified information about the outstanding amount of borrowings from Federal Reserve Banks under the PPPLF reported in Schedule RC, item 16. The maturity date of an extension of credit under the PPPLF equals the maturity date of the PPP loan pledged to secure the extension of credit, which is either two or five years from origination of the PPP loan. However, the maturity date of the extension of credit will be accelerated and the institution is required to repay the extension of credit under the PPPLF prior to its maturity date when the institution has been reimbursed by the SBA for a PPP loan forgiveness (to the extent of the forgiveness), has received payment from the SBA representing exercise of the PPP loan guarantee, or has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received).

The remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the borrowing without regard to the borrowing's repayment schedule, if any.

17.d.(1) **One year or less.** Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of one year or less.

.

The borrowings that should be included in this item will also have been included in (1) Schedule RC-M, item 5.b.(1)(a), "Other borrowings with a remaining maturity or next repricing date of One year or less," (2) Schedule RC-M, item 5.b.(2), "Other borrowings with a remaining maturity of one year or less," and (3) Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

17.d.(2) **More than one year.** Report the outstanding amount as of the report date of borrowings by the reporting institution from a Federal Reserve Bank under the PPPLF with a remaining maturity of more than one year.

The borrowings that should be included in this item will also have been included in (1) Schedule RC-M, item 5.b.(1)(b), Other borrowings with a remaining maturity or next repricing date of "Over one year through three years," or Schedule RC-M, item 5.b.(1)(c), "Over three years through five years," as appropriate, and (2) Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

17.e **Quarterly average amount of PPP loans pledged to the PPPLF and excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30.** Report the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in Schedule RC-R, Part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30.

This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for "Total assets" reported in Schedule RC-K, item 9.

Item No.	Caption and Instructions
5	**Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column the amount of all loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) included in Schedule RC-C, Part I, item 6, that are past due 30 days or more or are in nonaccrual status as of the report date.
5.a	**Credit cards.** Report in the appropriate column the amount of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule RC-C, Part I, item 6.a, that are past due 30 days or more or are in nonaccrual status as of the report date.
5.b	**Automobile loans.** Report in the appropriate column the amount of loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use included in Schedule RC-C, Part I, item 6.c, that are past due 30 days or more or are in nonaccrual status as of the report date.
5.c	**Other.** Report in the appropriate column the amount of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, Part I, items 6.b and 6.d, that are past due 30 days or more or are in nonaccrual status as of the report date.
6	Not applicable.
7	**All other loans.** Report in the appropriate column the amount of all other loans that cannot properly be reported in Schedule RC-N, items 1.a through 5.c, above, that are past due 30 days or more or are in nonaccrual status as of the report date. This includes: • loans to finance agricultural production and other loans to farmers included in Schedule RC-C, Part I, item 3; • obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, Part I, item 8; • loans to nondepository financial institutions included in Schedule RC-C, Part I, item 9.a; and • other loans included in Schedule RC-C, Part I, item 9.b.
8	**Lease financing receivables (net of unearned income).** Report in the appropriate column the amount of all lease financing receivables (net of unearned income) included in Schedule RC-C, Part I, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.
9	**Total loans and leases.** For columns A through C, report the sum of items 1 through 8.
10	**Debt securities and other assets.** Report in the appropriate column all assets other than loans and leases reportable in Schedule RC-C that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Also include operating lease payments receivable that have been recorded as assets in Schedule RC, item 11, when the operating lease is past due 30 days or more or in nonaccrual status. Exclude other real estate owned reportable in Schedule RC, item 7, and other repossessed assets reportable in Schedule RC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.
11	**Loans and leases reported in items 1 through 8 above that are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-sharing agreements with the FDIC.** Report in the appropriate column the aggregate

Item No.	Caption and Instructions
11 (cont.)	amount of all loans and leases reported in Schedule RC-N, items 1 through 8, above for which repayment of principal is wholly or partially guaranteed or insured by the U.S. Government, including its agencies and its government-sponsored agencies, but excluding loans and leases covered by loss-sharing agreements with the FDIC, which are reported in Schedule SU, item 9. Examples include loans guaranteed by the Small Business Administration and the Federal Housing Administration. Amounts need not be reported in this item and in items 11.a and 11.b below if they are considered immaterial. Exclude from this item loans and leases guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.
11.a	**Guaranteed portion of loans and leases included in item 11 above, excluding rebooked "GNMA loans."** Report in the appropriate column the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee or insurance provisions applicable to the loans and leases included in Schedule RC-N, item 11, above. Seller-servicers of GNMA loans should exclude all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase from this item (report such rebooked GNMA loans in item 11.b below). Servicers of GNMA loans should exclude individual delinquent loans (for which they were not the transferor) that they have purchased out of GNMA securitizations from this item (report such purchased GNMA loans in item 11.b below).
11.b	**Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 11 above.** Report in the appropriate column the amount included in Schedule RC-N, item 11, of: (1) Delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase by seller-servicers of GNMA loans; and (2) Delinquent loans that have been purchased out of GNMA securitizations by servicers of GNMA loans that were not the transferors of the loans.
12	**Portion of covered loans and leases included in item 9 above that is protected by FDIC loss-sharing agreements.** Report in column B "(Past due 90 days or more and still accruing") and column C "(Nonaccrual")", as appropriate, the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule RC-N, item 9, above beyond the amount that has already been reflected in the measurement of the reporting bank's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement. Amounts need not be reported in this item if they are considered immaterial. In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule RC-N, item 9, multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting bank reports the covered asset on Schedule RC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting bank's loss-sharing indemnification asset, which is reported in Schedule RC-F, item 6, "All other assets."

Item No.	Caption and Instructions
4	**Average consolidated total assets for the calendar quarter.** Report average consolidated total assets for the calendar quarter on a single FDIC certificate number basis in accordance with the guidance on "Averaging method" and "Measuring average consolidated total assets" below. For purposes of this item, average consolidated total assets is not a quarterly average of total assets measured in accordance with the instructions for Schedule RC, item 12, "Total assets."

Averaging methods – An institution that reported $1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average consolidated total assets in this item on a daily average basis. An institution that reported less than $1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report average consolidated total assets in this item on a weekly average basis, or it may at any time opt permanently to report average consolidated total assets on a daily average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of $1 billion or more in this item for two consecutive quarters, it must permanently report average consolidated total assets using daily averaging beginning the next quarter.

Daily average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business for each day of the calendar quarter and dividing by the number of days in the calendar quarter (the number of days in a quarter ranges from 90 days to 92 days). For days that an institution is closed (e.g., Saturdays, Sundays, or holidays), the amount from the previous business day would be used. An institution is considered closed if there are no transactions posted to the general ledger as of that date.

Weekly average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business on each Wednesday during the calendar quarter and dividing by the number of Wednesdays in the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average consolidated total assets on a daily average basis. Daily average consolidated total assets for such an institution should be calculated by adding the institution's consolidated total assets as of the close of business for each day during the quarter since it became insured and operational, and dividing by the number of calendar days since it became insured and operational.

Measuring average consolidated total assets – Average consolidated total assets should be measured in accordance with the instructions for Schedule RC-K, item 9, average "Total assets" (i.e., including the adjustment for available-for-sale debt securities), except as follows:

(1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution's investment in this subsidiary should be included in average consolidated total assets using the equity method of accounting.

Item No.	Caption and Instructions
4 (cont.)	(2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred during the calendar quarter, the reporting institution should calculate its average consolidated total assets by including the consolidated total assets of all FDIC-insured depository institutions that were merged or consolidated into the reporting institution as if the merger or consolidation occurred on the first day of the calendar quarter. Acceptable methods for including a merged or consolidated FDIC-insured depository institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the merger or consolidation date include using either (a) the acquisition date fair value of the merged or consolidated institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the merged or consolidated institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.[1]
	(3) If the reporting institution was acquired in a transaction that became effective during the calendar quarter and push down accounting was used to account for the acquisition, the reporting institution should calculate its average consolidated total assets as if the acquisition occurred on the first day of the calendar quarter. Acceptable methods for including the institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the acquisition date include using either (a) the acquisition date fair value of the reporting institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the reporting institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.
4.a	**Averaging method used.** Indicate the averaging method that the reporting institution used to report its average consolidated total assets in Schedule RC-O, item 4, above. For daily averaging, enter the number "1"; for weekly averaging, enter the number "2."
5	**Average tangible equity for the calendar quarter.** Report average tangible equity for the calendar quarter on an unconsolidated single FDIC certificate number basis in accordance with the guidance on "Averaging methods" and "Measuring tangible equity" below. For purposes of this item, tangible equity is defined as Tier 1 capital as set forth in the banking agencies' regulatory capital standards and reported in Schedule RC-R, Part I, item 26, except as described below under "Measuring tangible equity."
	NOTE: In accordance with Section 327.5(a)(2) of the FDIC's regulations, daily averaging of tangible equity for purposes of reporting in this item is not permitted. As described below under "Averaging methods," the amount to be reported in this item should only be either: (1) quarter-end tangible equity as of the last day of the quarter; or (2) the average of the three month-end Tier 1 capital balances for the quarter.

[1] This approach to calculating average consolidated total assets for purposes of Schedule RC-O, item 4, does not apply if the reporting institution is the surviving or resulting institution in a merger or consolidation during the calendar quarter involving an entity, such as a credit union, that is not an FDIC-insured depository institution. In such a merger or consolidation, the reporting institution should apply the guidance on business combinations in the General Instructions for Schedule RC-K when measuring average consolidated total assets for purposes of Schedule RC-O, item 4.

SCHEDULE RC-T – FIDUCIARY AND RELATED SERVICES

General Instructions

This schedule should be completed on a fully consolidated basis, i.e., including any trust company subsidiary of the reporting institution that is engaged in fiduciary activities as defined in the instructions below. Exclude from this schedule, investments in unconsolidated trust entities and any proportionate share of income or loss from these investments which should be reported in accordance with the instructions for Schedule RC, Balance Sheet, and Schedule RI, Income Statement, as applicable. See also the Glossary entries for "Equity Method of Accounting" and "Subsidiaries."

Item No. **Caption and Instructions**

1 **Does the institution have fiduciary powers?** Federally-chartered institutions granted trust powers by the OCC to administer accounts in a fiduciary capacity should answer "Yes." State-chartered institutions should answer "Yes" if (a) the state has granted trust powers to the institution to offer fiduciary services as defined by the state ***and*** (b) the institution's federal supervisory agency (the FDIC or the Federal Reserve) has granted consent to exercise the trust powers (see Sections 333.2 and 333.101 of the FDIC's regulations and Federal Reserve Regulation H). Institutions with trust company subsidiaries should also answer "Yes." Institutions responding "No" should not complete the remainder of this schedule. Fiduciary capacity generally means trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, custodian under a uniform gifts to minors act, investment adviser (if the institution receives a fee for its investment advice), any capacity in which the institution possesses investment discretion on behalf of another, or any other similar capacity.

2 **Does the institution exercise the fiduciary powers it has been granted?** Institutions exercising their fiduciary powers should respond "Yes." Exercising fiduciary powers means that an institution, or a trust company subsidiary of the institution, serves in a fiduciary capacity as defined in the instructions for item 1 of this schedule.

3 **Does the institution have fiduciary or related activity (in the form of assets or accounts) to report in this schedule?** Institutions (including their trust company subsidiaries) with fiduciary assets, accounts, income, or other reportable fiduciary related services should respond "Yes." Institutions responding "No" should not complete the remainder of this schedule.

Reportable fiduciary and related services include activities that do not require trust powers but are incidental to fiduciary services. Specifically, this includes custodial services for assets held by the institution in a fiduciary capacity. An institution should report custodial activities that are offered through the fiduciary business unit or through another distinct business unit that is devoted to institutional custodial services. Institutions should exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.

Institutions with fiduciary activities that are limited to only land trusts and/or custodial activity for mortgage-backed securities (such as GNMA or FNMA) should respond "No."

If the answer to item 3 is "Yes," complete the applicable items of Schedule RC-T, as follows:

Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than $1 billion (as of the preceding December 31) or with gross fiduciary and related services

Item No. **Caption and Instructions**

3 (cont.) income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete:

- Items 4 through 22 quarterly;
- Items 23 through 26 annually with the December report;
- Memorandum item 3 quarterly; and
- Memorandum items 1, 2, and 4 annually with the December report.

Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than $250 million but less than or equal to $1 billion (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete:

- Items 4 through 22 semiannually with the June and December reports;
- Items 23 through 26 annually with the December report;
- Memorandum item 3 semiannually with the June and December reports; and
- Memorandum items 1, 2, and 4 annually with the December report.

Institutions with total fiduciary assets (item 10, sum of columns A and B) of less than or equal to $250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete:

- Items 4 through 13 annually with the December report; and
- Memorandum items 1 through 3 annually with the December report.

In addition, institutions with total fiduciary assets greater than $100 million but less than or equal to $250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must also complete Memorandum item 4 annually with the December report.

Fiduciary and Related Assets

Institutions should generally report fiduciary and related assets using their market value as of the report date. While market value quotations are readily available for marketable securities, many financial and physical assets held in fiduciary accounts are not widely traded or easily valued. If the methodology for determining market values is not set or governed by applicable law (including the terms of the prevailing fiduciary agreement), the institution may use any reasonable method to establish values for fiduciary and related assets for purposes of reporting on this schedule. Reasonable methods include appraised values, book values, if appropriate, cash surrender values of certain life insurance policies, or reliable estimates. Valuation methods should be consistent from reporting period to reporting period. This "reasonable method" approach to reporting market values applies both to financial assets that are not marketable and to physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods.

Only those Individual Retirement Accounts, Keogh Plan accounts, Health Savings Accounts, and similar accounts offered through a fiduciary business unit of the reporting institution should be reported in Schedule RC-T. When such accounts are not offered through an institution’s fiduciary business unit, they should not be reported in Schedule RC-T. Accounts that consist solely of deposits in the bank itself should not be reported in Schedule RC-T.

If two institutions are named co-fiduciary in the governing instrument, both institutions should report the account. In addition, where one institution contracts with another for fiduciary or related services (e.g., Bank A provides custody services to the trust accounts of Bank B, or Bank A provides investment management services to the trust accounts of Bank B), both institutions should report the accounts in their respective capacities.

Exclude from reporting in Schedule RC-T any arrangements representing potential future fiduciary accounts, such as testamentary executor appointments.

Fiduciary and Related Assets (cont.)

Also exclude from Schedule RC-T, assets for which the institution is only providing operational, or back-office services, and the accounts or assets are not held by the institution.

Asset values reported on this schedule should generally exclude liabilities. For example, an employee benefit account with associated loans against account assets should be reported gross of the outstanding loan balances. As another example, an account with a real estate asset and corresponding mortgage loan should be reported gross of the mortgage liability. However, there are two exceptions. First, for purposes of this schedule, overdrafts should be netted against gross fiduciary assets. Second, the fair value of derivative instruments, as defined in ASC Topic 815, Derivatives and Hedging, should be included in (i.e., netted against) gross assets even if the fair value is negative.

Securities borrowing/lending transactions should be reflected as sales or as secured borrowings according to ASC Topic 860, Transfers and Servicing. A transferee ("borrower") of securities generally is required to provide "collateral" to the transferor ("lender") of securities. When such transactions do not qualify as sales, securities "lenders" and "borrowers" should account for the transactions as secured borrowings in which cash (or securities that the holder is permitted by contract or custom to sell or repledge) received as "collateral" by the securities "lender" is considered the amount borrowed and the securities "loaned" are considered pledged against the amount borrowed. For purposes of this schedule, securities held in fiduciary accounts that are "loaned" in securities lending transactions (that are accounted for as secured borrowings) should be reported as an asset of the fiduciary account that “loaned” the securities, but the “collateral” received should not also be reported as an asset of this fiduciary account.

In the Fiduciary and Related Assets section, the market value of Collective Investment Fund (CIF) units should be reported along with individual participant accounts in the Column and Item that corresponds to each participant. The aggregate amount of a CIF that is operated by an institution should NOT also be reported as a separate, additional account in the Fiduciary and Related Assets section of this schedule.

Institutions that are fiduciaries or exercise fiduciary powers as defined in the “General Instructions” section for Schedule RC-T, item 1, must include all investment management and investment advisory accounts and assets administered by the institution directly or administered by entities to whom the institution has delegated its investment authority. However, an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 or registered with a state agency (registered investment advisers) is not a fiduciary nor does it exercise fiduciary powers as defined in the “General Instructions” section for Schedule RC-T, item 1. Therefore, institutions should not include investment management and investment advisory accounts and assets administered by registered investment advisory subsidiaries of the institution, except when:

- The institution fiduciary is the investment manager or adviser, but has delegated investment management or advisory responsibilities to the subsidiary registered investment adviser, or
- An institution is administering the account in a fiduciary capacity, as defined in the instructions for item 1 above, but the governing instrument assigns direct responsibility for investment management to the registered investment adviser.

<u>Managed Assets – Column A</u>

Report the total market value of assets held in managed fiduciary accounts. An account should be categorized as managed if the institution has investment discretion over the assets of the account. Investment discretion is defined as the sole or shared authority (whether or not that authority is exercised) to determine what securities or other assets to purchase or sell on behalf of the fiduciary related account. An institution that delegates its authority over investments and an institution that receives delegated authority over investments are BOTH deemed to have investment discretion.

Fiduciary and Related Assets (cont.)

Therefore, whether an account where investment management has been delegated to a registered investment adviser, whether affiliated or unaffiliated with the reporting institution, should be reported as a managed account depends on whether the delegation of investment authority to the registered investment adviser was made pursuant to the exercise of investment discretion by the reporting institution. If so, the account is deemed to be a managed account by the reporting institution. Otherwise, the account would be a non-managed account for purposes of Schedule RC-T.
An entire account should be reported as either managed or non-managed based on the predominant responsibility of the reporting institution.

Non-Managed Assets – Column B

Report the total market value of assets held in non-managed fiduciary accounts. An account should be categorized as non-managed if the institution does not have investment discretion. Those accounts for which the institution provides a menu of investment options but the ultimate selection authority remains with the account holder or an external manager should be categorized as non-managed. For example, an institution that offers a choice of sweep vehicles is not necessarily exercising investment discretion. The process of narrowing investment options from a range of alternatives does not create a managed fiduciary account for the purposes of this schedule. For example, a 401(k) employee benefit plan where the participants select investments from a list of investment options should be reported as non-managed for the purposes of this schedule.

Number of Managed Accounts – Column C

Report the total number of managed fiduciary accounts.

Number of Non-Managed Accounts – Column D

Report the total number of non-managed fiduciary accounts.

Item No. Caption and Instructions

4 **Personal trust and agency accounts.** Report the market value and number of accounts for all testamentary trusts, revocable and irrevocable living trusts, (including life insurance trusts, except for term life insurance policies that have nominal value), other personal trusts, and non-managed personal agency accounts. Include accounts in which the institution serves as executor, administrator, guardian, or conservator. Exclude personal investment management and investment advisory agency accounts, which should be reported in Schedule RC-T, item 7. Also exclude Keogh Plan accounts, Individual Retirement Accounts (IRAs), Health Savings Accounts, and other pension or profit-sharing plans for self-employed individuals, which should be reported in Schedule RC-T, item 5. Personal accounts that are solely custody or safekeeping should be reported in item 11 of this schedule.

5 **Employee benefit and retirement-related trust and agency accounts:**

5.a **Employee benefit – defined contribution.** Report the market value and number of accounts for all employee benefit defined contribution accounts in which the institution serves as either trustee or agent. Include 401(k) plans, 403(b) plans, profit-sharing plans, money purchase plans, target benefit plans, stock bonus plans, employee stock ownership plans, and thrift savings plans. Include those accounts in which the institution serves as either trustee or agent and provides investment management services or provides investment advice for a fee. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.

Fiduciary and Related Assets (cont.)

5.b **Employee benefit – defined benefit.** Report the market value and number of accounts for all employee benefit defined benefit plans in which the institution serves as either trustee or agent. Include those accounts in which the institution provides investment management services or provides investment advice for a fee. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.

5.c **Other employee benefit and retirement-related accounts.** Report the market value and number of accounts for all other employee benefit and retirement-related fiduciary accounts in which the institution serves as either trustee or agent. Include those accounts in which the institution provides investment management services or provides investment advice for a fee. Include Keogh Plan accounts, Individual Retirement Accounts, Health Savings Accounts, Medical Savings Accounts, and other pension or profit-sharing plans for self-employed individuals. Also report the market value of assets and the number of accounts for employee welfare benefit trusts and agencies. Employee welfare benefit plans include plans, funds, or programs that provide medical, surgical, or hospital care benefits; benefits in the event of sickness, accident, disability, death, or unemployment; vacation benefits; apprenticeship or other training programs; day care centers; scholarship funds; or prepaid legal services. Employee benefit accounts for which the institution serves as a directed trustee or provides investment advice for a fee should be reported as non-managed. Exclude accounts, originated by fiduciary or non-fiduciary personnel, that are only permitted to be invested in own-bank deposits. The number of accounts reported should reflect the total number of plans or accounts administered rather than the number of plan participants. Other retirement accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13.

This page intentionally left blank.

Item No.	Caption and Instructions
6	**Corporate trust and agency accounts.** Report the market value of assets held by the institution for all corporate trust and agency accounts. Report assets that are the responsibility of the institution to manage or administer in accordance with the corporate trust agreement. Include assets relating to unpresented bonds or coupons relating to issues that have been called or matured. Do NOT report the entire market value of the associated securities or the outstanding principal of associated debt issues. Include accounts for which the institution is trustee for corporate securities, tax-exempt and other municipal securities, and other debt securities including unit investment trusts. Also include accounts for which the institution is dividend or interest paying agent, and any other type of corporate trustee or agent appointment. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
7	**Investment management and investment advisory agency accounts.** Report the market value and number of accounts for all individual and institutional investment management and investment advisory agency accounts that are administered within the fiduciary area of the institution. Investment management accounts are those agency accounts for which the institution has investment discretion; however, title to the assets remains with the client. Include accounts for which the institution serves as a sub-adviser. Investment advisory accounts are those agency accounts for which the institution provides investment advice for a fee, but for which some other person is responsible for investment decisions. Investment management agency accounts should be reported as managed. Investment advisory agency accounts should be reported as non-managed. Exclude investment management and investment advisory agency accounts maintained for employee benefit and retirement-related accounts, which should be reported in Schedule RC-T, item 5. Investment management and investment advisory agency accounts maintained for foundations and endowments should be reported in Schedule RC-T, item 8. As noted in the Fiduciary and Related Assets section above, exclude investment management and investment advisory agency accounts that are administered by subsidiary registered investment advisers. Include those mutual funds that are advised by the fiduciary area that is a separately identifiable department or division (as defined in Section 217 of the Gramm-Leach-Bliley Act). Classes of the same mutual fund should be combined and reported as a single account.
8	**Foundation and endowment trust and agency accounts.** Report the market value and number of accounts for all foundations and endowments (whether established by individuals, families, corporations, or other entities) that file any version of Form 990 with the Internal Revenue Service and for which the institution serves as either trustee or agent. Also include those foundations and endowments that do not file Form 990, 990EZ, or 990PF solely because the organization's gross receipts or total assets fall below reporting thresholds, but would otherwise be required to file. Foundations and endowments established by churches, which are exempt from filing Form 990, should also be included in this item. Employee benefit accounts maintained for a foundation's or endowment's employees should be reported in Schedule RC-T, item 5. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
9	**Other fiduciary accounts.** Report the market value and number of accounts for all other trusts and agencies not reported in Schedule RC-T, items 4 through 8. Custody and safekeeping accounts should be reported in Schedule RC-T, item 11.
10	**Total fiduciary accounts.** Report the sum of items 4 through 9.

Item No.	Caption and Instructions
11	**Custody and safekeeping accounts.** Report the market value and number of accounts for all personal and institutional custody and safekeeping accounts held by the institution. Safekeeping and custody accounts are a type of agency account in which the reporting institution performs one or more specified agency functions but the institution is not a trustee and also is not responsible for managing the asset selection for account assets. These agency services may include holding assets, processing income and redemptions, and other recordkeeping and customer reporting services. For employee benefit custody or safekeeping accounts, the number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Include accounts in which the institution serves in a sub-custodian capacity. For example, where one institution contracts with another for custody services, both institutions should report the accounts in their respective capacity. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13. Accounts in which the institution serves as either trustee or agent in addition to being custodian should be reported in the category of the primary relationship. An account with both a fiduciary and custodial relationship should be reported under the fiduciary capacity as the primary relationship. For example, personal trust accounts in which the institution also serves as custodian should be reported as personal trust accounts and not as custodian accounts. An institution should report an account only once in Schedule RC-T, items 4 through 9 and 11. Report custodian accounts that are incidental to fiduciary services. Include those custody and safekeeping accounts that are administered by the trust department, and those that are administered in other areas of the institution through an identifiable business unit that focuses on offering fiduciary related custodial services to institutional clients. Exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, securities safekeeping services for correspondent banks, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.
12	Not applicable.
13	**Individual Retirement Accounts, Health Savings Accounts, and other similar accounts.** Report the market value and number of Individual Retirement Accounts, Health Savings Accounts, and other similar accounts included in Schedule RC-T, items 5.c and 11. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. Exclude Keogh Plan accounts.

Fiduciary and Related Services Income

The income categories in Schedule RC-T, items 14 through 20, correspond to the fiduciary asset categories described in Schedule RC-T, items 4 through 11, above. For a detailed definition of the categories, please refer to the corresponding account descriptions. Income and expenses should be reported on an accrual basis. Institutions may report income and expense accounts on a cash basis if the results would not materially differ from those obtained using an accrual basis.

Deposits (cont.):

Examples Illustrating Distinctions Between
MONEY MARKET DEPOSIT ACCOUNTS (MMDAs) and OTHER SAVINGS DEPOSITS

Example 1

A savings deposit account permits no transfers of any type to other accounts or to third parties. Report this account as an other savings deposit.

Example 2

A savings deposit permits unlimited, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).

Report this account as an other savings deposit.

.

Example 3

A savings deposit permits unlimited "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

Derivative Contracts: Banks commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in ASC Topic 815, Derivatives and Hedging, which banks must follow for purposes of these reports. ASC Topic 815 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. For further information, institutions should refer to the subtopics within ASC Topic 815, as appropriate, for a comprehensive understanding of the accounting for derivatives and hedging activities.

When applicable, institutions may also refer to Accounting Standards Update No. ASU 2020-04, “Reference Rate Reform (Topic 848),” (ASU 2020-04), which provides optional expedients for fair value, cash flow, and net investment hedging relationships affected by reference rate reform for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting as the London Interbank Offered Rate (LIBOR) and other reference rates are being discontinued. ASU 2020-04 provides exceptions to the guidance in ASC Topic 815 related to changes to the critical terms of a hedging relationship due to reference rate reform.

Definition of Derivative

ASC Topic 815 defines a "derivative instrument" as a financial instrument or other contract with all three of the following characteristics:

(1) It has one or more underlyings (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.

(2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.

Derivative Contracts (cont.):

(3) Its terms require or permit net settlement, it can be readily settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Certain contracts that may meet the definition of a derivative are specifically excluded from the scope of ASC Topic 815, including:

- "Regular-way" securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the marketplace or by the exchange on which the trade is executed;
- Normal purchases and sales of an item other than a financial instrument or derivative instrument (e.g., a commodity) that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business;
- Traditional life insurance and property and casualty contracts; and
- Certain financial guarantee contracts.

ASC Topic 815 has special criteria for determining whether commitments to originate loans meet the definition of a derivative. Commitments to originate mortgage loans that will be held for sale are accounted for as derivatives. Commitments to originate mortgage loans that will be held for investment are not accounted for as derivatives. Also, all commitments to originate loans other than mortgage loans are not accounted for as derivatives. Commitments to purchase loans must be evaluated to determine whether the commitment meets the definition of a derivative under ASC Topic 815.

Types of Derivatives

The most common types of freestanding derivatives are forwards, futures, swaps, options, caps, floors, and collars.

Forward contracts are agreements that obligate two parties to purchase (long) and sell (short) a specific financial instrument, foreign currency, or commodity at a specified price with delivery and settlement at a specified future date.

Futures contracts are standardized forward contracts that are traded on organized exchanges. Exchanges in the U.S. are registered with and regulated by the Commodity Futures Trading Commission. The deliverable financial instruments underlying interest-rate future contracts are specified investment-grade financial instruments, such as U.S. Treasury securities or mortgage-backed securities. Foreign currency futures contracts involve specified deliverable amounts of a particular foreign currency. The deliverable products under commodity futures contracts are specified amounts and grades of commodities such as gold bullion. Equity futures contracts are derivatives that have a portion of their return linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Other forward contracts are traded over the counter and their terms are not standardized. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller. A forward rate agreement is a forward contract that specifies a reference interest rate and an agreed on interest rate (one to be paid and one to be received), an assumed principal amount (the notional amount), and a specific maturity and settlement date.

Swap contracts are forward-based contracts in which two parties agree to swap streams of payments over a specified period. The payments are based on an agreed upon notional principal amount. An interest rate swap generally involves no exchange of principal at inception or maturity. Rather, the notional amount is used to calculate the payment streams to be exchanged. However, foreign exchange swaps often involve the exchange of principal.

Option contracts (standby contracts) are traded on exchanges and over the counter. Option contracts grant the right, but do not obligate, the purchaser (holder) to buy (call) or sell (put) a specific or standard commodity, financial, or equity instrument at a specified price during a specified period or at a

Derivative Contracts (cont.):

specified date. A purchased option is a contract in which the buyer has paid compensation (such as a fee or premium) to acquire the right to sell or purchase an instrument at a stated price on a specified future date. A written option obligates the option seller to purchase or sell the instrument at the option of the buyer of the contract. Option contracts may relate to purchases or sales of securities, money market instruments, futures contracts, other financial instruments, or commodities.

Interest rate caps are option contracts in which the cap seller, in return for a premium, agrees to limit the cap holder's risk associated with an increase in interest rates. If rates go above a specified interest-rate level (the strike price or cap rate), the cap holder is entitled to receive cash payments equal to the excess of the market rate over the strike price multiplied by the notional principal amount. For example, an issuer of floating-rate debt may purchase a cap to protect against rising interest rates, while retaining the ability to benefit from a decline in rates.

Interest rate floors are option contracts in which the floor seller, in return for a premium, agrees to limit the risk associated with a decline in interest rates based on a notional amount. If rates fall below an agreed rate, the floor holder will receive cash payments from the floor writer equal to the difference between the market rate and an agreed rate, multiplied by the notional principal amount.

Interest rate collars are option contracts that combine a cap and a floor (one held and one written). Interest rate collars enable a user with a floating rate contract to lock into a predetermined interest-rate range often at a lower cost than a cap or a floor.

Embedded Derivatives

Contracts that do not in their entirety meet the definition of a derivative instrument, such as bonds, insurance policies, and leases, may contain “embedded” derivative instruments. Embedded derivatives are implicit or explicit terms within a contract that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument. The effect of embedding a derivative instrument in another type of contract (“the host contract”) is that some or all of the cash flows or other exchanges that otherwise would be required by the host contract, whether unconditional or contingent upon the occurrence of a specified event, will be modified based on one or more of the underlyings.

An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument, i.e., bifurcated, if and only if all three of the following conditions are met:

(1) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,

(2) The contract (“the hybrid instrument”) that embodies the embedded derivative and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and

(3) A separate instrument with the same terms as the embedded derivative instrument would be a considered a derivative.

An embedded derivative instrument in which the underlying is an interest rate or interest rate index that alters net interest payments that otherwise would be paid or received on an interest-bearing host contract is considered to be clearly and closely related to the host contract unless either of the following conditions exist:

(1) The hybrid instrument can contractually be settled in such a way that the investor (holder) would not recover substantially all of its initial recorded investment,
or

(2) The embedded derivative could at least double the investor’s initial rate of return on the host contract and could also result in a rate of return that is at least twice what otherwise would be the

Derivative Contracts (cont.):

market return for a contract that has the same terms as the host contract and that involves a debtor with a similar credit quality.

Examples of hybrid instruments (not held for trading purposes) with embedded derivatives which meet the three conditions listed above and must be accounted for separately include debt instruments (including deposit liabilities) whose return or yield is indexed to: changes in an equity securities index (e.g., the Standard & Poor's 500); changes in the price of a specific equity security; or changes in the price of gold, crude oil, or some other commodity. For purposes of these reports, when an embedded derivative must be accounted for separately from the host contract under ASC Topic 815, the carrying value of the host contract and the fair value of the embedded derivative may be combined and presented together on the balance sheet in the asset or liability category appropriate to the host contract.

Under ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives, a bank with a hybrid instrument for which bifurcation would otherwise be required is permitted to irrevocably elect to initially and subsequently measure the hybrid instrument in its entirety at fair value with changes in fair value recognized in earnings. In addition, ASC Subtopic 815-15 subjects all but the simplest forms of interest-only and principal-only strips and all forms of beneficial interests in securitized financial assets to the requirements of ASC Topic 815. Thus, a bank must evaluate such instruments to identify those that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. However, a beneficial interest that contains a concentration of credit risk in the form of subordination to another financial instrument and certain securitized interests in prepayable financial assets are not considered to contain embedded derivatives that must be accounted for separately from the host contract. For further information, see ASC Subtopic 815-15.

Except in limited circumstances, interest-only and principal-only strips and beneficial interests in securitized assets that were recognized prior to the effective date (or early adoption date) of ASC Subtopic 815-15 are not subject to evaluation for embedded derivatives under ASC Topic 815.

<u>Recognition of Derivatives and Measurement of Derivatives and Hedged Items</u>

A bank should recognize all of its derivative instruments on its balance sheet as either assets or liabilities at fair value. As defined in ASC Topic 820, Fair Value Measurement, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For further information, see the Glossary entry for “Fair Value.”

The accounting for changes in the fair value (that is, gains and losses) of a derivative depends on whether the derivative has been designated as, and qualifies as, part of a hedging relationship under ASC Topic 815 and, if so, on the reason for holding it. Either all or a proportion of a derivative may be designated as a hedging instrument. The proportion must be expressed as a percentage of the entire derivative. Gains and losses on derivative instruments are accounted for as follows:

(1) <u>No hedging designation under ASC Topic 815</u> – The gain or loss on a derivative instrument not designated in a hedge under ASC Topic 815, including all derivatives held for trading purposes and derivatives used in transactions that economically hedge exposures to various risks, is recognized currently in earnings through the income statement.

(2) <u>Fair value hedge under ASC Topic 815</u> – For a derivative designated as, and qualifying as, a hedge of the exposure to changes in the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that is attributable to a particular risk (i.e., a fair value hedge), the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the risk being hedged should be recognized currently in earnings through the income statement. For example, an exposure to changes in fair value typically results from holding or issuing a debt

<u>Derivative Contracts (cont.):</u>

instrument that has a fixed interest rate or is denominated in a currency other than the institution's functional currency or from a change in the credit and/or foreign exchange risk of a held-to-maturity debt security.

(3) <u>Cash flow hedge under ASC Topic 815</u> – For a derivative designated as, and qualifying as, a hedge of the exposure to variability in the cash flows of an existing recognized asset or liability or of a forecasted purchase or sale transaction, that is attributable to a particular risk (i.e., a cash flow hedge), the entire gain or loss on the derivative should initially be reported outside of earnings as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The individual cash flows related to a recognized asset or liability and the cash flows related to a forecasted purchase or sale transaction are both referred to as a forecasted transaction. A forecasted transaction is eligible for designation as a hedged transaction if the forecasted transaction is specifically identified as a single transaction or a group of individual transactions, the occurrence of the forecasted transaction is probable, and certain other criteria specified in ASC Topic 815 are met. If the hedged transaction is a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged. For example, an exposure to variability in cash flows can result from a debt instrument with a variable interest rate or from a transaction amount that will be settled in a nonfunctional currency.

(4) <u>Foreign currency hedge under ASC Topic 815</u> – For a derivative designated as, and qualifying as, hedging the foreign currency exposure (i.e., an exposure to a currency other than the hedging unit's functional currency) of a net investment in a foreign operation (i.e., a net investment hedge), the gain or loss is reported outside of earnings in other comprehensive income as part of the cumulative translation adjustment. For a derivative designated as, and qualifying as, (1) a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security, the accounting for a fair value hedge should be applied, or (2) a hedge of the foreign currency exposure of a foreign-currency denominated forecasted transaction, the accounting for a cash flow hedge should be applied.

For fair value and cash flow hedges, an institution may elect with appropriate documentation of its risk management decision to recognize the initial value of certain excluded components from the assessment of effectiveness in earnings using a systematic and rational method over the life of the hedging instrument. Any difference between the change in fair value of the excluded component and amounts recognized in earnings under that systematic and rational method should be recognized in other comprehensive income. Alternatively, an institution may elect to record changes in the fair value of the excluded component currently in earnings. This election should be applied consistently to similar hedges.

To qualify for hedge accounting, the risk being hedged must represent an exposure to an institution's earnings. In general, if the hedged item is a financial asset or liability, the designated risk being hedged can be overall risks (i.e., the risk of changes in the overall fair value of the hedged item or the risk of overall changes in the hedged cash flows), or portions, or components, of the total risk within the hedged item. The components of the total risk within the hedged item can include: (1) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the benchmark interest rate;[1] (2) the risk of changes in the cash flows of the hedged item attributable to changes in the contractually specified interest rate; (3) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in foreign exchange rates; or (4) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the obligor's creditworthiness.

---

[1] The benchmark interest rate is a widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. In theory, this should be a risk-free rate. In the U.S., interest rates on U.S. Treasury securities, the London Interbank Offered Rate (LIBOR) swap rate, the Overnight Index Swap (OIS) Rate based on the Fed Funds Effective Rate, the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate, and the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate are considered benchmark interest rates.

Derivative Contracts (cont.):

For held-to-maturity securities, only credit risk, foreign exchange risk, or both may be hedged. An institution can also hedge the risk of changes in the cash flows attributable to changes in an identified contractually specified component of a nonfinancial asset in a forecasted purchase or sale of the nonfinancial asset.

Designated hedging instruments and hedged items qualify for fair value, cash flow, or net investment hedge accounting if all of the criteria specified in ASC Topic 815 are met. These criteria include:

(1) At inception of the hedge, there is formal designation and documentation of the hedging relationship and the institution's risk management objective and strategy for undertaking the hedge, including identification of the eligible hedging instrument (e.g., the derivative), the hedged item or transaction eligible to be hedged, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. At inception of the hedge (using information applicable as of the date of hedge inception), there must be a reasonable basis for how the institution plans to assess the hedging instrument's effectiveness. When hedging foreign currency risk on an after-tax basis, documentation that hedge effectiveness will be assessed on an after-tax basis (rather than on a pre-tax basis) is also required at hedge inception.

(2) Both at inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value or offsetting cash flows attributable to the hedged risk during the period that the hedge is designated (i.e., term of the hedge). An assessment of effectiveness is required whenever financial statements or earnings are reported, and at least every three months. All assessments of effectiveness shall be consistent with the risk management strategy documented for that particular hedging relationship.

    Some hedging relationships (e.g., those meeting the requirements of the "shortcut" or "critical terms match" methods) require only a qualitative assessment. The initial prospective quantitative assessment of hedge effectiveness may be performed at any time after hedge designation, but no later than the first quarterly effectiveness testing date and, for forecasted transactions, before the first transaction occurs, using data applicable as of the date of hedge inception. The ongoing effectiveness assessments may be qualitative and/or quantitative, assuming the expectation of high effectiveness is reasonably supported.

In a fair value hedge, an asset or a liability is eligible for designation as a hedged item if the hedged item is specifically identified as either all or a specific portion of a recognized asset or liability or of an unrecognized firm commitment, the hedged item is a single asset or liability (or a specific portion thereof) or is a portfolio of similar assets or a portfolio of similar liabilities (or a specific portion thereof), and certain other criteria specified in ASC Topic 815 are met. If similar assets or similar liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in fair value of the aggregate portfolio attributable to the hedged risk.

Portfolio Layer Method

Accounting Standards Update No. 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method" (ASU 2022-01), expands the current single-layer method and allows for multiple hedged layers of a closed portfolio. In addition, ASU 2022-01 expands the scope of the portfolio layer method from prepayable[1] assets to also include nonprepayable assets; specifies eligible hedging instruments in a single-layer hedge; provides additional guidance on the accounting for and disclosure of fair value hedge basis adjustments (FVHBAs) under the portfolio layer method; and specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

[1] ASC Master Glossary defines prepayable as "able to be settled by either party before its scheduled maturity."

Derivative Contracts (cont.):

ASU 2022-01 applies to all entities that elect to apply the portfolio layer method of hedge accounting. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, ASU 2022-01 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted.

For further guidance, refer to the instructions for Schedule RC-B, item 7, “Unallocated portfolio layer fair value hedge basis adjustments,” and Schedule RC-C, Part I, item 11, “LESS: Any unearned income on loans reflected in items 1-9 above.”

Recognition of Derivatives and Measurement When Criteria for Hedge Accounting are No Longer Met

An institution should discontinue prospectively its use of fair value or cash flow hedge accounting for an existing hedge if any of the qualifying criteria for hedge accounting is no longer met; the derivative expires or is sold, terminated, or exercised; or the institution removes the designation of the hedge.

For a fair value hedge, in general, if a periodic assessment of hedge effectiveness indicates noncompliance with the highly effective criterion that must be met to qualify for hedge accounting, an institution should not recognize an adjustment of the carrying amount of the hedged item for the change in the item’s fair value attributable to the hedged risk after the last date on which compliance with the effectiveness criterion was established.

When this occurs for a cash flow hedge, the net gain or loss on the derivative should remain in “Accumulated other comprehensive income” and be reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. However, if it is probable that the forecasted transaction will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within an additional two-month period of time thereafter (except as noted in ASC Topic 815), the derivative gain or loss reported in “Accumulated other comprehensive income” should be reclassified into earnings immediately.

Other Considerations

With certain limited exceptions, a nonderivative instrument, such as a U.S. Treasury security, may not be designated as a hedging instrument in a qualifying ASC Topic 815 hedging relationship.

Reporting Derivative Contracts in the Call Report

When an institution enters into a derivative contract, it should classify the derivative as either held for trading or held for purposes other than trading (end-user derivatives) based on the reasons for entering into the contract. All derivatives must be reported at fair value on the balance sheet (Schedule RC). Each institution must report whether it has any derivative contracts in Schedule SU, item 1. If the institution has derivative contracts, it must complete items 1.a through 1.d of Schedule SU, as appropriate, to report separately the notional amounts of interest rate derivatives and all other derivatives, distinguishing between derivatives held for trading and derivatives not held for trading.

Derivative Contracts (cont.):

Trading derivatives with positive fair values should be reported as trading assets in Schedule RC, item 5. Trading derivatives with negative fair values should be reported as trading liabilities in Schedule RC, item 15. Changes in the fair value of (that is, gains and losses on) trading derivatives should be recognized currently in earnings and included as trading revenue in Schedule RI, item 5.l, "Other noninterest income."

Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have positive fair values should be included in Schedule RC-F, item 6, "All other assets." In the Call Reports for June and December, if the total fair value of these derivatives is greater than $100,000 and exceeds 25 percent of "All other assets" this amount should be disclosed in Schedule RC-F, item 6.c. Freestanding derivatives held for purposes other than trading (and embedded derivatives that are accounted for separately under ASC Topic 815, which the bank has chosen to present separately from the host contract on the balance sheet) that have negative fair values should be included in Schedule RC-G, item 4, "All other liabilities." In the Call Reports for June and December, if the total fair value of these derivatives is greater than $100,000 and exceeds 25 percent of "All other liabilities," this amount should be disclosed in Schedule RC-G, item 4.d. Net gains (losses) on derivatives held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815 should be recognized currently in earnings and reported consistently as either "Other noninterest income" or "Other noninterest expense" in Schedule RI, item 5.l or item 7.d, respectively.

Derivative Contracts (cont.):

For qualifying fair value and cash flow hedges, institutions should report the following in earnings in Schedule RI in the same income statement item that is used to present the earnings effect of the hedged item:

(1) The change in the fair value of the hedging derivative instrument that is included in the assessment of hedge effectiveness;
(2) Amounts excluded from the assessment of hedge effectiveness in accordance with the discussion above in this Glossary entry of the treatment of excluded components; and
(3) For one or more existing hedged layer or layers that are designated under the portfolio layer method in accordance with ASC paragraph 815-20-25-12A, the gain or loss (that is, the change in fair value) on the hedged item attributable to the hedged risk shall not adjust the carrying value of the individual beneficial interest or individual assets in or removed from the closed portfolio. Instead, that amount shall be maintained on a closed portfolio basis and recognized currently in earnings.

Netting of derivative assets and liabilities is prohibited on the balance sheet except as permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. See the Glossary entry for "Offsetting."

Discounts: See "premiums and discounts."

Dividends: Cash dividends are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the bank's board of directors (the declaration date) by debiting "retained earnings" and crediting "dividends declared not yet payable," which is to be reported in other liabilities. Upon payment of the dividend, "dividends declared not yet payable" is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to "dividend checks outstanding" which is reportable in the "demand deposits" category of the bank's deposit liabilities.

A liability for dividends payable may not be accrued in advance of the formal declaration of a dividend by the board of directors. However, the bank may segregate a portion of retained earnings in the form of a net worth reserve in anticipation of the declaration of a dividend.

Stock dividends are distributions of additional shares to stockholders in proportion to the number of shares they own. Stock dividends are to be reported by transferring an amount equal to the fair value of the additional shares issued from retained earnings to a category of permanent capitalization (common stock and surplus). However, the amount transferred from retained earnings must be reduced by the amount of any mandatory and discretionary transfers previously made (such as those from retained earnings to surplus for increasing the bank's legal lending limit) provided such transfers have not already been used to record a stock dividend. In any event, the amount transferred from retained earnings may not be less than the par or stated value of the additional shares being issued.

Property dividends, also known as dividends in kind, are distributions to stockholders of assets other than cash. The transfer of securities of other companies, real property, or any other asset owned by the reporting bank to a stockholder or related party is to be recorded at the fair value of the asset on the declaration date of the dividend. A gain or loss on the transferred asset must be recognized in the same manner as if the property had been disposed of in an outright sale at or near the declaration date. In those instances where a bank transfers bank premises to a parent holding company in the form of a property dividend and the parent immediately enters into a sale-leaseback transaction with a third party, the gain must be deferred by the bank and amortized over the life of the lease.

Domestic Office: For purposes of these reports, a domestic office of the reporting bank is a branch or consolidated subsidiary (other than an Edge or Agreement subsidiary) located in the 50 states of the United States or the District of Columbia or a branch on a U.S. military facility wherever located. However, if the reporting bank is chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary located in the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a domestic office. The domestic offices of the reporting bank exclude all International Banking Facilities (IBFs); all offices of Edge and Agreement subsidiaries, including their U.S. offices; and all branches and other consolidated subsidiaries of the bank located in foreign countries.

Due Bills: A due bill is an obligation that results when a bank sells an asset and receives payment, but does not deliver the security or other asset. A due bill can also result from a promise to deliver an asset in exchange for value received. In both cases, the receipt of the payment creates an obligation regardless of whether the due bill is issued in written form. Outstanding due bill obligations shall be reported as borrowings in Schedule RC, item 16, "Other borrowed money," by the issuing bank. Conversely, when the reporting bank is the holder of a due bill, the outstanding due bill obligation of the seller shall be reported as a loan to that party.

Edge and Agreement Corporation: An Edge corporation is a federally-chartered corporation organized under Section 25A of the Federal Reserve Act and subject to Federal Reserve Regulation K. Edge corporations are allowed to engage only in international banking or other financial transactions related to international business.

An Agreement corporation is a state-chartered corporation that has agreed to operate as if it were organized under Section 25 of the Federal Reserve Act and has agreed to be subject to Federal Reserve Regulation K. Agreement corporations are restricted, in general, to international banking operations. Banks must apply to the Federal Reserve for permission to acquire stock in an Agreement corporation.

A reporting bank's Edge or Agreement subsidiary, i.e., the bank's majority-owned Edge or Agreement corporation, is treated for purposes of these reports as a "foreign" office of the reporting bank.

Equity-Indexed Certificates of Deposit: Under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), a certificate of deposit that pays "interest" based on changes in an equity securities index is a hybrid instrument with an embedded derivative that must be accounted for separately from the host contract, i.e., the certificate of deposit. For further information, see the Glossary entry for "Derivative Contracts." Examples of equity-indexed certificates of deposit include the "Index Powered® CD" and the “Dow Jones Industrials Indexed Certificate of Deposit.”

At the maturity date of a typical equity-indexed certificate of deposit, the holder of the certificate of deposit receives the original amount invested in the deposit plus some or all of the appreciation, if any, in an index of stock prices over the term of the certificate of deposit. Thus, the equity-indexed certificate of deposit contains an embedded equity call option. To manage the market risk of its equity-indexed certificates of deposit, a bank that issues these deposits normally enters into one or more separate freestanding equity derivative contracts with an overall term that matches the term of the certificates of deposit. At maturity, these separate derivatives are expected to provide the bank with a cash payment in an amount equal to the amount of appreciation, if any, in the same stock price index that is embedded in the certificates of deposit, thereby providing the bank with the funds to pay the "interest" on the equity-indexed certificates of deposit. During the term of the separate freestanding equity derivative contracts, the bank will periodically make either fixed or variable payments to the counterparty on these contracts.

When a bank issues an equity-indexed certificate of deposit, it must either account for the written equity call option embedded in the deposit separately from the certificate of deposit host contract or irrevocably elect to account for the hybrid instrument (the equity-indexed certificate of deposit) in its entirety at fair value.

LINE ITEM INSTRUCTIONS FOR SCHEDULE SU

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

SCHEDULE SU – SUPPLEMENTAL INFORMATION

General Instructions

Schedule SU should be completed on a fully consolidated basis.

Item Instructions

Derivatives

Item No. **Caption and Instructions**

1 **Does the institution have any derivative contracts?**

If your institution has derivative contracts, place an "X" in the box marked "Yes" and complete items 1.a through 1.d, below.

If your institution has no derivative contracts, place an "X" in the box marked "No," skip items 1.a through 1.d, and go to item 2.

For purposes of this item and items 1.a through 1.d, derivative contracts include all contracts that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended). Include both freestanding derivative contracts and those embedded derivatives that have been bifurcated from their host contracts and are accounted for separately under ASC Topic 815. For further information, see the Glossary entry for "Derivative Contracts."

Exclude spot foreign exchange contracts, which are agreements for the immediate delivery, usually within two business days or less (depending on market convention), of a foreign currency at the prevailing cash market rate. Report spot foreign exchange contracts as "Other off-balance sheet liabilities" in Schedule RC-L, item 9, subject to the existing reporting threshold for this item.

Also exclude notional amounts for derivative contracts that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date.

In items 1.a through 1.d, an institution should report the notional amount (stated in U.S. dollars) of each derivative contract according to *both* its underlying risk exposure – either as "interest rate," as defined below, or as "other" – *and* its designation as held for trading or for purposes other than trading, also defined below. All notional amounts to be reported in Schedule SU, items 1.a through 1.d, should be based on the notional amount definition in U.S. generally accepted accounting principles, which states that this amount is the number of currency units, shares, bushels, pounds, or other units specified in a derivative contract.

A contract with multiple risk characteristics should be classified based upon its predominant risk characteristic at the origination of the derivative.

Item No. **Caption and Instructions**

1 (cont.) For purposes of reporting the gross notional amount of derivative contracts in Schedule SU, items 1.a through 1.d:

(1) For futures and forward contracts, report the aggregate par value of the contracts that have been entered into by the reporting institutions and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments, offset (for futures contracts), or settled in cash (for forward contracts). Offset is the liquidating of a purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange. Forward contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller.

(2) For written and purchased option contracts, report the aggregate par value of the financial instruments or commodities that the option seller (writer) has, for compensation (such as a fee or premium), obligated itself to either purchase from or sell to the option buyer (purchaser) under option contracts that are outstanding as of the report date. Report the aggregate notional amount for written and purchased caps, floors, and swaptions. For collars and corridors, report the aggregate notional amount for the purchased portion of the contract plus the aggregate notional amount for the written portion of the contract.

(3) For swaps, the notional amount is the underlying principal amount upon which the exchange of interest, foreign exchange, or other income or expense is based. In those cases where the reporting institution is acting as an intermediary, both sides of the transaction are to be reported.

In reporting Schedule SU, items 1.a through 1.d, the notional amount or par value to be reported for a 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 called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

All transactions within the consolidated institution should be reported on a net basis, i.e., intrabank transactions should not be reported in this item. No other netting of contracts is permitted for purposes of these derivatives items. Therefore, do not net:

(1) Obligations of the reporting institution to purchase from third parties against the institution's obligations to sell to third parties;
(2) Written options against purchased options; or
(3) Contracts subject to bilateral netting agreements.

Definitions

Futures contracts. Futures contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges that act as the counterparty to each contract.

Forward contracts. Forward contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller