

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions.

SCHEDULE RI -- INCOME STATEMENT

General Instructions

Report in accordance with these instructions all income and expense of the bank for the calendar year-to-date. Include adjustments of accruals and other accounting estimates made shortly after the end of a reporting period which relate to the income and expense of the reporting period.

A bank that began operating during the year-to-date reporting period should report in the appropriate items of Schedule RI all income earned and expenses incurred since commencing operations. The bank should report pre-opening income earned and expenses incurred from inception until the date operations commenced using one of the two methods described in the Glossary entry for "start-up activities."

Business Combinations and Push Down Accounting Transactions -- If the bank entered into a business combination which became effective during the year-to-date reporting period and which has been accounted for as a pooling of interests, report the income and expense of the combined business for the entire year-to-date. If the bank entered into a business combination which became effective during the reporting period and which has been accounted for as a purchase, report the income and expense of the acquired bank or business only after its acquisition. If the bank was acquired in a transaction which became effective during the reporting period and push down accounting was used to account for the acquisition, Schedule RI should only include amounts from the date of the bank's acquisition through the end of the year-to-date reporting period. For further information on poolings of interests, purchase acquisitions, and push down accounting, see the Glossary entry for "business combinations."

Item Instructions**Item No. Caption and Instructions****1 Interest income:****1.a Interest and fee income on loans. Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule RC-C, part I, items 1 through 9.**

On the FFIEC 041 for report dates during 2001, banks with total assets of less than \$25 million should complete item 1.a.(6) and should report a zero or the word "none" in items 1.a.(1) through 1.a.(5) below. Banks with total assets of \$25 million or more should complete items 1.a.(1) through 1.a.(6). This \$25 million asset size test is generally based on the reporting bank's total assets as reflected in the Report of Condition for June 30, 2000. Beginning March 31, 2002, all banks should complete items 1.a.(1) through 1.a.(6).

Deduct interest rebated to customers on loans paid before maturity from gross interest earned on loans; do *not* report as an expense.

Include as interest and fee income on loans:

- (1) Interest on all assets reportable as loans extended directly, purchased from others, sold under agreements to repurchase, or pledged as collateral for any purpose.
- (2) All yield-related fees on loans held in the bank's portfolio. Report only the bank's proportional share of yield-related fees collected in connection with a loan syndication or participation that are not passed through to another lender.
- (3) Loan commitment fees recognized as described under the Glossary entry for "loan fees."
- (4) Investigation and service charges, fees representing a reimbursement of loan processing costs, renewal and past-due charges, prepayment penalties, and fees charged for the execution of mortgages or agreements securing the bank's loans.
- (5) Accretion of discount on acceptances, loans secured by real estate (including points charged), and other loans. Deduct amortization of premium on loans secured by real estate or other loans from gross interest on loans.
- (6) Charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest. See exclusion (5) below.

Exclude from interest and fee income on loans:

- (1) Fees for servicing real estate mortgages or other loans that are not assets of the bank (report in item 5.f, "Net servicing fees").
- (2) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books (report as "Other noninterest income" in item 5.i). Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.

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- 1.a** (cont.) (3) Net gains (losses) from the sale of all assets reportable as loans (report in item 5.i, "Net gains (losses) on sales of loans and leases"). Refer to the Glossary entry for "transfers of financial assets."
- (4) Reimbursements for out-of-pocket expenditures (e.g. for the purchase of fire insurance on real estate securing a loan) made by the bank for the account of its customers. If the bank's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same expense accounts.
- (5) Transaction or per item charges levied against deposit accounts for the processing of checks drawn against insufficient funds that the bank assesses regardless of whether it decides to pay, return, or hold the check, so-called "NSF check charges" (report as "Service charges on deposit accounts (in domestic offices)," in item 5.b or, if levied against deposit accounts in foreign offices, as "Other noninterest income" in item 5.l) See inclusion (6) above.
- (6) Interchange fees earned from credit card transactions (report as "Other noninterest income" in item 5.l).

FFIEC 041 FFIEC 031**Item No. Item No. Caption and Instructions**

- **1.a.(1)** **Interest and fee income on loans in domestic offices.** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule RC-C, part I, items 1 through 9, column B.
- 1.a.(1)** **1.a.(1)(a)** **Interest and fee income on loans secured by real estate.** Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 1, "Loans secured by real estate."
- **1.a.(1)(b)** **Interest and fee income on loans to finance agricultural production and other loans to farmers.** Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 3, "Loans to finance agricultural production and other loans to farmers."
- 1.a.(2)** **1.a.(1)(c)** **Interest and fee income on commercial and industrial loans.** Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 4, "Commercial and industrial loans."
- 1.a.(3)** **1.a.(1)(d)** **Interest and fee income on loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures."

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1.a.(3)(a) 1.a.(1)(d)(1) Interest and fee income on credit cards. Report all interest, fees, and similar charges levied against or associated with all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards (in domestic offices) reportable in Schedule RC-C, part I, item 6.a, "Credit cards."

Exclude annual or other periodic fees paid by holders of credit cards issued by the bank (report in item 5.I, "Other noninterest income").

1.a.(3)(b) 1.a.(1)(d)(2) Interest and fee income on other loans to individuals for household, family, and other personal expenditures. Report all interest, fees, and similar charges levied against or associated with all other loans to individuals for household, family, and other personal expenditures (in domestic offices) reportable in Schedule RC-C, part I, item 6.b, "Other revolving credit plans," and item 6.c, "Other consumer loans."

1.a.(4) 1.a.(1)(e) Interest and fee income on loans to foreign governments and official institutions. Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 7, "Loans to foreign governments and official institutions."

1.a.(5) 1.a.(1)(f) Interest and fee income on all other loans. On the FFIEC 041, report interest, fees, and similar charges levied against or associated with loans reportable in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks," item 3, "Loans to finance agricultural production and other loans to farmers," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Other loans."

On the FFIEC 031, report interest, fees, and similar charges levied against or associated with loans in domestic offices reportable in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Other loans."

- 1.a.(2) Interest and fee income on loans in foreign offices, Edge and Agreement subsidiaries, and IBFs. Report all interest, fees, and similar charges levied against or associated with all loans in foreign offices, Edge and Agreement subsidiaries, and IBFs reportable in Schedule RC-C, part I, items 1 through 9.

1.a.(6) 1.a.(3) Total interest and fee income on loans. On the FFIEC 041 for report dates during 2001, banks with total assets of less than \$25 million should report in item 1.a.(6) the total amount of all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule RC-C, part I, items 1 through 9; banks with total assets of \$25 million or more should report the sum of items 1.a.(1) through 1.a.(5) in item 1.a.(6). On the FFIEC 041 beginning March 31, 2002, all banks should complete items 1.a.(1) through 1.a.(6).

On the FFIEC 031, report the sum of items 1.a.(1)(a) through 1.a.(2) in item 1.a.(3).

FFIEC 031 and 041**Item No. Caption and Instructions**

- 1.b** **Income from lease financing receivables.** Report all income from direct financing and leveraged leases reportable in Schedule RC-C, part I, item 10, "Lease financing receivables (net of unearned income)." (See the Glossary entry for "lease accounting.")

Exclude from income from lease financing receivables:

- (1) Any investment tax credit associated with leased property (include in item 9, "Applicable income taxes (on item 8)").
- (2) Provision for possible losses on leases (report in item 4, "Provision for loan and lease losses").
- (3) Rental fees applicable to operating leases for furniture and equipment rented to others (report as "Other noninterest income" in item 5.I).

- 1.c** **Interest income on balances due from depository institutions.** Report all income on assets reportable in Schedule RC, item 1.b, "Interest-bearing balances due from depository institutions."

- 1.d** **Interest and dividend income on securities.** Report in the appropriate subitem all income on assets that are reportable in Schedule RC-B, Securities. Include accretion of discount and deduct amortization of premium on securities. Refer to the Glossary entry for "premiums and discounts."

Include interest and dividends on securities held in the bank's held-to-maturity and available-for-sale portfolios, even if such securities have been lent, sold under agreements to repurchase that are treated as borrowings, or pledged as collateral for any purpose.

Include interest received at the sale of securities to the extent that such interest had not already been accrued on the bank's books.

Do not deduct accrued interest included in the purchase price of securities from income on securities and do not charge to expense. Record such interest in a separate asset account (to be reported in Schedule RC-F, item 5, "Other assets") to be offset upon collection of the next interest payment.

Report income from detached U.S. Government security coupons and ex-coupon U.S. Government securities not held for trading in item 1.d.(3) as interest and dividend income on "All other securities." Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS."

Exclude from interest and dividend income on securities:

- (1) Realized gains (losses) on held-to-maturity securities and on available-for-sale securities (report in Schedule RI, items 6.a and 6.b, respectively).
- (2) Net unrealized holding gains (losses) on available-for-sale securities (include the amount of such net unrealized holding gains (losses) in Schedule RC, item 26.b, "Accumulated other comprehensive income," and the calendar year-to-date change in such net unrealized holding gains (losses) in Schedule RI-A, item 10, "Other comprehensive income").

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1.d (3) Income from advances to, or obligations of, majority-owned subsidiaries not
(cont.) consolidated, associated companies, and those corporate joint ventures over which the bank
 exercises significant influence (report as "Noninterest income" in the appropriate subitem of
 item 5).

1.d.(1) **Interest and dividend income on U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).** Report income from all securities reportable in Schedule RC-B, item 1, "U.S. Treasury securities," and item 2, "U.S. Government agency obligations." Include accretion of discount on U.S. Treasury bills.

1.d.(2) **Interest and dividend income on mortgage-backed securities.** Report income from all securities reportable in Schedule RC-B, item 4, "Mortgage-backed securities."

1.d.(3) **Interest and dividend income on all other securities.** Report income from all securities reportable in Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.," item 5, "Asset-backed securities," item 6, "Other debt securities," and item 7, "Investments in mutual funds and other equity securities with readily determinable fair values."

Exclude from interest and dividend income on all other securities:

- (1) Income from equity securities that do not have readily determinable fair values (report as "Other interest income" in item 1.g).
- (2) The bank's proportionate share of the net income or loss from its investments in the stock of unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report income or loss before extraordinary items and other adjustments as "Noninterest income" in the appropriate subitem of item 5 and report extraordinary items and other adjustments in item 11).

1.e **Interest income on trading assets.** Report the interest income earned on assets reportable in Schedule RC, item 5, "Trading assets."

Include accretion of discount on assets held for trading that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper.

Exclude gains (losses) and fees from trading assets, which should be reported in Schedule RI, item 5.c, "Trading revenue."

1.f **Interest income on federal funds sold and securities purchased under agreements to resell.** Report the gross revenue from assets reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."

Report the expense of federal funds purchased and securities sold under agreements to repurchase in Schedule RI, item 2.b; do not deduct from the gross revenue reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with FASB Interpretation No. 41, the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

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1.g Other interest income. Report interest and dividend income on assets other than those assets properly reported in Schedule RC, items 1 through 5. Include dividend income on "Equity securities that do not have readily determinable fair values" that are reportable in Schedule RC-F, item 4. Also include interest income on interest-only strips receivable (not in the form of a security) that are reportable in Schedule RC-F, item 3. However, exclude interest and dividends on venture capital investments (loans and securities), which should be reported in item 5.e, below.

1.h Total interest income. On the FFIEC 041, report the sum of items 1.a.(6) through 1.g. On the FFIEC 031, report the sum of items 1.a.(3) through 1.g.

2 Interest expense:

2.a Interest on deposits. Report in the appropriate subitem all interest expense, including amortization of the cost of merchandise or property offered in lieu of interest payments, on deposits reportable in Schedule RC, item 13.a.(2), "Interest-bearing deposits in domestic offices," and, for banks filing the FFIEC 031 report forms, Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

Exclude the cost of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account (report in Schedule RI, item 7.d, "Other noninterest expense").

Include as interest expense on the appropriate category of deposits finders' fees and brokers' fees that represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. If material, such fees should be capitalized and amortized over the term of the related deposits. However, exclude fees levied by brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on brokered deposits (report in Schedule RI, item 7.d, "Other noninterest expense").

Deduct from the gross interest expense of the appropriate category of time deposits penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal. If material, portions of penalties for early withdrawals that exceed the interest accrued or paid to the date of withdrawal should not be treated as a reduction of interest expense but should be included in "Other noninterest income" in Schedule RI, item 5.l.

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

2.a.(1) Interest on deposits in domestic offices:

2.a.(1) 2.a.(1)(a) Interest on transaction accounts (NOW, ATS accounts, and telephone and preauthorized transfer accounts). Report interest expense on the three interest-bearing categories of transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) reportable in Schedule RC-E, (part I,) items 1 through 6, column A, "Total transaction accounts." Exclude all costs incurred by the bank in connection with demand deposits which are noninterest-bearing transaction accounts. See the Glossary entry for "deposits" for the definitions of "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."

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<u>Item No.</u>	<u>Item No.</u>	<u>Caption and Instructions</u>
2.a.(2)	2.a.(1)(b)	<u>Interest on nontransaction accounts.</u> Report in the appropriate subitem interest expense on all deposits reportable in Schedule RC-E, (part I,) items 1 through 6, column C, "Total nontransaction accounts."
2.a.(2)(a)	2.a.(2)(b)(1)	<u>Interest on savings deposits.</u> Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.a.(1), "Money market deposit accounts (MMDAs)," and Memorandum item 2.a.(2), "Other savings deposits."
2.a.(2)(b)	2.a.(1)(b)(2)	<u>Interest on time deposits of \$100,000 or more.</u> Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.c, "Total time deposits of \$100,000 or more."
2.a.(2)(c)	2.a.(1)(b)(3)	<u>Interest on time deposits of less than \$100,000.</u> Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.b, "Total time deposits of less than \$100,000."
-	2.a.(2)	<u>Interest on deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.</u> Report interest expense on all deposits in foreign offices reportable in Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

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<u>Item No.</u>	<u>Caption and Instructions</u>
2.b	<u>Expense of federal funds purchased and securities sold under agreements to repurchase.</u> Report the <u>gross</u> expense of all liabilities reportable in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase." Report the income of federal funds sold and securities purchased under agreements to resell in Schedule RI, item 1.f; do <u>not</u> deduct from the gross expense reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with FASB Interpretation No. 41, the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.
2.c	<u>Interest on trading liabilities and other borrowed money.</u> Report the interest expense on all liabilities reportable in Schedule RC, item 15, "Trading liabilities," and item 16, "Other borrowed money."
2.d	<u>Interest on subordinated notes and debentures.</u> Report the interest expense on all liabilities reportable in Schedule RC, item 19, "Subordinated notes and debentures." Include amortization of expenses incurred in the issuance of subordinated notes and debentures. Capitalize such expenses, if material, and amortize them over the life of the related notes and debentures. Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 8).

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2.e Total interest expense. Report the sum items 2.a through 2.d.

3 Net interest income. Report the difference between Schedule RI, item 2.e, "Total interest expense," and Schedule RI, item 1.h, "Total interest income." If the amount is negative, enclose it in parentheses.

4 Provision for loan and lease losses. Report the amount needed to make the allowance for loan and lease losses, as reported in Schedule RC, item 4.c, adequate to absorb estimated loan and lease losses, based upon management's evaluation of the bank's current loan and lease portfolio. The amount reported in this item must equal Schedule RI-B, part II, item 4, "Provision for loan and lease losses." Enclose negative amounts in parentheses.

Exclude provision for credit losses on off-balance sheet credit exposures and provision for allocated transfer risk, both of which should be reported in item 7.d, "Other noninterest expense."

The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes.

Refer to the Glossary entries for "allowance for loan and lease losses" and "loan impairment" for additional information.

5 Noninterest income:

5.a Income from fiduciary activities. Report gross income from services rendered by the bank's trust department or by any of its consolidated subsidiaries acting in any fiduciary capacity. For banks required to complete Schedule RC-T, items 12 through 19, this item must equal the amount reported in Schedule RC-T, item 19.

Exclude commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when they are not handled by the bank's trust department (report in Schedule RI, item 5.b, "Service charges on deposit accounts (in domestic offices)").

Report a zero or the word "none" if the bank has no trust department and no consolidated subsidiaries that render services in any fiduciary capacity.

5.b Service charges on deposit accounts (in domestic offices). Report in this item amounts charged depositors (in domestic offices):

- (1) For the maintenance of their deposit accounts with the bank, so-called "maintenance charges."
- (2) For their failure to maintain specified minimum deposit balances.
- (3) Based on the number of checks drawn on and deposits made in their deposit accounts.
- (4) For checks drawn on so-called "no minimum balance" deposit accounts.
- (5) For withdrawals from nontransaction deposit accounts.

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- 5.b**
(cont.)
- (6) For the closing of savings accounts before a specified minimum period of time has elapsed.
 - (7) For accounts which have remained inactive for extended periods of time or which have become dormant.
 - (8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units.
 - (9) For the processing of checks drawn against insufficient funds, so-called "NSF check charges," that the bank assesses regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans (in domestic offices)").
 - (10) For issuing stop payment orders.
 - (11) For certifying checks.
 - (12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when not handled by the bank's trust department. Report such commissions and fees received for accounts handled by the bank's trust department in Schedule RI, item 5.a, "Income from fiduciary activities."

Exclude penalties paid by depositors for the early withdrawal of time deposits (report as "Other noninterest income" in Schedule RI, item 5.i, or deduct from the interest expense of the related category of time deposits, as appropriate).

- 5.c** **Trading revenue.** Report the net gain or loss from trading cash instruments and derivative contracts (including commodity contracts) that has been recognized during the calendar year-to-date. For banks required to complete Schedule RI, Memorandum item 8, the amount reported in this item must equal the sum of Schedule RI, Memorandum items 8.a through 8.d.

Include as trading revenue:

- (1) Revaluation adjustments to the carrying value of cash instruments reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," resulting from the periodic marking to market of such instruments.
- (2) Revaluation adjustments from the periodic marking to market of interest rate, foreign exchange, equity derivative, and commodity and other contracts reportable in Schedule RC-L, item 12, "Total gross notional amount of derivative contracts held for trading."
- (3) Incidental income and expense related to the purchase and sale of cash instruments reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," and derivative contracts reportable in Schedule RC-L, item 12, "Total gross notional amount of derivative contracts held for trading."

If the amount to be reported in this item is a net loss, enclose it in parentheses.

Item No. Caption and Instructions**5.d Investment banking, advisory, brokerage, and underwriting fees and commissions.**

Report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees.

Include fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers (if these fees and commissions are not included in Schedule RI, item 5.a, "Income from fiduciary activities," or item 5.c, "Trading revenue").

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:

- unconsolidated subsidiaries,
- associated companies, and
- corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence

that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities.

5.e Venture capital revenue. In general, venture capital activities involve the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. The primary objective of these investments is capital growth.

Report as venture capital revenue market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities). Include any fee income from venture capital activities that is not reported in one of the preceding items of Schedule RI, Income Statement.

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:

- unconsolidated subsidiaries,
- associated companies, and
- corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence

that are principally engaged in venture capital activities.

5.f Net servicing fees. Report income from servicing real estate mortgages, credit cards, and other financial assets held by others. Report any premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loans. Banks should report servicing income net of the related servicing assets' amortization expense. For further information on servicing, see the Glossary entry for "servicing assets and liabilities."

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5.g Net securitization income. Report net gains (losses) on assets sold in securitization transactions, i.e., net of transaction costs. Include fees (other than servicing fees) earned from the bank's securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions. Exclude income from servicing securitized assets (report in Schedule RI, item 5.f, above) and income from seller's interests and residual interests retained by the bank (report in the appropriate subitem of Schedule RI, item 1, "Interest income)."

5.h Insurance commissions and fees. Report the amount of premiums earned by property-casualty insurers and the amount of premiums written by life and health insurers. Report income from agency and brokerage operations (includes sales of annuities and supplemental contracts); service charges, commissions, and fees from the sale of insurance and related services; and management fees from separate accounts, deferred annuities, and universal life products.

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:

- unconsolidated subsidiaries,
- associated companies, and
- corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence

that are principally engaged in insurance underwriting, reinsurance, or insurance sales activities.

5.i Net gains (losses) on sales of loans and leases. Report the amount of net gains (losses) on sales and other disposals of loans and leases (reportable in Schedule RC-C), including unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale. Exclude net gains (losses) on loans and leases sold in securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions (report these gains (losses) in Schedule RI, item 5.g, "Net securitization income").

5.j Net gains (losses) on sales of other real estate owned. Report the amount of net gains (losses) on sales and other disposals of other real estate owned (reportable in Schedule RC, item 7), increases and decreases in the valuation allowance for foreclosed real estate, and write-downs of other real estate owned subsequent to acquisition (or physical possession) charged to expense. Do not include as a loss on other real estate owned any amount charged to the allowance for loan and lease losses at the time of foreclosure (actual or physical possession) for the difference between the carrying value of a loan and the fair value less cost to sell of the foreclosed real estate.

5.k Net gains (losses) on sales of other assets (excluding securities). Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI). Include net gains (losses) on sales and other disposals of premises and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets. Do not include net gains (losses) on sales and other disposals of loans and leases (either directly or through securitization), other real estate owned, securities, and trading assets (report these net gains (losses) in the appropriate items of Schedule RI).

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5.I Other noninterest income. Report all operating income of the bank for the calendar year to date not required to be reported elsewhere in Schedule RI. Disclose in Schedule RI-E, items 1.a through 1.h, each component of other noninterest income, and the dollar amount of such component, that exceeds 1 percent of the sum of the bank's total interest income (from Schedule RI, item 1.h) and its total noninterest income (from Schedule RI, item 5.m). For each component of other noninterest income that exceeds this disclosure threshold for which a preprinted caption has not been provided in Schedule RI-E, items 1.a through 1.e, describe the component with a clear but concise caption in Schedule RI-E, items 1.f through 1.h. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as other noninterest income:

(1) Service charges, commissions, and fees for such services as:

- (a) The rental of safe deposit boxes. (Report the amount of safe deposit box rent in Schedule RI-E, item 1.e, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Schedule RI, item 5.a, "Income from fiduciary activities").
- (c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks.
- (d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange.
- (e) The redemption of U.S. savings bonds.
- (f) The handling of food stamps and the U.S. Treasury Tax and Loan Account, including fees received in connection with the bank's issuance of interest-bearing demand notes.
- (g) The execution of acceptances and the issuance of commercial letters of credit, standby letters of credit, deferred payment letters of credit, and letters of credit issued for cash or its equivalent. Exclude income on bankers acceptances and trade acceptances (report such income in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans," or in Schedule RI, item 1.e, "Interest income from trading assets," as appropriate).
- (h) The notarizing of forms and documents.
- (i) The negotiation or management of loans from other lenders for customers or correspondents.
- (j) The providing of consulting and advisory services to others. Exclude income from investment advisory services, which is to be reported in Schedule RI, item 5.d.
- (k) The use of the bank's automated teller machines or remote service units by depositors of other depository institutions. (Report the amount of this income in Schedule RI-E, item 1.c, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)

Item No. Caption and Instructions

- 5.I**
(cont.)
- (2) Income and fees from the sale and printing of checks. (Report the amount of this income in Schedule RI-E, item 1.a, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
 - (3) Gross rentals and other income from all real estate reportable in Schedule RC, item 7, "Other real estate owned." (Report the amount of this income in Schedule RI-E, item 1.d, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
 - (4) Earnings on or other increases in the value of the cash surrender value of bank-owned life insurance policies. (Report the amount of this income in Schedule RI-E, item 1.b, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
 - (5) Annual or other periodic fees paid by holders of credit cards issued by the bank. Fees that are periodically charged to cardholders shall be deferred and recognized on a straight-line basis over the period the fee entitles the cardholder to use the card.
 - (6) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books. Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.
 - (7) Interchange fees earned from credit card transactions.
 - (8) Gross income received for performing data processing services for others. Do not deduct the expense of performing such services for others (report in the appropriate items of noninterest expense).
 - (9) Loan commitment fees that are recognized during the commitment period (i.e., fees retrospectively determined and fees for commitments where exercise is remote) or included in income when the commitment expires and loan syndication fees that are not required to be deferred. Refer to the Glossary entry for "loan fees" for further information.
 - (10) On the FFIEC 031 only, service charges on deposit accounts in foreign offices.
 - (11) Net tellers' overages (shortages), net recoveries (losses) on forged checks, net recoveries (losses) on payment of checks over stop payment orders, and similar recurring operating gains (losses) of this type. Banks should consistently report these gains (losses) either in this item or in Schedule RI, item 7.d.
 - (12) Net gains (losses) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.
 - (13) Net gains (losses) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.

Item No. Caption and Instructions**5.I**
(cont.)

- (14) Rental fees applicable to operating leases for furniture and equipment rented to others.
- (15) Interest received on tax refunds.
- (16) Life insurance proceeds on policies for which the bank is the beneficiary.
- (17) Credits resulting from litigation or other claims.
- (18) Portions of penalties for early withdrawals of time deposits that exceed the interest accrued or paid on the deposit to the date of withdrawal, if material. Penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal are a reduction of interest expense and should be deducted from the gross interest expense of the appropriate category of time deposits in Schedule RI, item 2.a, "Interest on deposits."
- (19) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:
- unconsolidated subsidiaries,
 - associated companies, and
 - corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence, other than those that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities; venture capital activities; or insurance underwriting, reinsurance, or insurance sales activities (the income from which should be reported in Schedule RI, items 5.d, 5.e, and 5.h, respectively). Exclude the bank's proportionate share of material extraordinary items and other adjustments of these entities (report in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes").
- (20) Net gains (losses) on nonhedging derivative instruments held for purposes other than trading. Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d. For further information, see the Glossary entry for "derivative contracts."
- (21) Gross income generated by securities contributed to charitable contribution Clifford Trusts.
- (22) Income from ground rents and air rights.

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

Item No. Caption and Instructions

6.a Realized gains (losses) on held-to-maturity securities. Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Also include in this item write-downs of the cost basis of individual held-to-maturity securities for other than temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses.

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

6.b Realized gains (losses) on available-for-sale securities. Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.b, "Available-for-sale securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Also include in this item write-downs of the cost basis of individual available-for-sale securities for other than temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses.

Exclude from this item:

- (1) The change in net unrealized holding gains (losses) on available-for-sale securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").
- (2) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a, above) and on trading securities (report in Schedule RI, item 5.c, "Trading revenue").

7 Noninterest expense:

7.a Salaries and employee benefits. Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). Include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence for purposes of this item.

Include as salaries and employee benefits:

- (1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation.
- (2) Social security taxes and state and federal unemployment taxes paid by the bank.
- (3) Contributions to the bank's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan.

Item No. **Caption and Instructions**

- 7.a**
(cont.)
- (4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the bank is not the beneficiary.
 - (5) Cost of office temporaries whether hired directly by the bank or through an outside agency.
 - (6) Workmen's compensation insurance premiums.
 - (7) The net cost to the bank for employee dining rooms, restaurants, and cafeterias.
 - (8) Accrued vacation pay earned by employees during the calendar year-to-date.
 - (9) The cost of medical or health services, relocation programs and reimbursements of moving expenses, tuition reimbursement programs, and other so-called fringe benefits for officers and employees.

Exclude from salaries and employee benefits (report in Schedule RI, item 7.d, "Other noninterest expense"):

- (1) Amounts paid to attorneys, accountants, management consultants, investment counselors, and other professionals who are not salaried officers or employees of the bank (except if these professionals, in form, are employed by an affiliate of the reporting bank but, in substance, do substantially all of their work for the reporting bank).
- (2) Expenses related to the testing and training of officers and employees.
- (3) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees.
- (4) Expenses of life insurance policies for which the bank is the beneficiary. (However, when these expenses relate to bank-owned life insurance policies with cash surrender values, banks may report the net earnings on or the net increases in the value of these cash surrender values in Schedule RI, item 5.i, above.)
- (5) The cost of athletic activities in which officers and employees participate when the purpose may be construed to be for marketing or public relations, and employee benefits are only incidental to the activities.
- (6) Dues, fees and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.

Item No. Caption and Instructions

7.b Expenses of premises and fixed assets. Report all noninterest expenses related to the use of premises, equipment, furniture, and fixtures reportable in Schedule RC, item 6, "Premises and fixed assets," net of rental income. If this net amount is a credit balance, enclose it in parentheses.

Deduct rental income from gross premises and fixed asset expense. Rental income includes all rentals charged for the use of buildings not incident to their use by the reporting bank and its consolidated subsidiaries, including rentals by regular tenants of the bank's buildings, income received from short-term rentals of other bank facilities, and income from subleases. Also deduct income from stocks and bonds issued by nonmajority-owned corporations that indirectly represent premises, equipment, furniture, or fixtures and are reportable in Schedule RC, item 6, "Premises and fixed assets."

Include as expenses of premises and fixed assets:

- (1) Normal and recurring depreciation and amortization charges against assets reportable in Schedule RC, item 6, "Premises and fixed assets," including capital lease assets, which are applicable to the calendar year-to-date, whether they represent direct reductions in the carrying value of the assets or additions to accumulated depreciation or amortization accounts. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.
- (2) All operating lease payments made by the bank on premises (including parking lots), equipment (including data processing equipment), furniture, and fixtures.
- (3) Cost of ordinary repairs to premises (including leasehold improvements), equipment, furniture, and fixtures.
- (4) Cost of service or maintenance contracts for equipment, furniture, and fixtures.
- (5) Cost of leasehold improvements, equipment, furniture, and fixtures charged directly to expense and not placed on the bank's books as assets.
- (6) Insurance expense related to the use of premises, equipment, furniture, and fixtures including such coverages as fire, multi-peril, boiler, plate glass, flood, and public liability.
- (7) All property tax and other tax expense related to premises (including leasehold improvements), equipment, furniture, and fixtures, including deficiency payments, net of all rebates, refunds, or credit.
- (8) Any portion of capital lease payments representing executory costs such as insurance, maintenance, and taxes.
- (9) Cost of heat, electricity, water, and other utilities connected with the use of premises and fixed assets.
- (10) Cost of janitorial supplies and outside janitorial services.
- (11) Fuel, maintenance, and other expenses related to the use of the bank-owned automobiles, airplanes, and other vehicles for bank business.

Item No. Caption and Instructions

7.b Exclude from expenses of premises and fixed assets:
(cont.)

- (1) Salaries and employee benefits (report such expenses for all officers and employees of the bank and its consolidated subsidiaries in Schedule RI, item 7.a, "Salaries and employee benefits").
- (2) Interest on mortgages, liens, or other encumbrances on premises or equipment owned, including the portion of capital lease payments representing interest expense (report in Schedule RI, item 2.c, "Interest on trading liabilities and other borrowed money").
- (3) All expenses associated with other real estate owned (report in Schedule RI, item 7.d, "Other noninterest expense").
- (4) Gross rentals from other real estate owned and fees charged for the use of parking lots properly reported as other real estate owned, as well as safe deposit box rentals and rental fees applicable to operating leases for furniture and equipment rented to others (report in Schedule RI, item 5.l).

7.c **Amortization expense of intangible assets (including goodwill).** Report the amortization expense of intangible assets (as defined for Schedule RC, items 10.a and 10.b). However, exclude the amortization expense of servicing assets, which should be netted against the servicing income reported in Schedule RI, item 5.f, "Net servicing fees," above.

7.d **Other noninterest expense.** Report all operating expenses of the bank for the calendar year-to-date not required to be reported elsewhere in Schedule RI. Disclose in Schedule RI-E, items 2.a through 2.j, each component of other noninterest expense, and the dollar amount of such component, that exceeds 1 percent of the sum of the bank's total interest income (from Schedule RI, item 1.h) and its total noninterest income (from Schedule RI, item 5.m). For each component of other noninterest expense that exceeds this disclosure threshold for which a preprinted caption has not been provided in Schedule RI-E, items 2.a through 2.g, describe the component with a clear but concise caption in Schedule RI-E, items 2.h through 2.j. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as other noninterest expense:

- (1) Fees paid to directors and advisory directors for attendance at board of directors' or committee meetings (including travel and expense allowances). (Report the amount of these fees in Schedule RI-E, item 2.c, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (2) Cost of data processing services performed for the bank by others. (Report the amount of these expenses in Schedule RI-E, item 2.a, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)

Item No. Caption and Instructions**7.d**
(cont.)

- (3) Advertising, promotional, public relations, marketing, and business development expenses. Such expenses include the cost of athletic activities in which officers and employees participate when the purpose may be construed to be for marketing or public relations, and employee benefits are only incidental to the activities. (Report the amount of advertising and marketing expenses in Schedule RI-E, item 2.b, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (4) Cost of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account, if not included in advertising and marketing expenses above.
- (5) Retainer fees, legal fees, and other fees and expenses paid to attorneys who are not bank officers or employees and to outside law firms. (Report the amount of legal fees and expenses in Schedule RI-E, item 2.f, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (6) Cost of printing, stationery, and office supplies. (Report the amount of these expenses in Schedule RI-E, item 2.d, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (7) Postage and mailing expenses. (Report the amount of these expenses in Schedule RI-E, item 2.e, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (8) Telephone and telegraph expenses.
- (9) Federal deposit insurance assessments, including Financing Corporation (FICO) assessments. (Report the amount of these assessments in Schedule RI-E, item 2.g, if this amount exceeds 1 percent of the sum of the bank's total interest income from Schedule RI, item 1.h, and its total noninterest income from Schedule RI, item 5.m.)
- (10) Premiums on fidelity insurance (blanket bond, excess employee dishonesty bond), directors' and officers' liability insurance, and life insurance policies for which the bank is the beneficiary.
- (11) Assessment expense, examination expense, and other fees levied by the Comptroller of the Currency or a state chartering authority, net of any assessment credits during the period.
- (12) Legal fees and other direct costs incurred to effect foreclosures on real estate and subsequent noninterest expenses related to holdings of real estate owned other than bank premises (including depreciation charges, if appropriate).
- (13) Net losses (gains) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.i.

Item No. Caption and Instructions

- 7.d**
(cont.)
- (14) Net losses (gains) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.I.
 - (15) Management fees assessed by the bank's parent holding company, whether for specific services rendered or of a general (prorated) nature.
 - (16) Sales taxes, taxes based on the number of shares of bank stock outstanding, taxes based on the bank's total assets or total deposits, taxes based on the bank's gross revenues or gross receipts, capital stock taxes, and other taxes not included in other categories of expense. Exclude any foreign, state, and local taxes based on a net amount of revenues less expenses (report as applicable income taxes in Schedule RI, items 9).
 - (17) Fees levied by deposit brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. However, report as interest expense on the appropriate category of deposits those finders' fees and brokers' fees that do represent an adjustment to the interest rate paid on brokered deposits.
 - (18) Research and development costs and costs incurred in the internal development of computer software.
 - (19) Charges resulting from litigation or other claims.
 - (20) Charitable contributions including donations by Clifford Trusts.
 - (21) Fees for auditing and attestation services, retainer fees, and other fees and expenses paid to accountants, management consultants, investment counselors, and other professionals (other than attorneys providing legal services) who are not bank officers or employees.
 - (22) Net losses (gains) on nonhedging derivative instruments held for purposes other than trading. Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.I. For further information, see the Glossary entry for "derivative contracts."
 - (23) Net tellers' shortages (overages), net losses (recoveries) on forged checks, net losses (recoveries) on payment of checks over stop payment orders, and similar recurring operating losses (gains) of this type. Banks should consistently report these losses (gains) either in this item or in Schedule RI, item 5.I.
 - (24) Minority interests in the net income or loss of the reporting bank's consolidated subsidiaries.
 - (25) Losses from robberies, defalcations, and other criminal acts not covered by the bank's blanket bond.
 - (26) Travel and entertainment expenses, including costs incurred by bank officers and employees for attending meetings and conventions.

Item No. Caption and Instructions

- 7.d**
(cont.)
- (27) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.
 - (28) Civil money penalties and fines.
 - (29) All service charges, commissions, and fees levied by others for the repossession of assets and the collection of the bank's loans or other assets, including charged-off loans or other charged-off assets.
 - (30) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.I.
 - (31) Expenses related to the testing and training of officers and employees.
 - (32) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.
 - (33) Depreciation expense of furniture and equipment rented to others under operating leases.
 - (34) Cost of checks provided to depositors.
 - (35) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of FASB Statement No. 86.
 - (36) Provision for credit losses on off-balance sheet credit exposures.
 - (37) Provision for allocated transfer risk.

Exclude from other noninterest expense:

- (1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures and report the expense in Schedule RI, item 2.d, "Interest on subordinated notes and debentures").
- (2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net").
- (3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets").
- (4) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in Schedule RI, item 6.a, "Realized gains (losses) on held-to-maturity securities," and item 6.b, "Realized gains (losses) on available-for-sale securities," respectively).

Item No. Caption and Instructions

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

8 Income (loss) before income taxes and extraordinary items and other adjustments.
Report the bank's pretax operating income. This amount will generally be determined by taking item 3, "Net interest income," minus item 4, "Provision for loan and lease losses," plus item 5.m, "Total noninterest income," plus or minus item 6.a, "Realized gains (losses) on held-to-maturity securities," plus or minus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.e, "Total noninterest expense." If the result is negative, enclose it in parentheses.

9 Applicable income taxes on item 8. Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, "Income (loss) before income taxes and extraordinary items and other adjustments." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, enclose it in parentheses.

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

Include income tax effects of changes in tax laws or rates. Also include the effect of changes in the valuation allowance related to deferred tax assets resulting from a change in estimate of the realizability of deferred tax assets, excluding the effect of any valuation allowance changes related to unrealized holding gains (losses) on available-for-sale securities that are charged or credited directly to the separate component of equity capital for "Accumulated other comprehensive income" (Schedule RC, item 26.b).

Include the tax benefit of an operating loss carryforward or carryback for which the source of the income or loss in the current year is reported in Schedule RI, item 8, "Income (loss) before income taxes and extraordinary items and other adjustments."

Also include the dollar amount of any material adjustments or settlements reached with a taxing authority (whether negotiated or adjudicated) relating to disputed income taxes of prior years.

Exclude the estimated federal, state and local, and foreign income taxes applicable to:

- (1) Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes."
- (2) Schedule RI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles."
- (3) Schedule RI-A, item 10, "Other comprehensive income."

Refer to the Glossary entry for "income taxes" for additional information.

Item No. Caption and Instructions

10 **Income (loss) before extraordinary items and other adjustments.** Report the difference between item 9, "Applicable income taxes (on item 8)," and item 8, "Income (loss) before income taxes and extraordinary items and other adjustments." If the amount is negative, enclose it in parentheses.

11 **Extraordinary items and other adjustments, net of income taxes.** Report the total of the transactions listed below, if any, net of any applicable income tax effect. If the amount reported in this item is a net loss, enclose it in parentheses. State the dollar amount and provide a description of each transaction included in this item and any applicable income tax effect of the transaction in Schedule RI-E, item 3.

Include as extraordinary items and other adjustments:

- (1) The material effects of any extraordinary items. Extraordinary items are very rare and the criteria which must be satisfied in order for an event or transaction to be reported as an extraordinary item are discussed in the Glossary entry for "extraordinary items."
- (2) Material aggregate gains or losses from extinguishments of the reporting bank's own debt unrelated to sinking fund requirements, as determined in accordance with the provisions of FASB Statement No. 4, as amended.
- (3) Material aggregate gains on troubled debt restructurings of the reporting bank's own debt, as determined in accordance with the provisions of FASB Statement No. 15.
- (4) The cumulative effect of all changes in accounting principles except for those required to be reported in Schedule RI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles." Refer to the Glossary entry for "accounting changes" for further discussion of changes in accounting principles.
- (5) Material aggregate gains or losses from disposals of segments of the bank's business, as determined in accordance with the provisions of APB Opinion No. 30.
- (6) Material net gains or losses from disposals of significant assets within two years after a pooling of interests business combination.

Exclude from extraordinary items and other adjustments:

- (1) Net gains (losses) from the sale or other disposal of:
 - (a) All assets reportable as loans and leases in Schedule RC-C.
 - (b) Premises and fixed assets.
 - (c) Other real estate owned.
 - (d) Personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances).
 - (e) Coins, art, and other similar assets.
 - (f) Branches (i.e., where the reporting bank sells a branch's assets to another depository institution which assumes the deposit liabilities of the branch).

For the first five categories above, banks should report net gains (losses) in the appropriate category of "Noninterest income" in Schedule RI, item 5. For the final category above, banks should consistently report net gains (losses) from branch sales as "Other noninterest income" in Schedule RI, item 5.I, or as "Other noninterest expense" in Schedule RI, item 7.d.

Item No. **Caption and Instructions**

- 11** (2) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in Schedule RI, item 6.a, "Realized gains (losses) on held-to-maturity securities," and item 6.b, "Realized gains (losses) on available-for-sale securities," respectively).
- 12** **Net income (loss).** Report the sum of items 10 and 11. This item must equal Schedule RI-A, item 4, "Net income (loss)." If this amount is a net loss, enclose it in parentheses.

Memoranda

Item No. Caption and Instructions

1 Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes. Report the bank's best estimate of the amount of the year-to-date interest expense included in Schedule RI, item 2.e, "Total interest expense," that is subject to a 100 percent loss of deductibility for federal income tax purposes because it is deemed to have been incurred to carry tax-exempt securities, loans, and leases of states and political subdivisions in the U.S. acquired after August 7, 1986. Tax-exempt securities, loans, and leases are those securities, loans, and leases of states and political subdivisions in the U.S. whose interest is excludable from gross income under the regular tax system for federal income tax purposes, regardless of whether the income must be included in the bank's alternative minimum taxable income.

Exclude from this item interest expense incurred to carry (1) tax-exempt securities, loans, and leases of states and political subdivisions in the U.S. acquired after December 31, 1982, but before August 8, 1986, and (2) so-called "Qualified tax-exempt obligations" acquired after August 7, 1986, 20 percent of which is not deductible for federal income tax purposes.

The general formula that may be used for computing the amount of interest expense that is subject to a 100 percent loss of deductibility is as follows:

$$\begin{array}{r}
 \text{Tax-exempt securities, loans, and leases of} \\
 \text{states and political subdivisions in the U.S.} \\
 \text{acquired after August 7, 1986 (excluding} \\
 \text{"Qualified tax-exempt obligations")} \\
 \hline
 \text{(Year-to-date average)} \\
 \hline
 \text{Total assets (Year-to-date average)}
 \end{array}
 \quad \times \quad
 \begin{array}{l}
 \text{Year-to-date} \\
 \text{total interest} \\
 \text{expense (Schedule} \\
 \text{RI, item 2.e)}
 \end{array}$$

For the March 31, June 30, and September 30 Call Reports, the amount reported in Memorandum item 1 should not be an estimate of the amount of interest expense that will not be deductible for the entire calendar year.

2 Income from the sale and servicing of mutual funds and annuities (in domestic offices). Report the amount of income earned by the reporting bank during the calendar year-to-date from the sale and servicing of mutual funds and annuities (in domestic offices).

Include in this item:

- (1) Income earned in connection with mutual funds and annuities that are sold on bank premises or are otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income. This income may be in the form of fees or sales commissions at the time of the sale or fees, including a share of another entity's fees, that are earned over the duration of the account (e.g., annual fees, Rule 12b-1 fees or "trailer fees," and redemption fees). Commissions should be reported as income as earned at the time of the sale (i.e., on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.

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- 2**
(cont.)
- (2) Income from leasing arrangements with affiliated and unaffiliated entities who lease space in bank offices for use in selling mutual funds and annuities. Income from leasing arrangements should be reported as income as earned (i.e., on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.
- (3) Fees for providing investment advisory services for proprietary mutual funds and annuities.
- (4) Fees for providing securities custody, transfer agent, and other operational and ancillary services to mutual funds and annuities that are sold on bank premises or are otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income at the time of the sale or over the duration of the account.

Also include income from sales conducted through the reporting bank's trust department that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator), but exclude income from sales conducted by the trust department that are executed in a fiduciary capacity.

In general, this income will have been included in Schedule RI, item 5.d, "Investment banking, advisory, brokerage, and underwriting fees and commissions" (for mutual funds) and item 5.h, "Insurance commissions and fees" (for annuities). However, income from leasing arrangements, or the portion thereof, that is fixed in amount and does not vary based on sales volume may have been reported as a deduction from Schedule RI, item 7.b, "Expenses of premises and fixed assets." Thus, the income to be included in this item should be reported gross rather than net of expenses incurred by the reporting bank or a consolidated subsidiary.

Exclude fees earned for providing securities custody, transfer agent, and other operational and ancillary services to third party mutual funds and annuities that are not sold on bank premises and are not otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income at the time of the sale or over the duration of the account.

3 Income on tax-exempt loans and leases to states and political subdivisions in the U.S.

Report the bank's best estimate of the income earned on:

- (1) Tax-exempt loans to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 8. On the FFIEC 041, this income will have been included in Schedule RI, item 1.a.(5), Interest and fee income on "All other loans" (except that, for banks with total assets of less than \$25 million for report dates during 2001, this income will have been included in Schedule RI, item 1.a.(6), "Total interest and fee income on loans"). On the FFIEC 031, this income will have been included in Schedule RI, item 1.a.(1)(f), Interest and fee income on "All other loans in domestic offices."
- (2) Tax-exempt leases to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 10. This income will have been included in Schedule RI, item 1.b, "Income from lease financing receivables," above.

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3 (cont.) Tax-exempt loans and leases are those loans and leases to states and political subdivisions in the U.S. whose income is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan or lease must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the loan or lease.

4 **Income on tax-exempt securities issued by states and political subdivisions in the U.S.** Report the bank's best estimate of the income earned on those securities issued by states and political subdivisions in the U.S. reportable in Schedule RC-B, item 3, the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the securities must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the securities.

5 **Number of full-time equivalent employees at end of current period.** Report the number of full-time equivalent employees of the bank and its consolidated subsidiaries as of the report date (round to the nearest whole number). For purposes of this Memorandum item, a bank should include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence nor calculate the related pro rata number of full-time equivalent employees for purposes of this Memorandum item.

To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting bank.)

NOTE: Memorandum item 6 is applicable only to banks filing the FFIEC 041 report form.

6 **Interest and fee income on loans to finance agricultural production and other loans to farmers.**

For report dates during 2001, Memorandum items 6 is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with total assets of \$25 million or more but less than \$300 million and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3, column B) exceeding five percent of total loans, net of unearned income.

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6
(cont.)

Beginning March 31, 2002, Memorandum item 6 is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3, column B) exceeding five percent of total loans, net of unearned income.

All other banks should report a zero or the word "none" in this item.

Report in this item all interest, fees, and similar charges levied against or associated with all loans reportable in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers."

7

If the reporting bank has restated its balance sheet as a result of applying push down accounting this calendar year, report the date of the bank's acquisition. If the reporting bank was acquired during the calendar year-to-date reporting period and applied push down accounting to its balance sheet in accordance with the "push down accounting" section of the Glossary entry for "business combinations," report the date (year, month, and day) as of which the acquisition took place. For example, a bank that was acquired as of the close of business June 1, 2001, and applied push down accounting to its balance sheet would report 20010601 in this Memorandum item in the Reports of Condition and Income for June 30, September 30, and December 31, 2001.

Push down accounting is the establishment of a new accounting basis for a bank in its separate financial statements (including its Call Report) as a result of a substantive change in control. When push down accounting is used to account for the acquisition of a bank that retains its separate corporate existence, the acquired bank's assets and liabilities (Schedule RC) are restated to their fair values as of the acquisition date. The bank's post-acquisition income statements (Schedule RI) only include amounts from the date of its acquisition through the end of the calendar year-to-date reporting period.

If the reporting bank has not been acquired during this calendar year or if the reporting bank has been acquired during this calendar year but push down accounting was not applied, the bank should report zeros (i.e., 00000000) in the year, month, and day columns of this Memorandum item.

8 Trading revenue (from cash instruments and derivative instruments).

Memorandum items 8.a through 8.d are to be completed by banks that reported average trading assets (in Schedule RC-K, item 7) of \$2 million or more for any quarter of the preceding calendar year.

Report, in the appropriate item below, a breakdown of trading revenue that has been included in the body of the income statement in Schedule RI, item 5.c. For each of the four types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and derivative instruments. For purposes of Memorandum item 8, the reporting bank should determine the underlying risk exposure category in which to report the trading revenue from cash instruments and derivative instruments in the same manner that the bank makes this determination for other financial reporting purposes. The sum of Memorandum items 8.a through 8.d must equal Schedule RI, item 5.c.

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- 8.a Interest rate exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as interest rate exposures. Interest rate exposures may arise from cash debt instruments (e.g., U.S. Treasury securities) and interest rate contracts. Interest rate contracts are those contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). Interest rate contracts include interest rate futures, single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.
- Exclude trading revenue on contracts involving the exchange of foreign currencies (e.g., cross-currency swaps and currency options) that the reporting bank manages as foreign exchange exposures. Report such trading revenue in Memorandum item 8.b.
- 8.b Foreign exchange exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as foreign exchange exposures. Foreign exchange exposures may arise from cash instruments (e.g., debt securities) denominated in non-U.S. currencies and foreign exchange rate contracts. Foreign exchange rate contracts are those contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange rate contracts include cross-currency interest rate swaps where there is an exchange of principal, forward and spot foreign exchange contracts, and currency futures and currency options.
- 8.c Equity security and index exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as equity security or index exposures. Equity security or index exposures may arise from equity securities and equity security or index (i.e., equity derivative) contracts. Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.
- 8.d Commodity and other exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as commodity or other exposures. Commodity or other exposures may arise from commodities and commodity and other derivative contracts not reported as interest rate, foreign exchange, or equity derivative contracts. Commodity and other contracts are contracts that have a return, or a portion of their return, linked to the price or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, or equity derivative contracts.

Memoranda**Item No. Caption and Instructions****9 Impact on income of derivatives held for purposes other than trading.**

Memorandum items 9.a through 9.c are applicable to all banks filing the FFIEC 031 report forms and to those banks filing the FFIEC 041 report forms that have \$100 million or more in total assets.

For derivatives held for purposes other than trading, report in the appropriate subitem the impact that these contracts had on the bank's income as reported in Schedule RI.

9.a Net increase (decrease) to interest income. Report the net sum of all amounts reported in the interest income items of Schedule RI, i.e., items 1.a through 1.g, resulting from the bank's use of derivatives held for purposes other than trading. If the net sum is a net reduction in interest income, enclose this amount in parentheses.

9.b Net (increase) decrease to interest expense. Report the net sum of all amounts reported in the interest expense items of Schedule RI, i.e., items 2.a through 2.d, resulting from the bank's use of derivatives held for purposes other than trading. If the net sum is a net increase to interest expense, enclose this amount in parentheses.

9.c Other (noninterest) allocations. Report the net sum of all amounts reported in the noninterest items of Schedule RI, i.e., items 5 and 7, resulting from the bank's use of derivatives held for purposes other than trading. If the net sum is a net expense or loss, enclose this amount in parentheses.

Include gains (losses) on nonhedging derivative instruments held for purposes other than trading. Banks should consistently report these nonhedging derivative gains (losses) in either "Other noninterest income" (Schedule RI, item 5.l) or "Other noninterest expense" (Schedule RI, item 7.d).

10 Credit losses on derivatives.

Memorandum item 10 is applicable to all banks filing the FFIEC 031 report forms and to those banks filing the FFIEC 041 report forms that have \$300 million or more in total assets.

Report the bank's year-to-date credit losses (e.g., charge-offs) incurred on derivative contracts (as defined for Schedule RC-L, items 7 and 11). The amount reported in this item should include all credit losses recognized in the bank's income statement in any manner, e.g., as a charge against trading revenue.

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- 11 Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?** Indicate in the boxes marked "YES" and "NO" whether the bank is, for federal income tax purposes, either an "S corporation" or a "qualifying subchapter S subsidiary," as defined in Internal Revenue Code Section 1361, as of the report date. In order to be an S corporation, the bank must have filed a valid election with the Internal Revenue Service and obtained the consent of all of its shareholders. An election for a bank to be a qualifying subchapter S subsidiary must have been made by a bank's parent holding company, which must also have made a valid election to be an S corporation. In addition, the bank (and its parent holding company, if applicable) must meet specific criteria for federal income tax purposes at all times during which the election remains in effect. These specific criteria include, for example, having no more than 75 qualifying shareholders and having only one class of stock outstanding.