

SUPPLEMENTAL INSTRUCTIONS

March 2008 Call Report Forms and Instructions

Effective this quarter, the agencies are discontinuing the mailing of sample forms and instructions for the Consolidated Reports of Condition and Income (Call Report). Sample Call Report forms and an instruction book update for March 2008 will be available on the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's Web site (<http://www.fdic.gov/regulations/resources/call/index.html>) by April 1. In the interim, draft forms and instructions for March 2008 are available on these Web sites. Call Report forms, including the cover (signature) page, and instructional materials can be both printed and downloaded from these 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 March 2008 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 March 31, 2008, 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 and the FDIC's Web sites, 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 or the FDIC'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 DBI Financial Systems, Inc.; Fidelity Regulatory Solutions; FinArch US, Inc.; FRS; IDOM, Inc.; Information Technology, Inc.; and Jack Henry & Associates, 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.

Amending Previously Submitted Report Data

Should your bank find that it needs to revise previously submitted Call Report data for quarters beginning September 30, 2005, 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 March 31, 2008, report date. Should your bank need to amend its Call Report data for June 30, 2005, or an earlier date, please contact your Call Report analyst at the FDIC (for national banks and FDIC-supervised banks) or your Federal Reserve District Bank (for state member banks) for instructions on how to submit amendments to prior period data.

Troubled Debt Restructurings

Consistent with FASB Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings* (FAS 15), the Call Report instructions define a "troubled debt restructuring" (TDR) as a restructuring in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that the bank would not otherwise consider. In general, troubled debt restructurings include a modification of the terms of a loan that provides for a reduction of either interest or principal.

Starting this quarter, all banks will begin reporting the amount of 1-4 family residential mortgage loans that have undergone troubled debt restructurings and are in compliance with their modified terms in Schedule RC-C, Memorandum item 1.a. The amount of 1-4 family residential mortgages that have undergone TDRs and under their modified terms are past due 30 days or more or are in nonaccrual status will be reported in Schedule RC-N, Memorandum item 1.a. Also, all restructured troubled loans should continue to be reported in the appropriate loan category in Schedule RC-C (Loans and Lease Financing Receivables) and, if appropriate, in Schedule RC-N (Past Due and Nonaccrual Loans, Leases, and Other Assets).

The accounting standards for TDRs are set forth in FAS 15 as amended by FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan* (FAS 114), and are summarized in the Glossary section of the Call Report instructions. All loans whose terms have been modified in a TDR, including both commercial and retail loans, must be evaluated for impairment under FAS 114. Under FAS 114, when measuring impairment on a restructured troubled loan using the present value of expected future cash flows method, the cash flows are discounted at the effective interest rate of the original loan, i.e., before the restructuring. For a residential mortgage loan with a “teaser” or starter rate that is less than the loan’s fully indexed rate, the starter rate is not the original effective interest rate. FAS 114 also permits a bank to aggregate impaired loans that have risk characteristics in common with other impaired loans, such as modified residential mortgage loans that represent TDRs, and use historical statistics along with a composite effective interest rate as a means of measuring the impairment of these loans.

Split-Dollar Life Insurance Arrangements

The Financial Accounting Standards Board’s (FASB) Emerging Issues Task Force (EITF) has issued guidance on the accounting for the deferred compensation and postretirement benefit aspects of split-dollar life insurance arrangements. This guidance is effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years, with earlier application permitted. EITF Issue No. 06-4 addresses endorsement split dollar arrangements (<http://www.fasb.org/pdf/abs06-4.pdf>) while EITF issue No. 06-10 covers collateral assignment split dollar arrangements (<http://www.fasb.org/pdf/abs06-10.pdf>). In general, in an endorsement split-dollar arrangement, the employer (such as a bank) owns and controls the insurance policy on the employee, whereas in a collateral assignment split-dollar arrangement, the employee owns and controls the insurance policy.

According to the consensus reached by the EITF under each issue, an employer such as a bank should recognize a liability for the postretirement benefit related to a split-dollar life insurance arrangement if, based on the substantive agreement with the employee, the bank has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit. This liability should be measured in accordance with either FASB Statement No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). In addition, for a collateral assignment split-dollar arrangement, the EITF also reached a consensus that an employer such as a bank should recognize and measure an insurance asset based on the nature and substance of the arrangement.

Banks with split-dollar life insurance arrangements must apply the consensus in EITF Issues No. 06-4 and No. 06-10 for Call Report purposes in accordance with their effective date. Thus, a bank with a calendar year fiscal year must apply the relevant guidance as of January 1, 2008, and should recognize the effects of applying the consensus as a cumulative-effect adjustment to the opening balance of retained earnings on that date. This adjustment should be reported in Schedule RI-A, item 2, “Restatements due to corrections of material accounting errors and changes in accounting principles,” and separately disclosed in Schedule RI-E, item 4.

Measurement of Fair Values in Stressed Market Conditions

The valuation of various assets and liabilities on the balance sheet – including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option (which is

discussed in the following section), and foreclosed assets – involves the use of fair values. During recent market stress events, the fair values of some financial instruments and nonfinancial assets have declined.

Institutions are reminded that the objective of a fair value measurement is to determine the price that would be received to sell an asset or transfer a liability in an orderly transaction (e.g., not a forced or distressed sale) at the balance sheet date. Accordingly, fair values should reflect current market conditions and consider recent transaction prices, where available. This fair value objective is generally applicable to all fair value measurements, whether or not a bank has early adopted FASB Statement No. 157, *Fair Value Measurements*, which is discussed in the following section.

On October 3, 2007, the Center for Audit Quality (CAQ), which is affiliated with the American Institute of Certified Public Accountants, issued a white paper entitled *Measurements of Fair Value in Illiquid (or Less Liquid) Markets* (http://www.aicpa.org/caq/download/WP_Measurements_of_FV_in_Illiquid_Markets.pdf). The white paper discusses issues associated with fair value measurement under existing generally accepted accounting principles (GAAP) in the context of the conditions that currently exist in many segments of the credit markets. Although the CAQ's white paper was directed to auditors and public companies, the paper articulates certain existing GAAP requirements related to fair value measurement issues that apply to all institutions, whether or not they are public companies. For Call Report purposes, banks should consider the fair value measurement information contained in the CAQ's white paper.

Fair Value Measurement and Fair Value Option

FASB Statement No. 157, *Fair Value Measurements* (FAS 157), issued in September 2006, defines fair value, establishes a framework for measuring the fair value of assets and liabilities based on a three-level hierarchy, and expands disclosures about fair value measurements. The FASB's three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting bank has the ability to access at the measurement date (e.g., the Call Report date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

According to FAS 157, observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. In contrast, unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. However, on February 12, 2008, the FASB issued FASB Staff Position No. FAS 157-2, which delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value on a recurring basis, i.e., at least annually, in the financial statements. However, this delay does not apply to entities that have issued interim or annual financial statements or Call Reports that include the application of the measurement and disclosure provisions of FAS 157. Banks must adopt FAS 157 for Call Report purposes in accordance with the standard's effective date, including the delayed effective date for eligible nonfinancial assets and nonfinancial liabilities. Thus, a bank with a calendar year fiscal year must adopt FAS 157 as of January 1, 2008, except for any fair value measurements subject to the delay mentioned above. For those financial instruments identified in FAS 157 to which the standard must be applied retrospectively upon initial application, the effect of initially applying FAS 157 to these instruments should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. This adjustment should be reported in Schedule RI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and separately disclosed in Schedule RI-E, item 4.

FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159), issued in February 2007, allows banks to report certain financial assets and liabilities at fair value with the changes in fair

value included in earnings. In general, a bank may elect the fair value option for an eligible financial asset or liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment. A bank may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A bank's decision to elect the fair value option for an eligible item is irrevocable. A bank that elects the fair value option is expected to apply sound risk management and control practices to the assets and liabilities that will be accounted for at fair value under the option.

FAS 159 is effective as of the beginning of a bank's first fiscal year that begins after November 15, 2007, and should not be applied retrospectively to prior fiscal years, except as permitted in the standard's early adoption provisions. Because FAS 159 creates a fair value option, a bank is not required to adopt FAS 159 for Call Report purposes. Under the early adoption provisions of FAS 159, a bank with a calendar year fiscal year was permitted to adopt this standard as of January 1, 2007, provided it decided to do so by April 30, 2007, and adopted FAS 157 on or before January 1, 2007. A calendar year bank that did not adopt FAS 159 in accordance with its early adoption provisions may not adopt this accounting standard until January 1, 2008.

If, in connection with its substantive adoption of FAS 159, a bank elects the fair value option for eligible items that exist on the effective date of its adoption of this accounting standard, the bank must report the effect of the first remeasurement of these existing items to fair value as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. The difference between the carrying amount and the fair value of eligible items for which the fair value option is elected at the effective date should be removed from the balance sheet (Schedule RC) and included in the cumulative-effect adjustment. This adjustment should be reported in Schedule RI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and separately disclosed in Schedule RI-E, item 4.a.

On April 17, 2007, the Center for Audit Quality (CAQ) issued Alert No. 2007-14, *FAS 159 Early Adoption Date Approaching – Factors to Consider* (http://www.thecaq.org/newsroom/pdfs/CAQPressRelease_041807a.pdf). The Alert summarized the principles and objectives of the fair value option as set forth in FAS 159 and provides factors to consider in determining whether an entity has substantively adopted FAS 159 on a go forward basis. Although the CAQ's Alert was directed to auditors and public companies, the factors concerning the evaluation of an entity's purported early adoption of FAS 159 are equally appropriate for nonpublic institutions. For Call Report purposes, banks are expected to meet the principles and objectives of FAS 159 when applying the fair value option and should consider the information contained in the CAQ's Alert.

The agencies are considering the regulatory capital implications of the use of a fair value option, including the fair value option in FASB Statements No. 155 and No. 156, which are referenced in a later section of these Supplemental Instructions. Except as discussed below, changes in the fair value of assets and liabilities to which a fair value option is applied that are recognized in earnings should be reflected in Tier 1 capital, pending further guidance from the agencies. For a liability to which a fair value option is applied, banks should consider the effect of a change in their own creditworthiness on the fair value of the liability. The agencies have determined that banks should exclude from Tier 1 capital the cumulative change in the fair value of liabilities accounted for under a fair value option that is included in retained earnings (Schedule RC, item 26.a) and is attributable to changes in the bank's own creditworthiness. For regulatory capital purposes, this excluded portion of the change in fair value is, in essence, an adjustment to the bank's reported retained earnings and should be reported in Schedule RC-R, item 7.b, so that it is taken into account in determining the Tier 1 capital subtotal (reported in Schedule RC-R, item 8) that is used to determine the regulatory capital limits on such items as servicing assets, deferred tax assets, and credit-enhancing interest-only strips.

Schedule RC-Q, Financial Assets and Liabilities Measured at Fair Value

Call Report Schedule RC-Q, Financial Assets and Liabilities Measured at Fair Value, is to be completed by banks that have adopted FAS 157 and either (1) have elected the fair value option under FAS 159 or under FASB Statements No. 155 or 156, which are discussed in a later section of these Supplemental Instructions, or (2) are required to complete Schedule RC-D, Trading Assets and Liabilities. This schedule captures fair value data on total trading assets and liabilities and on those other assets, liabilities, and loan commitments to which the fair value option is being applied. Accordingly, banks should not include data in Schedule RC-Q on securities

reported as available-for-sale on the Call Report balance sheet (Schedule RC, item 2.b) or on derivatives held for purposes other than trading that are reported as “Other assets” or “Other liabilities” (Schedule RC, item 11, or item 20). Schedule RC-Q has been revised this quarter and now includes columns for Level 1, Level 2, and Level 3 fair value measurements as well as a column for the fair values of assets and liabilities that have been netted for balance sheet purposes in accordance with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, and FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*.

Under FAS 159, securities that a bank has elected to report at fair value under the fair value option are reported as trading securities even though management did not acquire the securities principally for the purpose of selling them in the near term or for other trading purposes. Thus, such securities, whether held on the date of adoption of FAS 159 or acquired thereafter, should be reported in Schedule RC-Q in both item 2, “Trading assets,” and item 2.a, “Nontrading securities at fair value with changes in fair value reported in current earnings.”

FASB Interpretation No. 48 on Uncertain Tax Positions

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. Under FIN 48, the term “tax position” refers to “a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities.” FIN 48 further states that a “tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets.”

According to FIN 48, a bank should initially recognize the effects of a tax position in its financial statements when, based on the technical merits, it is more likely than not (i.e., a likelihood of more than 50 percent) that the position will be sustained upon examination by the taxing authority, including the resolution of any related appeals or litigation. The more-likely-than-not evaluation must consider the facts, circumstances, and information available at the report date. When a tax position meets the more-likely-than-not recognition threshold, it should initially and subsequently be measured as the largest amount of tax benefit greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. FIN 48 also provides guidance on subsequent recognition, derecognition, and measurement of tax positions, including the effect of changes in judgment, and on the recognition of interest and penalties. The June 2007 Call Report instruction book update included a revised Glossary entry for “Income Taxes” that includes guidance on FIN 48.

As originally issued, FIN 48 was effective for fiscal years beginning after December 15, 2006. Banks must adopt FIN 48 for Call Report purposes in accordance with the interpretation’s effective date except as follows. On January 23, 2008, the FASB decided to defer the effective date of FIN 48 for eligible nonpublic enterprises and to require those enterprises to adopt FIN 48 for annual periods beginning after December 15, 2007. A nonpublic enterprise is eligible for this deferral provided it (a) has not issued a full set of annual financial statements incorporating the recognition, measurement, and disclosure requirements of FIN 48 and (b) is not a subsidiary of a public enterprise. A nonpublic enterprise that meets these conditions is eligible for the deferral even if it has issued interim or quarterly financial information in 2007 that reflected the adoption of FIN 48.

As a result of the FASB’s deferral decision, eligible nonpublic banks must adopt FIN 48 for Call Report purposes for annual periods beginning after December 15, 2007, based on their respective fiscal years. For example, an eligible nonpublic bank with a calendar year fiscal year must adopt FIN 48 as of January 1, 2008, but is not required to reflect the effect of its adoption of FIN 48 for Call Report purposes until it prepares its Call Report for the December 31, 2008, report date. An eligible nonpublic bank that applied the recognition and measurement provisions of FIN 48 in its Call Reports for 2007 report dates can either: (a) choose not to adopt the effective date deferral and continue to apply FIN 48 in its Call Reports going forward; or (b) choose to adopt the effective date deferral and its December 2007 Call Report should have been prepared without reflecting the application of FIN 48. As noted above, a nonpublic bank that is a subsidiary of a public company does not meet the eligibility conditions for the deferral of the effective date of FIN 48 and at present should be preparing its Call Reports in accordance with FIN 48.

One-Time Assessment Credit and Revisions to the Deposit Insurance Assessment Collection Process

In October 2006, the FDIC issued a final rule to implement the one-time deposit insurance assessment credit as required by the Federal Deposit Insurance Reform Act of 2005. Under the final rule, institutions eligible for the one-time assessment credit are those that were in existence on December 31, 1996, and paid a deposit insurance assessment prior to that date, or are a successor to such an institution. The FDIC began to apply an eligible institution's assessment credit (less any portion of the credit transferred to another institution) against the institution's quarterly deposit insurance assessments to the maximum extent allowed by the statute starting with the assessment for the first quarter of 2007. All institutions have been provided a Statement of One-Time Credit through *FDICconnect*, the FDIC's e-business portal.

For Call Report purposes, an eligible institution should not recognize an asset (or a corresponding credit to income) for the amount of the one-time assessment credit that the FDIC has allocated to it. An eligible institution should recognize its assessment credit, to the extent it remains available and is allowed to be used, as a reduction in the insurance assessment expense the institution would otherwise be required to accrue each quarter. For assessment periods in 2008, the FDIC is required to apply an eligible institution's available assessment credit to cover up to 90 percent of its deposit insurance assessment, with the actual percentage determined based on the institution's risk category and other factors.

As a result of amendments to the FDIC's assessment regulations (12 CFR Part 327) in November 2006, the FDIC changed its process for collecting deposit insurance assessments, moving from collecting assessments prospectively to collecting them in arrears. Accordingly, each bank should accrue an estimate of its assessment expense each quarter, net of any available assessment credit that will be applied, to the maximum extent allowed by statute (up to 90 percent for assessment periods in 2008), to that quarter's assessment. The net assessment payable and net assessment expense, if any, should be reported in Schedule RC-G, item 4, "All other liabilities," and in Schedule RI, item 7.d, "Other noninterest expense," respectively. For example, for its March 31, 2008, Call Report, a bank should estimate its net deposit insurance assessment payable and its net assessment expense based on its March 31, 2008, assessment base and its expected assessment rate, less any allowable assessment credit, even though the bank will not pay the assessment for the first quarter of 2008 until June 30, 2008.

The bank's estimated net assessment payable and net assessment expense for the fourth quarter of 2007, if any, should have been accrued and reported in the fourth quarter 2007 Call Report. After the bank downloads its assessment invoice from the *FDICconnect* Web site on or about March 13, 2008, that shows its actual fourth quarter 2007 net assessment, which is payable on March 28, 2008, each bank should treat any adjustment it needs to make to its previously recorded fourth quarter net assessment payable and net assessment expense as a change in accounting estimate in its March 31, 2008, Call Report income statement.

Banks should note that the FDIC has not changed the way Financing Corporation (FICO) payments are charged or collected, i.e., prospectively every quarter. Nevertheless, the FDIC collects deposit insurance assessments and FICO payments simultaneously each quarter. The one-time assessment credit cannot be applied to reduce FICO payments.

FASB Statement No. 158 on Defined Benefit Postretirement Plans

FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158), issued in September 2006, 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 applies FAS 158, the postretirement plan amounts recognized on the bank's balance sheet before applying 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 FAS 158; FASB Statement No. 87, *Employers' Accounting for Pensions*; and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

Banks that sponsor single-employer defined benefit postretirement plans must adopt FAS 158 for Call Report purposes in accordance with the standard's effective date and transition provisions. Accordingly, banks that have "publicly traded equity securities," as defined in FAS 158, must initially recognize the funded status of these plans as of the end of the fiscal year ending after December 15, 2006. All other banks must initially recognize the funded status of these plans as of the end of the fiscal year ending after June 15, 2007. Thus, banks that have a calendar year fiscal year must adopt FAS 158 as of December 31, 2006, if they have "publicly traded equity securities," and as of December 31, 2007, if they do not. Early adoption of FAS 158 is permitted, but must be for all of an institution's benefit plans. For Call Report purposes, banks should report the adjustments to the ending balance of AOCI from initially applying FAS 158 as of the end of their fiscal year, net of tax, in item 10, "Other comprehensive income," of Schedule RI-A, Changes in Equity Capital.

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, banks should reverse the effects of FAS 158 for regulatory capital purposes, including for purposes of reporting and measuring the leverage ratio and risk-based capital. The intent of the reversal is to neutralize the effect of the application of FAS 158 on regulatory capital. Banks should exclude from regulatory capital any amounts recorded in AOCI resulting from the adoption and application of FAS 158. 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 FAS 158 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.

For purposes of calculating risk-based capital and the leverage ratio, banks should also adjust their assets for the amount of the AOCI offset affecting assets. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying FAS 158 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 FAS 158 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, a benefit plan surplus asset recognized as an offset to AOCI and 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. 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.

FASB Statements No. 155 and 156

FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133). In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133.

FASB Statement No. 156, *Accounting for Servicing of Financial Assets* (FAS 156), issued in March 2006, requires all separately recognized servicing assets and liabilities to be initially measured at fair value. Each class of servicing assets and servicing liabilities should be measured subsequently using either the amortization method or the fair value measurement method.

Banks must adopt FAS 155 and FAS 156 for Call Report purposes in accordance with the effective date and transition provisions of these standards. For further information, please refer to the revised Glossary entries for “Derivative Contracts” and “Equity-Indexed Certificates of Deposit,” which incorporate the provisions of FAS 155, and the revised Glossary entries for “Servicing Assets and Liabilities” and “Transfers of Financial Assets,” which incorporate the provisions of FAS 156. These revisions were included in the June 2007 Call Report instruction book update.

Other Reporting Matters

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

- 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)
- FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities* -- Supplemental Instructions for 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:

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

Fidelity Regulatory Solutions
 27200 Agoura Road, Suite 100
 Calabasas Hills, 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

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

IDOM, Inc.
 One Gateway Center, 24th Floor
 Newark, New Jersey 07102
 Telephone: (973) 648-0900
www.idomusa.com

Information Technology, Inc.
 1345 Old Cheney Road
 Lincoln, Nebraska 68512
 Telephone: (402) 423-2682
www.itinw.net

Jack Henry & Associates, Inc.
 Regulatory Filing Group
 7600B North Capital of Texas
 Highway, Suite 320

Austin, Texas 78731
Telephone: (800) 688-9191
filing.jackhenry.com