

GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-R constitute the Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the Report of Income and its supporting schedules.

WHO MUST REPORT ON WHAT FORMS

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

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

- (a) an International Banking Facility (IBF);
- (b) a branch or consolidated subsidiary in a foreign country, Puerto Rico, or a U.S. territory or possession; or
- (c) a majority-owned Edge or Agreement subsidiary.

However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a "domestic" office.

- (2) **BANKS WITHOUT FOREIGN OFFICES AND WITH ASSETS OF \$300 MILLION OR MORE:** Such banks that have only domestic offices must file quarterly the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets of \$300 Million or More (FFIEC 032).
- (3) **BANKS WITHOUT FOREIGN OFFICES AND WITH ASSETS OF \$100 MILLION OR MORE BUT LESS THAN \$300 MILLION:** Such banks that have only domestic offices must file quarterly the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets of \$100 Million or More but Less than \$300 Million (FFIEC 033).
- (4) **BANKS WITHOUT FOREIGN OFFICES AND WITH ASSETS OF LESS THAN \$100 MILLION:** Such banks that have only domestic offices must file quarterly the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets of Less Than \$100 Million (FFIEC 034).

Close of Business

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Reports of Condition and

Income (e.g., adjustments of accruals, posting of items held in suspense on the report date to their proper accounts, and other quarter-end adjusting entries) should be reported in the Reports of Condition and Income as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

With respect to deposits received by the reporting bank after the cut-off time for posting them to individual customer accounts for a report date (i.e., so-called "next day deposits" or "late deposits"), but which are nevertheless posted in any manner to the reporting bank's general ledger accounts for that report date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in (1) Schedule RC, Balance Sheet, item 13, "Deposits," and in Schedule RC-E, Deposit Liabilities, or (2) in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, item 2, "Unposted credits." The use of memorandum accounts outside the reporting bank's general ledger system for control over "next day" or "late deposits" received on the report date will not cause such deposits to be reportable in Schedules RC and RC-E or Schedule RC-O.

Frequency of Reporting

The reports are required to be submitted quarterly by all banks. However, some schedules are required on a less frequent basis for some banks.

- (1) For all banks, Schedule RC-C, part II, Loans to Small Businesses and Small Farms, is to be filed only as of the June 30 report date.
- (2) For banks with domestic offices only and total assets of less than \$100 million (those banks filing the FFIEC 034), Schedule RI-A, Changes in Equity Capital, and Schedule RI-B, part II, Changes in Allowance for Loan and Lease Losses, are to be filed only as of the December 31 report date. All other banks must report these schedules quarterly.

Differences in Detail of Reports

The amount of detail required to be reported varies among the four versions of the report, with the report for banks with less than \$100 million in assets and with only domestic offices (FFIEC 034) having the least amount of detail and the report for banks with foreign offices (FFIEC 031) having the most.

Also, within the FFIEC 031 and FFIEC 032:

- (1) banks with \$1 billion or more in total assets or with \$2 billion or more in par/notional amount of off-balance sheet derivative contracts must provide detail on trading assets and liabilities (in Schedule RC-D) and
- (2) banks with \$1 billion or more in total assets must provide U.S. and non-U.S. addressee information on customers' liability on acceptances outstanding (in Schedule RC-M, item 5)

that smaller banks filing these reports do not.

Similarly, within the FFIEC 034, banks with less than \$25 million in assets have somewhat less detailed requirements in Schedule RC-K, Quarterly Averages, and Schedule RI, Income Statement, than do larger banks filing the FFIEC 034.

In addition, the required basis of reporting the loan detail in Schedules RC-K (Quarterly Averages), RC-N (Past Due and Nonaccrual Loans, Leases, and Other Assets), RI (Income Statement), and RI-B, part I (Charge-Offs and Recoveries on Loans and Leases), and in one memorandum item in Schedule RC-C, part I (Loans and Leases), but not in the body of Schedule RC-C, part I, itself, is different for banks over and under \$300 million in assets with no foreign offices. For a more detailed discussion, refer to "Reporting of Loan Detail by Banks with Assets of Less Than \$300 Million and No Foreign Offices" below in these General Instructions.

Shifts in Reporting Status

All shifts in reporting status (except as noted below) are to begin with the March Reports of Condition and Income. Such a shift will take place only if the reporting bank's total assets (or, in one case, loans) as reflected in the Report of Condition for June of the previous year equal or exceed the criteria specified below.

Shifts requiring a change in report form:

- (1) Upon establishment of a foreign office -- A bank, regardless of size, with only domestic offices that establishes or acquires any "foreign" office as described above, including an IBF, must begin filing the FFIEC 031 (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of all its "foreign" offices must continue filing the FFIEC 031 through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.
- (2) At \$100 million or more in total assets for banks with domestic offices only -- A bank will begin filing the FFIEC 033 instead of the FFIEC 034.
- (3) At \$300 million or more in total assets for banks with domestic offices only -- A bank will begin filing the FFIEC 032 rather than the FFIEC 033.

Shifts requiring the reporting of additional information without a change in report form:

- (1) At \$25 million or more in total assets for banks with domestic offices only -- A bank must report additional loan information on Schedule RC-K, Quarterly Averages, and on Schedule RI, Income Statement.
- (2) At \$1 billion or more in total assets -- A bank, with or without foreign offices, must begin reporting detailed information on trading assets and liabilities (Schedule RC-D) and U.S. and non-U.S. addressee information on customers' liability on acceptances outstanding (Schedule RC-M, item 5). Such a bank must also begin to complete Schedule RC-R, Regulatory Capital, in its entirety.
- (3) When "Loans to finance agricultural production and other loans to farmers" exceed five percent of total loans, net of unearned income -- A bank filing the FFIEC 033 or 034 with "Loans to finance agricultural production and other loans to farmers" (Schedule RC-C, part I, item 3) exceeding five percent of total loans, net of unearned income (sum of Schedule RC-C, part I, items 1 through 8, less item 10 on the FFIEC 034; sum of Schedule RC-C, part I, items 1 through 9, less item 11 on the FFIEC 033), must begin reporting information relating to agricultural loans in a memorandum item in each of four Call Report schedules (Schedules RI; RI-B, part I; RC-K; and RC-N). Banks with less than \$25 million in total assets are not required to report this agricultural loan information in Schedules RI and RC-K.

Once a bank begins to file the report form applicable to a bank with a larger amount of total assets or begins to report the additional information without a change in report form (except as noted for banks with foreign offices), it must continue to file that form or report the additional information unless it establishes a foreign office or its assets increase to an even larger total asset category.

Banks involved in business combinations (poolings of interests, purchase acquisitions, or reorganizations) -- Beginning with the first quarterly report date following the effective date of a business combination involving a bank and one or more other depository institutions, the resulting bank, regardless of its size prior to the business combination, must file (a) the report form appropriate to its size (FFIEC 032, 033, or 034) immediately after the consummation of the transaction, if it has domestic offices only, or (b) the FFIEC 031, if it acquires any "foreign" office as described above, including an IBF.

Operating depository institutions that become FDIC-insured banks -- Beginning with the first quarterly report date after becoming an FDIC-insured bank, an operating depository institution that was not previously a member of the FDIC must file (a) the report form appropriate to its size (FFIEC 032, 033, or 034) at the time it becomes an FDIC-insured bank, if it has domestic offices only, or (b) the FFIEC 031, if it has any "foreign" office as described above, including an IBF.

ORGANIZATION OF THE INSTRUCTION BOOKS

This instruction book covers all four sets of report forms (i.e., the FFIEC 031, the FFIEC 032, the FFIEC 033, and the FFIEC 034). It is divided into the following sections:

- (1) The General Instructions describe overall reporting requirements.
- (2) The Line Item Instructions for each schedule of the Report of Condition.
- (3) The Line Item Instructions for each schedule of the Report of Income.

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

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

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

Banks may obtain additional copies of the instruction books from their appropriate federal bank supervisory agency -- the Federal Reserve Banks, the Comptroller of the Currency, or the Federal Deposit Insurance Corporation.

PREPARATION OF THE REPORTS

Banks are required to prepare and file the Reports of Condition and Income in accordance with these instructions. All reports shall be prepared in a consistent manner.

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

Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the bank's primary federal bank supervisory agency (i.e., the Federal Reserve Banks, the Comptroller of the Currency, or the Federal Deposit Insurance Corporation). Such inquiries will be referred for resolution to the Reports Task Force of the Federal Financial Institutions Examination Council.

Regardless of whether a bank requests an interpretation of a matter appearing in these instructions, when a bank's primary federal bank supervisory agency's interpretation of the instructions differs from the bank's interpretation, the supervisory agency may require the bank to prepare its Reports of Condition and Income in accordance with the agency's interpretation and to amend previously submitted reports.

SIGNATURES

Officer Declaration

A duly authorized officer of the bank shall sign a declaration on the agency-supplied signature page concerning the preparation of the Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

Director Attestation

National and state member banks -- The correctness of the Report of Condition shall be attested to by at least three directors of the reporting bank, other than the officer signing the officer declaration, as indicated on the agency-supplied signature page.

State nonmember banks -- The correctness of the Report of Condition shall be attested to by at least two directors of the reporting bank, other than the officer signing the officer declaration, as indicated on the agency-supplied signature page.

SUBMISSION OF THE REPORTS

Each bank must file its Reports of Condition and Income in one of the following two ways:

- o A bank may use computer software to prepare its reports and then file the reports directly with the banking agencies' electronic collection agent, Electronic Data Systems Corporation (EDS). The bank can send the data file containing its Reports of Condition and Income to EDS electronically by modem or on a computer diskette.
- o The institution may complete its reports in paper form and arrange with EDS, a Call Report software vendor, or another party to convert its paper reports to electronic form. If a party other than EDS performs this service, that party must electronically transmit the data file containing the bank's Reports of Condition and Income to EDS.

The filing of Reports of Condition and Income in paper form directly with the FDIC (for national and FDIC-supervised banks) or with the appropriate Federal Reserve District Bank (for state member banks) is no longer an acceptable method of submission.

Regardless of the method a bank uses to file its Reports of Condition and Income, the bank remains responsible for the accuracy of the data in its Reports of Condition and Income.

In order to file its completed reports with EDS using a computer and modem or to send EDS a computer diskette, banks must use computer software that has been certified for this purpose by EDS. Certified software is available through certain vendors that have completed a certification process. Alternatively, banks may develop their own reporting software and go through the certification process.

Reports submitted in automated form using software that has not been certified will not be accepted by EDS, the banking agencies' collection agent, and resubmission using certified software will be necessary. In addition, reports sent to EDS on computer diskettes that EDS cannot read will not be accepted and resubmission will be necessary. In either case, if such resubmission is received by EDS after the submission date for the report (as defined below), the submitting bank may be subject to the penalties prescribed for late submission.

Each bank is responsible for ensuring that the report format used each quarter is the appropriate format for the bank to use (i.e., FFIEC 031, 032, 033, or 034) for that report date and reflects fully and accurately the item reporting requirements for that report date, including any changes that may be made from time to time. This responsibility cannot be transferred or delegated to servicers or others outside the reporting bank.

A bank filing its Reports of Condition and Income with EDS electronically or under the paper-based alternative must maintain in its files a signed and attested record of its completed report each quarter. This record should be either a computer printout showing at least the caption of each item in the Reports of Condition and Income and the reported amount, a computer-generated facsimile of the report form, or a copy of the printed report form. Either the cover page of the agency-supplied sample set of report forms for the quarter, a photocopy of this cover page, or a copy of the cover page printed from the bank's report preparation software should be used to fulfill the signature and attestation requirement for that report date. This signed cover page should be attached to the printout, computer-generated facsimile, or copy of the form that the bank places in its files.

No item on the Reports of Condition and Income is to be left blank unless otherwise indicated in the instructions. Except in those instances, an entry must be made for each item, i.e., an amount, a zero, the word "none," an "X," or an "N/A."

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

Submission Date

The term "submission date" is defined as the date by which a bank's completed Reports of Condition and Income must be received in automated form by EDS, the banking agencies' electronic collection agent. EDS must receive the data file for a bank's Reports of Condition and Income no more than 30 calendar days after the report date (subject to the timely filing provisions for computer diskettes set forth in the following paragraph). For example, the March 31 report must be received by April 30 and the June 30 report by July 30. Earlier submission would aid the banking agencies in editing and reviewing the reports and is encouraged. No extensions of time for submitting reports are granted.

Any bank using the paper-based filing alternative must ensure that it delivers its hard-copy reports to the party with whom it has contracted for the conversion of its reports to automated form in sufficient time for that party to electronically transmit the reports to EDS by the submission deadline.

The filing of a bank's completed Reports of Condition and Income on a computer diskette will be considered timely, regardless of when the reports are received by EDS, if the computer diskette is mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a bank whose computer diskette containing its completed Reports of Condition and Income is received late may be called upon to provide proof of timely mailing. A "Certificate of Mailing" (U.S. Postal Service Form 3817) may be used to provide such proof. If an overnight delivery service is used, the placement of the computer diskette into the delivery system on the day before the submission deadline will constitute timely submission.

15-day extension -- Any bank which has or has had more than one foreign office, other than a "shell" branch or an IBF, may take an additional 15 days to submit its Reports of Condition and Income. Such banks are urged to use the additional time only if absolutely necessary and to make every effort to report as soon as possible, preferably within the 30-day submission period. Any bank that uses any of the additional 15 calendar days allowed for the completion of its Reports of Condition and Income is required to electronically transmit its completed reports to EDS, the banking agencies' collection agent, no more than 45 calendar days after the report date.

Amended Reports

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

When dealing with the recognition and measurement of events and transactions in the Reports of Condition and Income, amended reports may be required if a bank's primary federal bank supervisory authority determines that the reports as previously submitted contain errors that are material for the reporting bank. Materiality is a qualitative characteristic of accounting information which is defined in FASB Concepts Statement No. 2 as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

After a bank begins filing its Reports of Condition and Income in automated form with EDS, it should send any amendments to previously submitted hard-copy (paper) reports directly to the FDIC (for national and FDIC-supervised banks) or the appropriate Federal Reserve District Bank (for state member banks) in hard-copy form.

For report dates prior to March 31, 1995, if a bank's deposit totals reported in Schedule RC-E, (part I on the FFIEC 031), Memorandum item 4, accrued interest payable reported in Schedule RC-G, item 1.a, or any of the amounts reported in Schedule RC-O, items 1 through 10, are amended, the bank is encouraged to contact the FDIC's Assessments Hotline at (800) 759-6596 to ensure that the deposit insurance assessment for the period affected by the amendment is adjusted accordingly.

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

In their Reports of Condition and Income submitted to the federal bank supervisory agencies, banks and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with generally accepted accounting principles. All significant majority-owned subsidiaries shall be consolidated unless the subsidiary is covered by one of the exceptions listed in the "Exclusions from the Coverage of the Consolidated Report" section below. (See the Glossary entry for "subsidiaries" for the definition of "significant subsidiary.") Accordingly, the Consolidated Reports of Condition and Income shall consolidate the operations of:

- (1) the bank's head office;
- (2) all branches of the bank, domestic and foreign;
- (3) any International Banking Facility (IBF) established by the bank;
- (4) all majority-owned Edge and Agreement subsidiaries, including their IBFs, their foreign and domestic branches, and their significant subsidiaries;
- (5) all majority-owned foreign banks held directly by the reporting bank pursuant to Section 25 of the Federal Reserve Act;
- (6) all other majority-owned subsidiaries that are "significant," including domestic subsidiaries that are commercial banks, savings banks, or savings and loan associations that must file separate Reports of Condition and Income (or separate reports of a comparable nature) with any state or federal financial institutions supervisory authority; and
- (7) all nonsignificant majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis in both the Report of Condition and the Report of Income.

Each bank shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence according to the equity method of accounting. The equity method of accounting is described in Schedule RC-M, item 8.b. (Refer to the Glossary entry for "subsidiaries" for the definitions of the terms subsidiary, associated company, and corporate joint venture.)

Exclusions from the Coverage of the Consolidated Report

Subsidiaries held on a temporary basis -- If control of a majority-owned subsidiary by the parent bank is likely to be temporary or does not rest with the parent bank because of legal or other reasons (e.g., the subsidiary is in bankruptcy), the subsidiary is not to be consolidated for purposes of the report. Thus, the bank's investments in such subsidiaries are not eliminated in consolidation but will be reflected in the reports in the balance sheet item for "Investments in unconsolidated subsidiaries and associated companies" (Schedule RC, item 8) and other transactions of the bank with such subsidiaries will be reflected in the appropriate items of the reports in the same manner as transactions

with unrelated outside parties. Additional guidance on this topic is provided in accounting standards, including Financial Accounting Standards Board Statement No. 94 and SEC Staff Accounting Bulletin No. 92.

Trust accounts -- For purposes of the Reports of Condition and Income, the reporting bank's trust department is not to be consolidated into the reporting bank's balance sheet or income statement. Thus, assets held in or administered by the bank's trust department and the income earned on such assets are excluded from the consolidated reports except when trust funds are deposited by the trust department of the reporting bank in the commercial or some other department of the reporting bank.

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

However, there are two exceptions:

- (1) uninvested trust funds (cash) held in the bank's trust department, which are not included on the balance sheet of the reporting bank, must be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments; and
- (2) the fees earned by the trust department for its fiduciary activities and the operating expenses of the trust department are to be reported in the bank's income statement (Schedule RI) on a gross basis as if part of the consolidated bank.

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

RULES OF CONSOLIDATION

For purposes of these reports, all offices (i.e., branches, subsidiaries, and IBFs) that are within the scope of the consolidated bank as defined above are to be reported on a consolidated basis. Unless the report form captions or the line item instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the caption shown. As part of the consolidation process, the results of all transactions and all intercompany balances (e.g., outstanding asset/debt relationships) between offices, subsidiaries, and other entities included in the scope of the consolidated bank are to be eliminated in the consolidation and must be excluded from the Consolidated Reports of Condition and Income. (For example, eliminate in the consolidation (1) loans made by the bank to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank and the corresponding cash or interest-bearing asset balance of the subsidiary, and (3) the intercompany interest income and expense related to such loans and deposits of the bank and its consolidated subsidiary.)

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

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

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

Minority interests -- A minority interest arises when the reporting bank owns less than 100 percent of the stock of a consolidated subsidiary. The minority interest consists of the shares of stock not owned by the reporting bank. Report minority interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 20, "Other liabilities," and identify these interests in Schedule RC-G of the Report of Condition. Report income (or loss) associated with such minority interests in "Other noninterest expense" in Schedule RI of the Report of Income.

Intrabank transactions -- (For banks with foreign offices.) While all intrabank transactions are to be excluded from the consolidated Reports of Condition and Income, a few intrabank items that are eliminated in consolidation are required to be identified and reported. For example,

- (1) Schedule RC-H of the Report of Condition requires the reporting of:
 - (a) the net amount of "due from" or "due to" balances between domestic offices and foreign offices of the consolidated bank, and
 - (b) the net amount of "due from" or "due to" balances between domestic offices of the reporting bank and the IBF of the domestic offices of the reporting bank.
- (2) Schedule RI-D of the Report of Income requires the reporting of intrabank interest charges between types of offices of the bank.

Deposit insurance and FICO assessments -- For domestic offices of the reporting bank and for insured branches in Puerto Rico and U.S. territories and possessions, all deposits of subsidiaries that are consolidated and, therefore, eliminated from reported deposits (Schedule RC, item 13.a or 13.b, as appropriate) must be reported in Schedule RC-O, item 4.a or 4.b, as appropriate. Similarly, the interest accrued and unpaid on these deposits, which is eliminated in consolidation from reported other liabilities (Schedule RC, item 20), must be reported in Schedule RC-O, item 4.c.

Cutoff dates for consolidation -- All branches must be consolidated as of the report date. For purposes of consolidation, the date of financial statements of a subsidiary should, to the extent practicable, match the report date of the parent bank, but in no case differ by more than 93 days from the report date.

REPORTING BY TYPE OF OFFICE (For banks with foreign offices)

Some information in the Reports of Condition and Income is to be reported by type of office (e.g., for domestic offices, for foreign offices, or for IBFs) as well as for the consolidated bank. Where information is called for by type of office, the information reported shall be the office component of the consolidated item unless otherwise specified in the line item instructions (e.g., as in the case of certain items in Schedule RI-D of the Report of Income). That is, as a general rule, the office information shall be reported at the same level of consolidation as the fully consolidated statement, shall reflect only transactions with parties outside the scope of the consolidated bank, and shall exclude all transactions between offices of the consolidated bank as defined above.

In addition to the type-of-office components of the corresponding consolidated bank items, some supporting schedules also require the reporting of the net amount of certain intrabank transactions that are eliminated from the Report of Condition.

PUBLICATION REQUIREMENTS FOR THE REPORT OF CONDITION

Federal requirements for a bank to publish the balance sheet of the Report of Condition in a newspaper have been repealed. Thus, national banks are no longer subject to a publication requirement. However, state-chartered banks should consult with their state banking authorities concerning the continued applicability of any state publication requirements.

RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the Reports of Condition and Income submitted by each reporting bank, including the optional narrative statement at the end of the Report of Condition, will be made available to the public upon request by the federal bank supervisory agencies with the exception of column A, "Past due 30 through 89 days and still accruing," and all of Memorandum item 1, "Restructured loans and leases included in Schedule RC-N above," of Schedule RC-N.

APPLICABILITY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

For recognition and measurement purposes, the regulatory reporting requirements applicable to Reports of Condition and Income (Call Report) shall conform to generally accepted accounting principles (GAAP). Nevertheless, because the Call Report is a bank-level report, each bank (together with its consolidated subsidiaries) is considered an "accounting entity" for regulatory reporting purposes and normally must prepare its Call Report on a separate entity basis. Furthermore, when reporting events and transactions not covered in principle by Call Report instructions or authoritative GAAP standards, banks are encouraged to discuss the event or transaction with their primary federal bank supervisory agency.

Regardless of whether a bank discusses a reporting issue with its supervisory agency, when a bank's supervisory agency's interpretation of how GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the bank's interpretation, the supervisory agency may require the bank to reflect the event(s) or transaction(s) in its Reports of Condition and Income in accordance with the agency's interpretation and to amend previously submitted reports.

The Call Report instructions contain certain specific reporting guidance that falls within the range of acceptable practice under GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of GAAP may be issued. Current Call Report instructions providing such specific reporting guidance include the nonaccrual rules in the Glossary entry for "Nonaccrual Status," the treatment of impaired collateral dependent loans in the Glossary entry for "Loan Impairment," the Glossary entry for the "Allowance for Loan and Lease Losses" which references the 1993 Interagency Policy Statement on this subject, the separate entity method of accounting for income taxes of bank subsidiaries of holding companies in the Glossary entry for "Income Taxes," the push down accounting rules in the Glossary entry for "Business Combinations," and the treatment of property dividends in the Glossary entry for "Dividends."

There may be areas in which a bank wishes more technical detail on the application of accounting standards and procedures to the requirements of these instructions. Such information may often be found in the appropriate entries in the Glossary section of these instructions or, in more detail, in the GAAP standards. Selected sections of the GAAP standards are referenced in the instructions where appropriate. The accounting entries in the Glossary are intended to serve as an aid in specific reporting situations rather than as a comprehensive statement on bank accounting.

ACCRUAL BASIS REPORTING

All banks, regardless of size, shall prepare all schedules of the Reports of Condition and Income on an accrual basis. However, banks may report particular accounts on a cash basis, except for the four listed below, if the results would not materially differ from those obtained using an accrual basis.

All banks must report the following on an accrual basis:

- (1) income from installment loans;
- (2) amortization of premiums paid on held-to-maturity and available-for-sale securities (see the Glossary entry for "premiums and discounts");
- (3) income taxes (see the Glossary entry for "income taxes"); and
- (4) depreciation on premises and fixed assets.

All banks shall establish and maintain an adequate allowance for loan and lease losses. Accounting for loan and lease losses is discussed in more detail in the Glossary entry for "allowance for loan and lease losses."

No interest or discount shall be accrued on any asset which must be carried in nonaccrual status. Refer to the Glossary entry for "nonaccrual status" for further information.

REPORTING OF LOAN DETAIL BY BANKS WITH ASSETS OF LESS THAN \$300 MILLION AND NO FOREIGN OFFICES

All banks regardless of size are required to report their loans outstanding as of the report date in Schedule RC-C, part I, Loans and Leases, items 1 through 9 (items 1 through 8 on the FFIEC 034), in the standardized loan categories specifically defined in the instructions for that schedule.

There are four other schedules and one memorandum item that require the reporting of certain data by loan category:

- (1) Schedule RC-K -- Quarterly Averages;
- (2) Schedule RC-N -- Past Due and Nonaccrual Loans, Leases, and Other Assets;
- (3) Schedule RI -- Income Statement;
- (4) Schedule RI-B, part I -- Charge-Offs and Recoveries on Loans and Leases; and
- (5) Schedule RC-C, part I, Memorandum item 2 (Memorandum item 1 on the FFIEC 034) -- "Loans and leases restructured and in compliance with modified terms."

In these four schedules and one memorandum item also, all banks with \$300 million or more in assets or with any foreign offices (as defined for these reports) (i.e., those banks that are required to report on FFIEC 031 and 032) are required to report detailed loan data in terms of the standardized loan categories defined in these instructions. However, for these four schedules and one memorandum item, but *not* for the body of Schedule RC-C, part I, banks with less than \$300 million in assets *and* with no foreign offices (i.e., those banks that are required to report on FFIEC 033 or 034) are

permitted to report the detailed loan data requested in these schedules and memorandum item in terms of general loan categories that are based upon each bank's own internal loan categorization system. (Banks with assets of less than \$25 million are exempt from reporting any loan detail on Schedules RC-K and RI. This \$25 million asset size test is based on the reporting bank's total assets as reflected in the Report of Condition for June of the previous year. Once a bank begins to report loan detail in Schedules RC-K and RI, it must continue to report such loan detail in these schedules. For further information, refer to the discussion of "Shifts in Reporting Status" in these General Instructions.)

There are four general loan categories that are used in these schedules for all banks with assets of less than \$300 million and no foreign offices:

- (1) real estate loans,
- (2) installment loans,
- (3) credit cards and related plans, and
- (4) commercial (time and demand) and all other loans.

The Schedule RC-C, part I, memorandum item uses the first general loan category and combines the other three general loan categories into a single item. In addition, for some of these four schedules and for some of the banks with less than \$300 million in assets, data for the following loan categories will be reported in memoranda items:

- (5) agricultural loans (to be reported on all four of the above schedules by banks with agricultural loans, as reported in Schedule RC-C, part I, item 3, exceeding five percent of total loans);
- (6) tax-exempt obligations (other than securities and leases) of states and political subdivisions in the U.S. (to be reported on Schedule RI by banks with assets of \$100 million or more but less than \$300 million); and
- (7) loans to foreign governments and official institutions (to be reported on Schedule RI-B, part I, by banks with assets of \$100 million or more but less than \$300 million).

For banks with assets of less than \$300 million and no foreign offices and only for purposes of Schedules RC-K, RC-N, RI, RI-B, part I, and the Schedule RC-C, part I, memorandum item (but not for purposes of the body of Schedule RC-C, part I), the first five of these seven general loan categories are flexibly defined as follows in accordance with the manner in which each bank characterizes such loans in its own recordkeeping systems or for its own internal purposes:

"Real estate loans" -- As each reporting bank determines for itself, such loans may be, for example, those loans made or booked in the bank's real estate loan department, or the coverage may be determined by other criteria. Depending on each bank's internal practices, such loans may or may not include loans secured by junior liens on real estate; loans secured by commercial properties; loans secured by farm properties; etc. Thus, at the reporting bank's option, the coverage of "real estate loans" in these four schedules and one memorandum item for a bank with less than \$300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Loans secured by real estate" category that the bank is required to report in Schedule RC-C, part I, item 1.

"Installment loans" -- As each reporting bank determines for itself, such loans may be, for example, those loans made or booked in the bank's installment loan department or those made on an installment basis, or the coverage may be determined by other criteria. Depending on each bank's internal

practices, such loans may or may not include business installment loans; installment loans for farmers; some loans secured by junior liens on real estate; some single payment loans; some loans with irregular payment schedules or with balloon payments; some loans arising out of prearranged overdraft plans; etc. Thus, at the reporting bank's option, the coverage of "installment loans" in these four schedules and one memorandum item for a bank with less than \$300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Other loans to individuals for household, family, and other personal expenditures" category that the bank is required to report in Schedule RC-C, part I, item 6.b.

"Credit cards and related plans" -- As each reporting bank determines for itself, depending on its internal practices, such loans may or may not include business as well as consumer use of such cards; may or may not cover prearranged overdraft plans as well as credit cards; etc. Thus, at the reporting bank's option, the coverage of "credit cards and related plans" for these four schedules and one memorandum item for a bank with less than \$300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Credit cards and related plans" category that the bank is required to report in Schedule RC-C, part I, item 6.a.

"Commercial (time and demand) and all other loans" -- This category is a residual category and, for each bank, its contents will depend on the contents of the three preceding categories as reported in these four schedules. This residual category will consist mainly of loans for commercial and agricultural purposes and loans to financial institutions but, depending on each reporting bank's internal practices and choices for reporting in these four schedules, it may or may not include, for example, commercial real estate loans, business installment loans, business credit card loans, consumer single payment loans, junior lien loans, etc. Thus, the coverage of "commercial (time and demand) and all other loans" for these four schedules and one memorandum item for a bank with less than \$300 million in assets and with no foreign offices is unlikely to be the same as the coverage of the "Commercial and industrial loans" category that the bank is required to report in Schedule RC-C, part I, item 4.

"Agricultural loans" -- As each reporting bank determines for itself, such loans may be, for example, those loans made or booked in an agricultural loan department, or the coverage may be determined by other criteria. Depending on each bank's internal practices, such loans may or may not include loans secured by farmland or other farm real estate; loans to farmers secured by nonfarm property; consumer installment loans made to farmers; etc. Thus, at each reporting bank's option, the coverage of "agricultural loans" in these four schedules for a bank with less than \$300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Loans to finance agricultural production and other loans to farmers" category that the bank is required to report in Schedule RC-C, part I, item 3.

While, for purposes of reporting in Schedules RC-K, RC-N, RI, and RI-B, part I, and in the Schedule RC-C, part I, memorandum item by banks with less than \$300 million in assets and with no foreign offices, the definitions of the above five categories are left to the choice of each reporting bank, each bank must use consistent definitions and coverages of these categories in each of the four schedules and the memorandum item.

For the two additional loan category memoranda items that appear in some of these four schedules for banks with assets of \$100 million or more but less than \$300 million (i.e., for those banks filing the FFIEC 033), "Tax-exempt obligations (other than securities and leases) of states and political subdivisions in the U.S." in Schedule RI and "Loans to foreign governments and official institutions" in Schedule RI-B, part I, the definitions and coverages of these two categories when used in these schedules must conform with the relevant portions of the definitions and coverages of the two corresponding loan categories in Schedule RC-C, part I, items 8 and 7, respectively.

MISCELLANEOUS GENERAL INSTRUCTIONS

Rounding

For banks with total assets of less than \$10 billion, all dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Items less than \$500 will be reported as zero.

For banks with total assets of \$10 billion or more, all dollar amounts may be reported in thousands, but each bank, at its option, may round the figures reported to the nearest million, with zeros reported in the thousands column. For banks exercising this option, amounts less than \$500,000 will be reported as zero.

Rounding may result in details not adding to their stated totals. The only permissible differences between totals and the sums of their components are those attributable to the mechanics of rounding.

On the Report of Condition, Schedule RC, item 12, "Total assets," and Schedule RC, item 29, "Total liabilities and equity capital," which must be equal, must be derived from unrounded numbers and then rounded in order to ensure that these two items are equal as reported.

Negative Entries

Except for the items listed below, negative entries are not appropriate on the Report of Condition and shall not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. The Report of Condition items for which negative entries may be made, if appropriate, are:

- (1) Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies."
- (2) Schedule RC, item 26.a, "Undivided profits and capital reserves."
- (3) Schedule RC, item 26.b, "Net unrealized holding gains (losses) on available-for-sale securities."
- (4) Schedule RC, item 26.c, "Accumulated net gains (losses) on cash flow hedges."
- (5) Schedule RC, item 27, "Cumulative foreign currency translation adjustments" (for banks with foreign offices).
- (6) Schedule RC-C, item 10, "Lease financing receivables (net of unearned income)" (item 9 in the FFIEC 034).
- (7) Schedule RC-M, items 8.b.(1), 8.b.(2), and 8.b.(3), on "Investments in unconsolidated subsidiaries and associated companies."
- (8) Schedule RC-M, item 11, "Net unamortized realized deferred gains (losses) on off-balance sheet derivative contracts included in assets and liabilities reported in Schedule RC."
- (9) Schedule RC-R, items 3.a.(1) and 3.b, "Tier 1 capital," and "Total risk-based capital," respectively.
- (10) Schedule RC-R, item 8, "On-balance sheet asset values excluded from and deducted in the calculation of the risk-based capital ratio."

When negative entries do occur in one or more of these items, they shall be recorded in parentheses rather than with a minus (-) sign.

On the Report of Income, negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

Verification

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting materials should be cross-checked to corresponding items elsewhere in the reports.

Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports.

Banks should retain workpapers and other records used in the preparation of these reports.

Transactions Occurring Near the End of a Reporting Period

Transactions between banks occurring near the end of a reporting period may not be reported by the parties to the transaction in such a manner as to cause the asset (or liability) either to disappear entirely from the Reports of Condition submitted for that report date or to appear on both of the submitted reports, regardless of the time zones in which the banks are located, the time zone in which the transaction took place, or the actual zone clock times at the effective moment of the transaction.

In the case of a transaction occurring in different reporting periods for the parties because of time zone differences, the parties may decide between themselves on the reporting period in which they will all, consistently, report the transaction as having occurred, so that in any given reporting period, the asset (or liability) transferred will appear somewhere and without duplication in the reports submitted by the parties to the transaction.

If, in such cases, the parties do not agree on the reporting period in which the transaction is to be treated as having occurred on the reports of all parties, i.e., if they do not agree on which party will reflect the asset (or liability) on its reports for these purposes, the transaction will be deemed to have occurred prior to midnight in the time zone of the buyer (or transferee) and must be reported accordingly by all parties to the transaction.

If, in fact, the parties, in their submitted reports, treat the transaction as having occurred in different reporting periods, the parties will be required to amend their submitted reports on the basis of the standard set forth in the preceding paragraph.

SEPARATE BRANCH REPORTS

Each U.S. bank shall submit for each of its branches located in a foreign country, Puerto Rico, or a U.S. territory or possession (including trust territories) a "Foreign Branch Report of Condition" (FFIEC 030) once a year as of the end of December. However, a branch must report quarterly if it has either \$2 billion in total assets or \$5 billion in commitments to purchase foreign currencies and U.S. dollar exchange.