

SUPPLEMENTAL INSTRUCTIONS

September 2010 Call Report Forms

Sample Call Report forms for September 2010 are available on both the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's Web site (<http://www.fdic.gov/callreports>). An instruction book update for September 2010 is expected to be available on these Web sites by October 4, 2010. This update includes a revised Glossary in which the references to accounting standards now include the corresponding references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Call Report forms, including the cover (signature) page, and instructional materials can be both printed and downloaded from the FFIEC's and the FDIC's Web sites. In addition, banks that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the person responsible for preparing Call Reports at your bank has been notified about the electronic availability of the September 2010 report forms and instruction book update as well as these Supplemental Instructions.

Submission of Completed Reports

Each bank's Call Report data must be submitted to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (<https://cdr.ffiec.gov/cdr/>), using one of the two methods described in the banking agencies' cover letter for the September 30, 2010, report date. For technical assistance with submissions to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

Banks are required to maintain in their files a signed and attested hard-copy record of the Call Report data file submitted to the CDR. The appearance of this hard-copy record of the submitted data file need not match exactly the appearance of the sample report forms on the FFIEC's Web site, but the hard-copy record should show at least the caption of each Call Report item and the reported amount. A copy of the cover page printed from Call Report software or from the FFIEC's Web site should be used to fulfill the signature and attestation requirement. The signed cover page should be attached to the hard-copy record of the Call Report data file that must be placed in the bank's files.

Currently, Call Report preparation software products marketed by Axiom Software Laboratories; DBI Financial Systems, Inc.; Fed Reporter, Inc.; Fidelity Regulatory Solutions; FinArch US, Inc.; FiServ, Inc.; FRSGlobal; Jack Henry & Associates, Inc.; and SOFGEN Americas, Inc., meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. The addresses and telephone numbers of these vendors are listed at the end of these Supplemental Instructions.

Troubled Debt Restructurings and Current Market Interest Rates

Many institutions are restructuring or modifying the terms of loans to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The creditor's concession may include a

restructuring of the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, such as a modification of terms to reduce or defer cash payments required of the debtor in the near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

Because the stated interest rate charged the borrower after a loan restructuring may be greater than or equal to interest rates available in the marketplace for similar types of loans at the time of the restructuring, some institutions have concluded that these restructurings are not TDRs. In making this determination, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. When evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the bank has made a concession to the borrower with respect to the market interest rate (or has made some other type of concession that could trigger TDR accounting and disclosure, for example, terms or conditions outside of the bank's policies or common market practices) and, if so, how the modified or restructured loan should be reported in the Call Report.

Generally, a restructured loan yields a current market interest rate if the restructuring agreement specifies an interest rate greater than or equal to the rate that the institution was willing to accept at the time of the restructuring for a new loan with comparable risk. A restructured loan does not yield a market interest rate simply because the interest rate charged under the restructuring agreement has not been reduced. In addition, when a modification results in an increase (either temporary or permanent) in the contractual interest rate, the increased interest rate cannot be presumed to be an interest rate that is at or above market. Therefore, in determining whether a loan has been modified at a market interest rate, an institution should analyze the borrower's current financial condition and compare the rate on the modified loan to rates the institution would charge customers with similar financial characteristics on similar types of loans. This determination requires the use of judgment and should include an analysis of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

Likewise, a change in the interest rate on a modified or restructured loan does not necessarily mean that the modification is a TDR. For example, a creditor may lower the interest rate to maintain a relationship with a debtor that can readily obtain funds from other sources. To be a TDR, the borrower must also be experiencing financial difficulties. The evaluation of whether a borrower is experiencing financial difficulties is based upon individual facts and circumstances and requires the use of judgment when determining if a modification of the borrower's loan should be accounted for and reported as a TDR.

An institution that restructures a loan to a borrower experiencing financial difficulties at a rate below a market interest rate has granted a concession to the borrower that results in the restructured loan being a TDR. (As noted above, other types of concessions could also result in a TDR.) In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, the loan must be reported in the appropriate loan category in Schedule RC-C, part I, items 1 through 9, and in:

- Schedule RC-C, part I, Memorandum item 1, if it is in compliance with its modified terms, or
- Schedule RC-N, Memorandum item 1, if it is not in compliance with its modified terms.

However, a loan that is a TDR (for example, because of a modification that includes a reduction in principal) that yields a market interest rate at the time of restructuring (and is in compliance with its modified terms need not continue to be reported as a TDR in Schedule RC-C, part I, Memorandum item 1, in calendar years after the year in which the restructuring took place. To be considered in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.

A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), and the Glossary entry for "Loan Impairment."

For further information, see the Glossary entry for "Troubled Debt Restructurings" and the instructions for Schedules RC-C, part I, and RC-N.

Reporting Loans Subject to a Blanket Lien Agreement

Banks report the amount of pledged loans and leases (not held for trading) in Schedule RC-C, part I, Memorandum item 14. 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 Memorandum item 14. 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 Memorandum item 14 unless such loans have been repledged.

Reporting Term Deposits

The Term Deposit Facility (TDF) is a program through which the Federal Reserve Banks offer interest-bearing term deposits to eligible institutions. A term deposit is a deposit with a specific maturity date. Term deposits offered through the TDF should be treated as balances due from a Federal Reserve Bank for Call Report purposes. Accordingly, term deposits should be reported in Schedule RC, Balance Sheet, item 1.b, "Interest-bearing balances," and in Schedule RC-A, Cash and Balances Due From Depository Institutions, item 4, "Balances due from Federal Reserve Banks," on the FFIEC 031 and FFIEC 041 reporting forms. The earnings on these term deposits should be reported in Schedule RI, Income Statement, item 1.c, "Interest income on balances due from depository institutions."

Reporting Purchased Subordinated Securities in Schedule RC-S

In item 9 of Schedule RC-S, Servicing, Securitization, and Asset Sale Activities, the agencies collect data on the maximum amount of banks' credit exposures arising from credit enhancements they have provided to other institutions' securitization structures, including those used in structured finance programs (other than asset-backed commercial paper programs, which are covered in Memorandum item 3 of the schedule). The types of credit enhancements to be reported in item 9 include purchased subordinated securities. Examples of purchased subordinated securities include, but are not limited to, the mezzanine and subordinate tranches of private-label mortgage-backed securities and collateralized debt obligations. A so-called senior tranche of a securitization or structured finance program is not a subordinated security provided it cannot absorb credit losses prior to another designated senior tranche. Banks should ensure that they report in Schedule RC-S, item 9, the carrying value of their holdings of purchased subordinated securities issued in connection with other institutions' securitization and structured finance transactions (other than asset-backed commercial paper programs). Holdings of purchased subordinated securities that serve as credit enhancements for asset-backed commercial paper programs should be reported in Memorandum item 3.a of Schedule RC-S.

Prepaid Deposit Insurance Assessments

In November 2009, the FDIC adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay an FDIC-determined estimate of their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also was payable on December 30, 2009. The amount of the prepaid assessment was included on the certified statement invoices for the third quarter of 2009, which were available on *FDICconnect*, the FDIC's e-business portal, as of December 15, 2009.

Each bank should record the estimated expense for its regular quarterly risk-based assessment for each calendar quarter through a charge to expense during that quarter and a corresponding credit to its prepaid assessments asset (or to an accrued expense payable if it has no prepaid assessments asset). In general, as a result of the interaction between the prepaid assessments and the regular quarterly assessments, the remaining amount of the prepaid assessments asset that a bank should report as a prepaid expense in its September 30, 2010, Call Report should be:

- The total amount of its prepaid deposit insurance assessments (paid December 30, 2009);

- Less the actual amount of its regular quarterly assessments for the fourth quarter of 2009 and the first two quarters of 2010 (shown on its certified statement invoices for these three quarters, which were available on FDICconnect as of March 15, June 15, and September 15, 2010); and
- Less the estimated amount of its regular quarterly assessment for the third quarter of 2010 (which should have been accrued as a charge to expense during the third quarter).

This prepaid expense asset should be reported in Schedule RC-F, item 6, "All other assets," and, if it is greater than \$25,000 and exceeds 25 percent of the amount reported in item 6, it also should be reported in Schedule RC-F, item 6.f, "Prepaid deposit insurance assessments." The year-to-date deposit insurance assessment expense for 2010 should be reported in Schedule RI, item 7.d, "Other noninterest expense."

The banking agencies' risk-based capital standards permit an institution to apply a zero-percent risk weight to claims on U.S. Government agencies. When completing Schedule RC-R, Regulatory Capital, a bank may assign a zero-percent risk weight to the amount of its prepaid deposit insurance assessments asset in item 42 of this schedule.

For further information on the FDIC's prepaid assessments final rule, banks should refer to FDIC Financial Institution Letter (FIL) 63-2009 at <http://www.fdic.gov/news/news/financial/2009/fil09063.html>. For further guidance on reporting regular quarterly deposit insurance assessments, banks should refer to the Call Report Supplemental Instructions for September 30, 2009, at http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf.

Accounting for Financial Asset Transfers and Variable Interest Entities

Amendments to FASB ASC Topics 860, Transfers and Servicing, and 810, Consolidation, resulting from Accounting Standards Update (ASU) No. 2009-16 (formerly FASB Statement No. 166, *Accounting for Transfers of Financial Assets* (FAS 166)) and ASU No. 2009-17 (formerly FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167)), respectively, have changed the way entities account for securitizations and special purpose entities. ASU No. 2009-16 (formerly FAS 166) revised former FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, by eliminating the concept of a "qualifying special-purpose entity," creating the concept of a "participating interest" (which is discussed more fully in the following section), changing the requirements for derecognizing financial assets, and requiring additional disclosures. ASU No. 2009-17 (formerly FAS 167) revised former FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, by changing how a bank or other company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights, i.e., a "variable interest entity" (VIE), should be consolidated.

In general, amended Topics 860 and 810 both take effect as of the beginning of each bank's first annual reporting period that begins after November 15, 2009, for interim periods therein, and for interim and annual reporting periods thereafter (i.e., as of January 1, 2010, for banks with a calendar year fiscal year). Earlier application is prohibited. Banks are expected to adopt amended Topics 860 and 810 for Call Report purposes in accordance with the effective date of these two standards. Revised Glossary entries for "Transfers of Financial Assets" and "Servicing Assets and Liabilities" that incorporated the provisions of amended Topics 860 and 810 and a new Glossary entry for "Variable Interest Entities" were included in the Call Report instruction book update for June 2010.

The assets and liabilities of consolidated VIEs should be reported on the Call Report balance sheet (Schedule RC) in the balance sheet category appropriate to the asset or liability. Similarly, the interest and noninterest income and expenses of consolidated VIEs, including provisions for loan and lease losses, should be reported on the Call Report income statement (Schedule RI) in the category appropriate to the income or expense. Because Schedules RC and RI do not enable a bank to present separately (a) the assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE, (b) the liabilities of a consolidated VIE for which creditors do not have recourse to the general credit of the primary beneficiary, and (c) the related income and expenses, a bank that consolidates a VIE may wish to report on such items in the Call Report's Optional Narrative Statement.

On January 28, 2010, the federal banking agencies published a final rule amending their risk-based capital standards related to the FASB's adoption of the amendments to ASC Topics 860 and 810 (<http://edocket.access.gpo.gov/2010/pdf/2010-825.pdf>). The final rule eliminates the exclusion of certain consolidated asset-backed commercial paper programs from risk-weighted assets. It also provides an optional four-quarter transition mechanism related to the implementation of the consolidation requirements under amended ASC Topic 810 for certain VIEs that were used in securitization and structured finance transactions that took place before the effective date of the new accounting standards. In general, the transition mechanism applies to qualifying VIEs and consists of an optional two-quarter delay in implementation followed by an optional two-quarter partial implementation of the effect of amended ASC Topic 810 on risk-weighted assets and the allowance for loan and lease losses (ALLL) includable in Tier 2 capital. The transition mechanism does not apply to the leverage capital ratio nor does it apply to loan participations. For information on reporting risk-weighted assets and the ALLL in Call Report Schedule RC-R, Regulatory Capital, in accordance with the optional transition mechanism, banks electing to adopt this mechanism should refer to the "Reporting Guidance for the Optional Transition Mechanism for Risk-Based Capital Requirements Associated with the Implementation of FAS 166 and FAS 167" on the FFIEC's Web site at http://www.ffiec.gov/ffiec_report_forms.htm.

Accounting for Loan Participations

Amended ASC Topic 860 (formerly FAS 166) modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (discussed above), including advances under lines of credit that are transferred on or after the effective date of amended ASC Topic 860 even if the line of credit agreements were entered into before this effective date. Therefore, banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 (January 1, 2010, for calendar year banks) are not affected by this new accounting standard. Therefore, loan participations transferred before the effective date of amended ASC Topic 860 that were properly accounted for as sales under former FASB Statement No. 140 will continue to be reported as having been sold.

Under amended ASC Topic 860, if a transfer of a portion of an entire financial asset meets the definition of a "participating interest," then the transferor (normally the lead lender) must evaluate whether the transfer meets all of the conditions in this accounting standard to qualify for sale accounting. (In summary, these conditions are the isolation of the transferred assets from the transferor, the transferee's right to pledge or exchange the assets received, and the transferor's lack of effective control over the transferred assets.) In general, in order for a loan participation, whether retained by the lead lender or transferred to another party, to meet the definition of a participating interest in amended ASC Topic 860, it must have all of the following characteristics:

- It must represent a proportionate (pro rata) ownership interest in an entire financial asset;
- All cash flows received from the entire financial asset, except any cash flows allocated as compensation for servicing or other services performed (which must not be subordinated and must not significantly exceed an amount that would fairly compensate a substitute service provider should one be required), must be divided proportionately among the participating interest holders in an amount equal to their share of ownership;
- The rights of each participating interest holder (including the lead lender) must have the same priority, no interest is subordinated to another interest, and no participating interest holder has recourse to the lead lender or another participating interest holder other than standard representations and warranties and ongoing contractual servicing and administration obligations; and
- No party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

If a transfer of a portion of a financial asset does not meet the definition of a participating interest, both the lead lender transferring the nonqualifying participation and the party acquiring the nonqualifying participation must account for the transaction as a secured borrowing with a pledge of collateral on the Call Report balance sheet (Schedule RC). On the Call Report income statement (Schedule RI), the lead lender should report the interest earned on the entire financial asset (subject to the nonaccrual guidance in the Call Report instructions) as

interest income and the interest on the transferred nonqualifying participation, which is reported as a secured borrowing, as interest expense. This interest income and interest expense should not be reported net. In addition, when the financial asset in which a nonqualifying participation has been transferred is reported as a held-for-investment loan, the lead lender should include the entire loan in its determination of an appropriate level for the allowance for loan and lease losses and the related provision for loan and lease losses expense.

Under amended ASC Topic 860, so-called “last-in, first-out” (LIFO) and “first-in, first-out” (FIFO) participations in which all principal cash flows collected on the loan are paid first to one of the participants do not meet the definition of a participating interest. As a result, neither LIFO nor FIFO participations transferred after the effective date of amended ASC Topic 860 will qualify for sale accounting and instead must be reported as secured borrowings.

A revised discussion of loan participations in the Glossary entry for “Transfers of Financial Assets” that incorporates the provisions of amended ASC Topic 860 and addresses related reporting issues was included in the Call Report instruction book update for June 2010.

Accounting Standards Codification™

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles* (FAS 168), to establish the FASB Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The FASB Codification reorganizes existing U.S. accounting and reporting standards issued by the FASB and other related private-sector standard setters, and all guidance contained in the FASB Codification carries an equal level of authority. All previously existing accounting standards documents are superseded as described in FAS 168. All other accounting literature not included in the FASB Codification is nonauthoritative. The FASB Codification can be accessed at <http://asc.fasb.org/>.

The FASB Codification is effective for interim and annual periods ending after September 15, 2009. The agencies are in the process of incorporating the FASB Codification references into the Call Report instruction book. In the instruction book update for this quarter, the Glossary section of the instruction book has been revised by adding Codification references throughout while retaining references to the pre-Codification standards. Until this incorporation process has been completed for the entire instruction book, references in the Call Report instructions (including these Supplemental Instructions) to specific pre-Codification standards under U.S. GAAP (e.g., FASB Statements of Financial Accounting Standards, FASB Interpretations, Emerging Issues Task Force Issues, and Accounting Principles Board Opinions) should be understood to mean the corresponding reference in the FASB’s Accounting Standards Codification. In addition, the agencies have published on the FFIEC’s Web site a list of all pre-Codification references to authoritative accounting literature found in the Call Report instruction book (as updated in March 2010) and the corresponding FASB Codification references. This reference guide can be accessed at http://www.ffiec.gov/pdf/ffiec_forms/CodificationIntroduction_201006.pdf.

Other-Than-Temporary Impairment

When the fair value of an investment is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a bank must apply other pertinent guidance in ASC Subtopic 320-10, Investments-Debt and Equity Securities – Overall; ASC Subtopic 325-20, Investments-Other – Cost Method Investments; and ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly paragraph 16 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*; FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*; FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*; paragraph 6 of Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*; 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*; and FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*). Guidance on recently issued accounting standards on other-than-temporary impairment was incorporated in a

revised Glossary entry for “Securities Activities” that was included in the Call Report instruction book update for June 2010.

For regulatory capital purposes, any other-than-temporary impairment losses on both held-to-maturity and available-for-sale debt securities related to factors other than credit loss that are reported, net of applicable taxes, in Schedule RC, item 26.b, “Accumulated other comprehensive income,” should be included in Schedule RC-R, item 2, together with the net unrealized gains (losses) on available-for-sale securities that are reported in item 2. Furthermore, when determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the reported amount of its deferred tax assets for any deferred tax assets arising from other-than-temporary impairment losses reported, net of applicable taxes, in Schedule RC, item 26.b in accumulated other comprehensive income. A bank must follow a consistent approach over time with respect to this adjustment to the reported amount of deferred tax assets.

In addition, when risk-weighting a held-to-maturity debt security for which an other-than-temporary impairment loss related to factors other than credit loss was previously recognized in other comprehensive income, include the carrying value of the debt security in column A of Schedule RC-R, item 35. Then, include the pre-tax amount of this impairment loss that has not yet been accreted from accumulated other comprehensive income to the carrying value of the security as a negative number in column B of Schedule RC-R, item 35, and include the amortized cost of the security in the appropriate risk-weight category column of item 35 (provided the security is not a purchased subordinated security that is not eligible for the ratings-based approach). For a security on which an other-than-temporary impairment loss has been recognized, amortized cost is the security’s previous amortized cost as of the date of the most recently recognized other-than-temporary impairment loss less the amount of impairment loss recognized in earnings adjusted for subsequent accretion of interest income and payments received on the security.

Treasury Department’s Capital Purchase Program

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 (<http://www.treas.gov/press/releases/hp1207.htm>). The CPP was designed to encourage U.S. financial institutions to build capital to buttress the financial strength of the banking system, increase the flow of financing to U.S. businesses and consumers, and support the U.S. economy.

For banks (other than those that are Subchapter S or mutual institutions) that are not subsidiaries of holding companies that are approved for participation in the CPP, the Treasury Department purchased noncumulative perpetual preferred stock and warrants to purchase common stock or noncumulative perpetual preferred stock, depending on whether the bank’s common stock is “publicly traded.” For such banks that are not publicly traded, the Treasury Department’s intent was to immediately exercise the warrants for noncumulative perpetual preferred stock (“warrant preferred stock”). The noncumulative perpetual preferred stock issued to the Treasury Department, including warrant preferred stock, should be reported on the Call Report balance sheet (Schedule RC) in item 23, “Perpetual preferred stock and related surplus.” For regulatory capital purposes, the noncumulative perpetual preferred stock issued to the Treasury Department qualifies as a component of Tier 1 capital and should be included in the amount reported for “Total equity capital” in item 1 of Schedule RC-R, Regulatory Capital.

Warrants issued by a publicly traded bank should be included in equity capital on the Call Report balance sheet (Schedule RC) provided the bank has sufficient authorized but unissued shares of the common stock to allow exercise of the warrants and any other necessary shareholder approvals have been obtained. If the bank does not have required shareholder approval, including shareholder approval for sufficient authorized but unissued shares of the common stock subject to the warrants that may be required for settlement, the warrants may be included in equity capital on the Call Report balance sheet provided that the bank takes the necessary action to secure sufficient approvals prior to the end of the fiscal quarter in which the warrants are issued. The amount assigned to warrants classified as equity capital should be included in Schedule RC, item 25, “Surplus.” Warrants that are not eligible to be classified as equity capital should be reported on the Call Report balance

sheet in item 20, "Other liabilities," and in Schedule RC-G, item 4, "All other liabilities" (where the warrants should be itemized and described if their amount is greater than \$25,000 and exceeds 25 percent of item 4).

Proceeds from a bank's issuance to the Treasury Department of noncumulative perpetual preferred stock and warrants eligible to be classified as equity capital during the calendar year-to-date reporting period should be included in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net."

For banks that have elected to be taxed under Subchapter S or are organized in mutual form, the full amount of all subordinated debt securities issued to the Treasury Department under the CPP should be reported in Schedule RC, item 19, "Subordinated notes and debentures." For regulatory capital purposes, report in Schedule RC-R, item 12, "Qualifying subordinated debt and redeemable preferred stock," the portion of such subordinated debt securities that qualify for inclusion in Tier 2 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority.

Reporting Defined Benefit Postretirement Plans

ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158)), requires a bank that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a bank initially applied former FAS 158, the postretirement plan amounts recognized on the bank's balance sheet before applying former FAS 158 must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a bank must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans' net periodic benefit cost. For further information on accounting for defined benefit postretirement plans, banks should refer to ASC Topic 715, Compensation-Retirement Benefits (formerly FAS 158; FASB Statement No. 87, *Employers' Accounting for Pensions*; and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*)).

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, banks should reverse the effects on AOCI of ASC Subtopic 715-20 for regulatory capital purposes, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize the effect on AOCI of the application of ASC Subtopic 715-20 on regulatory capital. Banks should exclude from regulatory capital any amounts recorded in AOCI resulting from the initial and subsequent application of both the funded status and measurement date provisions of ASC Subtopic 715-20. For Call Report purposes, these excluded amounts should be reported in item 4 of Schedule RC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule RC, item 26.b) for defined benefit postretirement plans under ASC Subtopic 715-20 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule RC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule RC-R.

In addition, when determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets or liabilities associated with any amounts recorded in AOCI resulting from the application of ASC Subtopic 715-20 that are excluded from regulatory capital (and reported in Schedule RC-R, item 4) in accordance with the preceding guidance. A bank must follow a consistent approach over time with respect to such adjustments.

For purposes of reporting and measuring the denominators for the risk-based and leverage ratios, banks should also adjust their assets for any amounts recorded in AOCI affecting assets resulting from the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to assets in item 42 of Schedule RC-R, column B, and should also be reported in item 26 of Schedule RC-R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be recorded as a negative amount in item 42, column B, of Schedule RC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting it as a negative number in item 26 of Schedule RC-R. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b as an increase to AOCI and is included in item 42, column A, of Schedule RC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting the amount as a positive number in item 26 of Schedule RC-R. In addition, the adjustments for purposes of calculating risk-based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

Amending Previously Submitted Report Data

Should your bank find that it needs to revise previously submitted Call Report data, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies' cover letter for the September 30, 2010, report date. For technical assistance with the submission of amendments to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

Other Reporting Matters

For the following topics, banks should continue to follow the guidance in the specified Call Report Supplemental Instructions:

- The extended net operating loss carryback period under the Worker, Homeownership, and Business Assistance Act of 2009 – Supplemental Instructions for June 30, 2010 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_201006.pdf)
- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Tobacco Transition Payment (Buyout) Program – Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf)
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)
- Reporting of funds invested through Bentley Financial Services, Inc. – Supplemental Instructions for June 30, 2003 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst0603.pdf)

Call Report Software Vendors

For information on available Call Report preparation software products, banks should contact:

Axiom Software Laboratories
 67 Wall Street, 17th Floor
 New York, New York 10005
 Telephone: (212) 248-4188
 www.axiomsl.com

DBI Financial Systems, Inc.
 P.O. Box 14027
 Bradenton, Florida 34280
 Telephone: (800) 774-3279
 www.e-dbi.com

Fed Reporter, Inc.
 28118 Agoura Road, Suite 202
 Agoura Hills, California 91301
 Telephone: (888) 972-3772
 www.fedreporter.net

Fidelity Regulatory Solutions
 27200 Agoura Road, Suite 100
 Calabasas, California 91301
 Telephone: (800) 825-3772
 www.callreporter.com

FinArch US, Inc.
 Burlington Center, 4th Floor
 35 Corporate Drive
 Burlington, Massachusetts 01803
 Telephone: (800) 763-7070
 www.finarch.com

FiServ, Inc.
 1345 Old Cheney Road
 Lincoln, Nebraska 68512
 Telephone: (402) 423-2682
 www.premier.fiserv.com

FRSGlobal
 119 Russell Street
 Littleton, Massachusetts 01460
 Telephone: (978) 698-7200
 www.frsglobal.com

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 Regulatory Filing Group
 7600B North Capital of Texas
 Highway, Suite 320
 Austin, Texas 78731
 Telephone: (800) 688-9191
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 One Gateway Center, 26th Floor
 Newark, New Jersey 07102
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