

**CALL REPORT**

**INSTRUCTION BOOK UPDATE**

**MARCH 2007**

# FILING INSTRUCTIONS

NOTE: The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income* and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book. Certain new or revised items for which instructions are included in this instruction book update are currently under review by the U.S. Office of Management and Budget.

## Remove Pages

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RC-E-1 – RC-E-2 (3-01)  
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RC-G-1 – RC-G-3 (3-06)  
RC-L-1 – RC-L-2 (3-05)  
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RC-N-7 – RC-N-11 (6-05 and 9-06)  
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None  
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# Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)

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## 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."

Assets and liabilities accounted under the fair value option – Under U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FAS 159); FASB Statement No. 155, "Accounting for Certain Hybrid Financial Instruments" (FAS 155); and FASB Statement No. 156, "Accounting for Servicing of Financial Assets" (FAS 156)), the bank may elect to report certain assets and liabilities at fair value with changes in fair value recognized in earnings. This election is generally referred to as the fair value option. If the bank has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the contractual amount of interest income earned on these financial assets (except any that are in nonaccrual status) and the contractual amount of interest expense incurred on these financial liabilities for the year-to-date separately from the change in fair value of these assets and liabilities for the year-to-date. The contractual amounts of interest income earned and interest expense incurred on these financial assets and liabilities should be reported in the appropriate interest income or interest expense items on Schedule RI. Revaluation adjustments, excluding amounts representing contractual interest income and interest expense, to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10.b, "Other intangible assets," and Schedule RC, item 20, "Other liabilities," respectively, and assets and liabilities reported in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value should be reported as "Other noninterest income" in Schedule RI, item 5.I.

**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.

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) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for investment, all of which should be deferred and recognized over the life of the related loan as an adjustment of yield under FASB Statement No. 91 as described in the Glossary entry for "loan fees." See exclusion (3) below.
- (3) Loan commitment fees (net of direct loan origination costs) that must be deferred over the commitment period and recognized over the life of the related loan as an adjustment of yield under FASB Statement No. 91 as described in 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) 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 (6) below.
- (6) The contractual amount of interest income earned on loans that are reported at fair value under a fair value option.

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 Schedule RI, 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 Schedule RI, item 5.l). Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.
- (3) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for sale, all of which should be deferred until the loan is sold (rather than amortized). The net fees or costs and purchase premium or discount are part of the recorded investment in the loan. When the loan is sold, the difference between the sales price and the recorded investment in the loan is the gain or loss on the sale of the loan. See exclusion (4) below.



## 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 Schedule RI, item 9, "Applicable income taxes (on item 8)").
- (2) Provision for possible losses on leases (report in Schedule RI, 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 Schedule RI, 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." Include the contractual amount of interest income earned on interest-bearing balances due from depository institutions that are reported at fair value under a fair value option.

- 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, item 11, "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 Schedule RI, 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).

**Item No.    Caption and Instructions**

- 1.d** (cont.) (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").
- (3) Income from advances to, or obligations of, majority-owned subsidiaries not consolidated, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report as "Noninterest income" in the appropriate subitem of Schedule RI, 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 Schedule RI, 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 Schedule RI, item 5, and report extraordinary items and other adjustments in Schedule RI, 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." Also exclude revaluation adjustments from the periodic marking to market of derivative contracts held for trading purposes, which should be reported as trading revenue in Schedule RI, item 5.c. The effect of the periodic net settlements on these derivative contracts should be included as part of the revaluation adjustments from the periodic marking to market of the contracts.

**Item No.    Caption and Instructions**

- 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." Include the contractual amount of interest income earned on federal funds sold and securities purchased under agreements to resell that are reported at fair value under a fair value option.

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.

- 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").

Also include as interest expense the contractual amount of interest expense incurred on deposits that are reported at fair value under a fair value option. Deposits with demand features (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.

**Item No.    Caption and Instructions**

**2.a**            Deduct from the gross interest expense of the appropriate category of time deposits  
(cont.)        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.I.

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

- 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."
- 2.a.(2)**        **2.a.(1)(b)    Interest on nontransaction accounts.** 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)    Interest on savings deposits.** 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)    Interest on time deposits of \$100,000 or more.** 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)    Interest on time deposits of less than \$100,000.** 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)        Interest on deposits in foreign offices, Edge and Agreement subsidiaries,  
and IBFs.** 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."

## FFIEC 031 and 041

**Item No.    Caption and Instructions**

- 2.b**        **Expense of federal funds purchased and securities sold under agreements to repurchase.** Report the gross expense of all liabilities reportable in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase." Include the contractual amount of interest expense incurred on federal funds purchased and securities sold under agreements to repurchase that are reported at fair value under a fair value option.

Report the income of federal funds sold and securities purchased under agreements to resell in Schedule RI, item 1.f; do not 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**        **Interest on trading liabilities and other borrowed money.** Report the interest expense on all liabilities reportable in Schedule RC, item 15, "Trading liabilities," and item 16, "Other borrowed money." Include the contractual amount of interest expense incurred on other borrowed money reported at fair value under a fair value option.

- 2.d**        **Interest on subordinated notes and debentures.** Report the interest expense on all liabilities reportable in Schedule RC, item 19, "Subordinated notes and debentures." Include the contractual amount of interest expense incurred on subordinated notes and debentures reported at fair value under a fair value option.

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 (unless the notes and debentures are reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).

Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 8).



**Item No.    Caption and Instructions**

- 2.e    Total interest expense.** Report the sum of Schedule RI, 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 credit losses, based upon management's evaluation of the loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff. Also include in this item any provision for allocated transfer risk related to loans and leases. The amount reported in this item must equal Schedule RI-B, part II, item 5, "Provision for loan and lease losses." Enclose negative amounts in parentheses.

Exclude any provision for credit losses on off-balance sheet credit exposures, which should be reported in Schedule RI, 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. Include commissions and fees on sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a 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.

**Item No.    Caption and Instructions**

- 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.e.

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 rate, commodity, and equity derivative contracts reportable in Schedule RC-L, item 13, "Total gross notional amount of derivative contracts held for trading," and credit derivative contracts reportable in Schedule RC-L, item 7, "Credit derivatives," that are held for trading purposes. The effect of the periodic net settlements on derivative contracts held for trading purposes should be included as part of the revaluation adjustments from the periodic marking to market of these contracts.
- (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," derivative contracts reportable in Schedule RC-L, item 13, "Total gross notional amount of derivative contracts held for trading," and credit derivative contracts reportable in Schedule RC-L, item 7, "Credit derivatives," that are held for trading purposes.

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



**Item No.    Caption and Instructions**

- 5.d.(1)    Fees and commissions from securities brokerage.** Report 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"). However, exclude fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary (report such income in Schedule RI, item 5.d.(3), "Fees and commissions from annuity sales").

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in securities brokerage activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

- 5.d.(2)    Investment banking, advisory, 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 the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

- 5.d.(3)    Fees and commissions from annuity sales.** Report fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from annuities.

However, exclude fees and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule RI, item 5.a, "Income from fiduciary activities").

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in annuity sales. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

- 5.d.(4)    Underwriting income from insurance and reinsurance activities.** Report the amount of premiums earned by bank subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums should be reported net of any premiums transferred to other insurance underwriters/reinsurers in conjunction with reinsurance contracts.

**Item No.    Caption and Instructions**

**5.d.(4)**    Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance underwriting or reinsurance activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

Exclude income from sales and referrals involving insurance products and annuities (see the instructions for Schedule RI, items 5.d.(5) and 5.d.(3), respectively, for information on reporting such income).

**5.d.(5)**    **Income from other insurance activities.** Report income from insurance product sales and referrals, including:

- (1) Service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products.
- (2) Fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank.

Also include management fees earned from separate accounts and universal life products.

Exclude income from annuity sales and referrals (see the instructions for Schedule RI, item 5.d.(3), above, for information on reporting such income).

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

**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 equity method investees that are principally engaged in venture capital activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

**Item No.    Caption and Instructions**

**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. For servicing assets and liabilities measured under the amortization method, banks should report servicing income net of the related servicing assets' amortization expense, include impairments recognized on servicing assets, and also include increases in servicing liabilities recognized when subsequent events have increased the fair value of the liability above its carrying amount. For servicing assets and liabilities remeasured at fair value under the fair value option, include changes in the fair value of these servicing assets and liabilities. For further information on servicing, see the Glossary entry for "servicing assets and liabilities."

**5.g        Net securitization income.** Report net gains (losses) on assets sold in the bank's own securitization transactions, i.e., net of transaction costs. Include unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in the bank's own securitization transactions. Report fee income from securitizations, securitization conduits, and structured finance vehicles, including fees for providing administrative support, liquidity support, interest rate risk management, credit enhancement support, and any additional support functions as an administrative agent, liquidity agent, hedging agent, or credit enhancement agent. Include all other fees (other than servicing fees and commercial paper placement fees) earned from the bank's securitization and structured finance transactions.

Exclude income from servicing securitized assets (report in Schedule RI, item 5.f, above), fee income from the placement of commercial paper (report in Schedule RI, item 5.d, 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"). Also exclude net gains (losses) on loans sold to -- and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale to -- a government-sponsored agency or another institution that in turn securitizes the loans (report in Schedule RI, item 5.i, "Net gains (losses) on sales of loans and leases").

**5.h        Not applicable.**

**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 the bank's own securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in the bank's own 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.

**Item No.**    **Caption and Instructions**

- 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).

**Item No.    Caption and Instructions**

**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.i, 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 and 1.i, 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.(2).

**Item No.    Caption and Instructions**

- 5.I**  
(cont.)
- (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.)
- (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; insurance and reinsurance underwriting activities; or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1), 5.d.(2), 5.d.(3), 5.d.(4), 5.d.(5), and 5.e, 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.
- (23) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10.b, "Other intangible assets," and Schedule RC, item 20, "Other liabilities," respectively, and assets and liabilities reported in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value. (Report the amount of this income in Schedule RI-E, item 1.i, if the absolute value of 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.) Exclude the contractual amounts of interest income earned and interest expense incurred on financial assets and liabilities reported at fair value under a fair value option, which should be reported in the appropriate interest income or interest expense items on Schedule RI.

**Item No.    Caption and Instructions**

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

**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.d** (cont.) (5) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option. Banks should report these net decreases (increases) in fair value on trading assets and liabilities in Schedule RI, item 5.c; on servicing assets and liabilities in Schedule RI, item 5.f; and on other financial assets and liabilities in Schedule RI, item 5.l. Contractual amounts of interest income earned and interest expense incurred on these financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule RI.

**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."

**Item No.    Caption and Instructions**

**9**            (3) Schedule RI-A, item 10, "Other comprehensive income."  
(cont.)

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

**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 on troubled debt restructurings of the reporting bank's own debt, as determined in accordance with the provisions of FASB Statement No. 15.
- (3) 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.
- (4) The results of discontinued operations as determined in accordance with the provisions of FASB Statement No. 144.

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.

**Memoranda****Item No.    Caption and Instructions**

- 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, 2005, and applied push down accounting to its balance sheet would report 20050601 in this Memorandum item in the Reports of Condition and Income for June 30, September 30, and December 31, 2005.

Push down accounting is the establishment of a new accounting basis for a bank in its separate financial statements (including its Reports of Condition and Income) as a result of the bank becoming substantially wholly owned by an investor (which may be a holding company) or a group of investors working collaboratively via a purchase transaction or a series of purchase transactions. When push down accounting is used to account for the acquisition of a bank that becomes substantially wholly owned, yet retains its separate corporate existence, the bank's assets and liabilities (Schedule RC) are restated based on the amount or amounts paid to purchase the bank's voting stock. The purchase cost should be allocated to the bank's assets and liabilities based on their fair values as of the date(s) of the purchase transaction(s). In the year the bank applies push down accounting, its income statements (Schedule RI) for periods after the date it became substantially wholly owned should only include amounts from that date 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.e 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.e must equal Schedule RI, item 5.c.

**Memoranda****Item No.    Caption and Instructions**

**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, equity, or credit 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, equity, or credit derivative contracts.

**8.e        Credit exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as credit exposures. Credit exposures may arise from cash debt instruments (e.g., debt securities) and credit derivative contracts. In general, credit derivative contracts are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or "reference entity" to another party (the "guarantor"). Credit derivative contracts include credit default swaps, total return swaps, credit options, and other credit derivatives.

**Memoranda****Item No.    Caption and Instructions**

- 9        Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account.** Report in the appropriate subitem the net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account, regardless of whether the credit derivative is designated as and qualifies as a hedging instrument under generally accepted accounting principles. Credit exposures held outside the trading account include, for example, nontrading assets (such as available-for-sale securities and loans held for investment) and unused lines of credit.
- 9.a      Net gains (losses) on credit derivatives held for trading.** Report the net gains (losses) recognized in earnings on credit derivatives held for trading (and reportable as trading assets or trading liabilities, as appropriate, in Schedule RC, item 5 or item 15, respectively) that economically hedge credit exposures held outside the trading account. The net gains (losses) on credit derivatives reported in this item will also have been included as trading revenue in Schedule RI, Memorandum item 8.e, "Credit exposures."
- 9.b      Net gains (losses) on credit derivatives held for purposes other than trading.** Report the net gains (losses) recognized in earnings on credit derivatives held for purposes other than trading (and reportable as other assets or other liabilities, as appropriate, in Schedule RC, item 11 or item 20, respectively) that economically hedge credit exposures held outside the trading account. Net gains (losses) on credit derivatives held for purposes other than trading should not be reported as trading revenue in Schedule RI, item 5.c.
- 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 incurred on derivative contracts (as defined for Schedule RC-L, items 7 and 12), net of recoveries (e.g., net charge-offs). 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.
- 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 100 qualifying shareholders and having only one class of stock outstanding.

**Memoranda****Item No.    Caption and Instructions**

NOTE: Memorandum item 12 is to be completed by banks that are required to complete Schedule RC-C, part I, Memorandum items 8.b and 8.c.

- 12            Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties.** Report the amount of noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (i.e., interest income accrued and uncollected that has been added to principal) included in interest and fee income on loans secured by real estate in domestic offices (Schedule RI, item 1.a.(1)(a) on the FFIEC 031; item 1.a.(1) on the FFIEC 041).

Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).

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

NOTE: Items 4.a and 4.b are applicable only to banks filing the FFIEC 031 report form.

- 4.a    To U.S. addressees (domicile).** Report in columns A and B, as appropriate, commercial and industrial loans to U.S. addressees (as defined for Schedule RC-C, part I, item 4.a, column A) charged-off and recovered.
- 4.b    To non-U.S. addressees.** Report in columns A and B, as appropriate, commercial and industrial loans to U.S. addressees (as defined for Schedule RC-C, part I, item 4.b, column A) charged-off and recovered.
- 5       Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) charged-off and recovered.
- 5.a    Credit cards.** Report in columns A and B, as appropriate, all extensions of credit under credit cards (as defined for Schedule RC-C, part I, items 6.a) charged-off and recovered.
- 5.b    Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).** Report in columns A and B, as appropriate, all extensions of credit to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule RC-C, part I, items 6.b and 6.c) charged-off and recovered.
- 6       Loans to foreign governments and official institutions.** Report in columns A and B, as appropriate, loans to foreign governments and official institutions (as defined for Schedule RC-C, part I, item 7) charged-off and recovered.
- 7       All other loans.** On the FFIEC 041, report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers, obligations (other than securities and leases) of states and political subdivisions in the U.S., and other loans (as defined for Schedule RC-C, part I, items 3, 8, and 9) charged-off and recovered. On the FFIEC 031, report in columns A and B, as appropriate, obligations (other than securities and leases) of states and political subdivisions in the U.S. and other loans (as defined for Schedule RC-C, part I, items 8 and 9) charged-off and recovered.
- 8       Lease financing receivables.** Report in columns A and B, as appropriate, all lease financing receivables (as defined for Schedule RC-C, part I, item 10) charged-off and recovered.

NOTE: Items 8.a and 8.b are applicable only to banks filing the FFIEC 031 report form.

- 8.a    Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, all leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 10.a, column A) charged-off and recovered.
- 8.b    All other leases.** Report in columns A and B, as appropriate, all other leases (as defined for Schedule RC-C, part I, item 10.b, column A) charged-off and recovered.
- 9       Total.** Report in columns A and B the sum of item 1 through 8. The amount reported in column A must equal Schedule RI-B, part II, item 3, "Charge-offs," below. The amount reported in column B must equal Schedule RI-B, part II, item 2, "Recoveries," below.

**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions****1            Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RI-B, part I, items 4 and 7, above.**

Report in columns A and B, as appropriate, loans to finance commercial real estate, construction, and land development activities **not secured by real estate** (as defined for Schedule RC-C, part I, Memorandum item 3) charged off and recovered. Such loans will have been included in items 4 and 7 of Schedule RI-B, part I, above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RI-B, part I, above.

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

NOTE: On the FFIEC 041, Memorandum items 2.a through 2.d are to be completed by banks that have \$300 million or more in total assets.

**2            2.a            Loans secured by real estate to non-U.S. addressees (domicile).** Report in columns A and B, as appropriate, loans secured by real estate to non-U.S. addressees (as defined for Schedule RC-C, part 1, Memorandum item 5) charged off and recovered. Such loans will have been included in Schedule RI-B, part I, item 1, above.

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

NOTE: On the FFIEC 041, Memorandum items 2.b through 2.d are to be completed by banks that have \$300 million or more in total assets.

**2.b            Loans to and acceptances of foreign banks.** Report in columns A and B, as appropriate, loans to and acceptances of foreign banks (as defined for Schedule RC-C, part I, items 2.a.(1) and 2.c.(2), column A) charged off and recovered. Such loans and acceptances will have been included in Schedule RI-B, part I, item 2, above.

**2.c            Commercial and industrial loans to non-U.S. addressees (domicile).** Report in columns A and B, as appropriate, commercial and industrial loans to non-U.S. addressees (as defined for Schedule RC-C, part I, item 4.b, column A) charged off and recovered. Such loans will have been included in Schedule RI-B, part I, item 4, above.

**2.d            Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 10.a, column A) charged off and recovered. Such leases will have been included in Schedule RI-B, part I, item 8, above.



**Part I. (cont.)****Memoranda****FFIEC 041****Item No.    Caption and Instructions****3            Loans to finance agricultural production and other loans to farmers.**

Memorandum item 3 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.

Report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column B) charged off and recovered. Such loans will have been included in Schedule RI-B, part I, item 7, above.

NOTE: Memorandum item 4 is to be completed only by those banks that:

- (1) either individually or on a combined basis with their affiliated depository institutions, report outstanding credit card receivables that exceed, in the aggregate, \$500 million as of the report date. Outstanding credit card receivables are the sum of:
  - (a) Schedule RC-C, part I, item 6.a (column B on the FFIEC 041, column A on the FFIEC 031);
  - (b) Schedule RC-S, item 1, column C; and
  - (c) Schedule RC-S, item 6.a, column C.
 (Include comparable data on managed credit card receivables for any affiliated savings association.)  
 OR
- (2) are credit card specialty banks as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty banks are currently defined as those banks that exceed 50% for the following two criteria:
  - (a) Credit Cards plus Securitized and Sold Credit Cards divided by Total Loans plus Securitized and Sold Credit Cards.
  - (b) Total Loans plus Securitized and Sold Credit Cards divided by Total Assets plus Securitized and Sold Credit Cards.

**FFIEC 031 and 041****Item No.    Caption and Instructions****4            Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for loan and lease losses).**

Report the amount of fees and finance charges on credit cards (as defined for Schedule RC-C, part I, item 6.a) that the bank reversed against either interest and fee income or a separate contra-asset account during the calendar year-to-date. Report the amount of fees and finance charges that have been reversed on a gross basis, i.e., do not reduce the amount of reversed fees and finance charges by recoveries of these reversed fees and finance charges. Exclude from this item credit card fees and finance charges reported as charge-offs against the allowance for loan and lease losses in Schedule RI-B, part I, item 5.a, column A.



**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions**

- 5 and 6**    Memorandum items 5 and 6 must be completed by all banks that are required to complete Schedule RC-C, part I, Memorandum items 9 and 10, i.e., (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their "Construction, land development, and other land loans" and on their loans "Secured by nonfarm nonresidential properties" beginning March 31, 2008.
- 5**           **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column construction, land development, and other land loans (as defined for Schedule RC-C, part I, item 1.a, column B) charged off and recovered. The sum of Memorandum items 5.a and 5.b must equal Schedule RI-B, part I, item 1.a.
- 5.a**       **1-4 family residential construction loans.** Report in columns A and B, as appropriate, 1-4 family residential construction loans (as defined for Schedule RC-C, part I, Memorandum item 9.a) charged off and recovered.
- 5.b**       **Other construction loans and all land development and other land loans.** Report in columns A and B, as appropriate, other construction loans and all land development and other land loans (as defined for Schedule RC-C, part I, Memorandum item 9.b) charged off and recovered.
- 6**           **Loans secured by nonfarm nonresidential properties (in domestic offices).** Report in the appropriate subitem and column loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e, column B) charged off and recovered. The sum of Memorandum items 6.a and 6.b must equal Schedule RI-B, part I, item 1.e.
- 6.a**       **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, part I, Memorandum item 10.a) charged off and recovered.
- 6.b**       **Loans secured by other nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, part I, Memorandum item 10.b) charged off and recovered.

## **Part II. Changes In Allowance for Loan and Lease Losses**

### **General Instructions**

Report the reconciliation of the allowance for loan and lease losses on a calendar year-to-date basis. For those banks required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, the reconciliation should include the activity in the allocated transfer risk reserve during the calendar year-to-date that relates to loans and leases.

Exclude the balances of the allowance for credit losses on off-balance sheet credit exposures reported in Schedule RC-G, item 3, and any capital reserves included in Schedule RC, item 26.a, "Retained earnings," and the effects of any transactions therein.

Refer to the Glossary entry for "allowance for loan and lease losses" for further information.

**Business Combinations and Push Down Accounting Transactions** -- If the bank has entered into a business combination that became effective during the reporting period which has been accounted for as a pooling of interests, include the recoveries, charge-offs, and provisions of the combined bank or other business for the calendar year-to-date. Report the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the bank or other business acquired in the pooling in item 6, "Adjustments."

If the bank purchased another bank or business during the reporting period, include the recoveries, charge-offs, and provisions of the acquired bank or other business only after its acquisition. Report the amount of the allowance for loan and lease losses of the acquired bank or other business as of the effective date of the business combination in item 6, "Adjustments."

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, include only the recoveries, charge-offs, and provisions from the effective date of the bank's acquisition through the end of the year-to-date reporting period. Report the change in the balance of the allowance for loan and lease losses from the end of the previous calendar year through the effective date of the bank's acquisition in item 6, "Adjustments."

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        **Balance most recently reported in the December 31, 20xx, Reports of Condition and Income.** Report the balance of the bank's allowance for loan and lease losses as reported in the Reports of Condition and Income for the previous calendar year-end after the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end.

## SCHEDULE RI-E – EXPLANATIONS

### General Instructions

Schedule RI-E is to be completed each quarter on a calendar year-to-date basis. On those lines for which your bank must provide a description of the amount being reported, the description should not exceed 50 characters (including punctuation and spacing between words). If additional space is needed to complete a description, item 7 of this schedule may be used.

### Item No.    Caption and Instructions

- 1**        **Other noninterest income.** Disclose in items 1.a through 1.i each component of Schedule RI, item 5.l, “Other noninterest income,” and the dollar amount of such component, that exceeds 1 percent of the sum of “Total interest income” and “Total noninterest income” (Schedule RI, item 1.h plus item 5.m).

Preprinted captions have been provided for the following categories of “Other noninterest income”:

- Item 1.a, “Income and fees from the printing and sale of checks,”
- Item 1.b, “Earnings on/increase in value of cash surrender value of life insurance,”
- Item 1.c, “Income and fees from automated teller machines (ATMs),”
- Item 1.d, “Rent and other income from other real estate owned,”
- Item 1.e, “Safe deposit box rent,” and
- Item 1.i, “Net change in the fair values of financial instruments accounted for under a fair value option.”

For other components of “Other noninterest income” that exceed the disclosure threshold, list and briefly describe these components in items 1.f through 1.h and, if necessary, in Schedule RI-E, item 7, below.

- 2**        **Other noninterest expense.** Disclose in items 2.a through 2.j each component of Schedule RI, item 7.d, “Other noninterest expense,” and the dollar amount of such component, that exceeds 1 percent of the sum of “Total interest income” and “Total noninterest income” (Schedule RI, item 1.h plus item 5.m).

Preprinted captions have been provided for the following categories of “Other noninterest expense”:

- Item 2.a, “Data processing expenses,”
- Item 2.b, “Advertising and marketing expenses,”
- Item 2.c, “Directors’ fees,”
- Item 2.d, “Printing, stationery, and supplies,”
- Item 2.e, “Postage,”
- Item 2.f, “Legal fees and expenses,” and
- Item 2.g, “FDIC deposit insurance assessments.”

For other components of “Other noninterest expense” that exceed the disclosure threshold, list and briefly describe these components in items 2.h through 2.j and, if necessary, in Schedule RI-E, item 7, below.

**Item No.**    **Caption and Instructions**

- 3**        **Extraordinary items and other adjustments and applicable income tax effect.** List and briefly describe in items 3.a, 3.b, and 3.c the gross dollar amount of each item included in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes," and its related income tax effect, if any. If Schedule RI, item 11, includes more than three items, report the additional items and their related tax effects in Schedule RI-E, item 7, below.
- If an extraordinary item or other adjustment is a loss or otherwise reduces the bank's income, enclose the dollar amount reported in parentheses. If an applicable income tax effect is a tax benefit (rather than a tax expense), enclose the dollar amount reported in parentheses.
- 4**        **Restatements due to corrections of material accounting errors and changes in accounting principles.** List and briefly describe in items 4.a and 4.b the dollar amount of each correction of a material accounting error and cumulative effect of a change in accounting principles, net of applicable income taxes, that is included in Schedule RI-A, item 2. If Schedule RI-A, item 2, includes more than two accounting error corrections and accounting principle changes, report the additional corrections and cumulative effects in Schedule RI-E, item 7, below.
- If an accounting error correction or a cumulative effect of an accounting principle change represents a reduction of the bank's equity capital, enclose the dollar amount reported in parentheses.
- 5**        **Other transactions with parent holding company.** List and briefly describe in items 5.a and 5.b the dollar amount of each type of other transaction with the bank's parent holding company that is included in Schedule RI-A, item 11. If Schedule RI-A, item 11, includes more than two types of other transactions, report the additional types of other transactions in Schedule RI-E, item 7, below.
- If the effect of a type of other transaction with the bank's parent holding company is to reduce the bank's equity capital, enclose the dollar amount reported in parentheses.
- 6**        **Adjustments to allowance for loan and lease losses.** List and briefly describe in items 6.a and 6.b the dollar amount of each type of adjustment to the allowance for loan and lease losses that is included in Schedule RI-B, part II, item 6. If Schedule RI-B, part II, item 6, includes more than two types of adjustments, report the additional adjustments in Schedule RI-E, item 7, below.
- If the effect of an adjustment is to reduce the bank's allowance for loan and lease losses, enclose the dollar amount reported in parentheses.
- 7**        **Other explanations.** In the space provided on the report form, the bank may, at its option, list and briefly describe any other significant items relating to the Report of Income. The bank's other explanations must not exceed 750 characters, including punctuation and standard spacing between words and sentences.

**Item No.**    **Caption and Instructions****1.a**  
(cont.)Exclude from cash items in process of collection:

- (1) Cash items for which the reporting bank has already received credit, provided that the funds on deposit are subject to immediate withdrawal. The amount of such cash items is considered part of the reporting bank's balances due from depository institutions.
- (2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 6, "All other assets"). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips is considered part of the reporting bank's balances due from depository institutions.
- (3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 6, "All other assets").
- (4) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report as loans in the appropriate item of Schedule RC-C, part I; if the drafts were received on a collection basis, they should be excluded entirely from the bank's balance sheet, Schedule RC, until the funds have actually been collected.)

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

Currency and coin include both U.S. and foreign currency and coin owned and held in all offices of the reporting bank, currency and coin in transit to a Federal Reserve Bank or to any other depository institution for which the reporting bank has not yet received credit, and currency and coin in transit from a Federal Reserve Bank or from any other depository institution for which the reporting bank's account has already been charged. Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

Noninterest-bearing balances due from depository institutions include balances due from Federal Reserve Banks (including reserve and other balances), commercial banks in the U.S., other depository institutions in the U.S. (e.g., credit unions, mutual and stock savings banks, savings or building and loan associations, and cooperative banks), Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Noninterest-bearing balances include those noninterest-bearing funds on deposit at other depository institutions for which the reporting bank has already received credit and which are subject to immediate withdrawal. Balances for which the bank has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal are considered "cash items in process of collection."

**Item No.    Caption and Instructions****1.a**  
(cont.)Include as noninterest-bearing balances due from depository institutions:

- (1) Noninterest-bearing balances due from the reporting bank's correspondents, including amounts that its correspondent is to pass through or already has passed through to a Federal Reserve Bank on behalf of the reporting bank (see the Glossary entry for "pass-through reserve balances" for further discussion).
- (2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")
- (3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "pass-through reserve balances" for further discussion).

Exclude from noninterest-bearing balances due from depository institutions:

- (1) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks").
- (2) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

**1.b**

**Interest-bearing balances.** Report all interest-bearing balances due from depository institutions whether in the form of savings or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Include balances due from commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Include the fair value of interest-bearing balances due from depository institutions that are accounted for at fair value under a fair value option.

On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 041, for banks with \$300 million or more in total assets, the components of this item will also be included in the appropriate items of Schedule RC-A.

Exclude from interest-bearing balances:

- (1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, part I, item 2).
- (2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.
- (3) Certificates of deposit held for trading (report in Schedule RC, item 5).



**Item No.    Caption and Instructions****2            Securities:**

**2.a            Held-to-maturity securities.** Report the amount from Schedule RC-B, item 8, column A, "Total amortized cost."

**2.b            Available-for-sale securities.** Report the amount from Schedule RC-B, item 8, column D, "Total fair value."

**3            Federal funds sold and securities purchased under agreements to resell:**

**3.a            Federal funds sold (in domestic offices).** Report the outstanding amount of federal funds sold, i.e., immediately available funds lent (in domestic offices) under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds lent in the form of securities purchased under agreements to resell (which should be reported in Schedule RC, item 3.b) and overnight lending for commercial and industrial purposes (which generally should be reported in Schedule RC, item 4.b). Transactions that are to be reported as federal funds sold may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under FASB Interpretation No. 39. Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

- (1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 4.b, "Loans and leases, net of unearned income").
- (2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").
- (3) Deposit balances due from a Federal Home Loan Bank (report as balances due from depository institutions in Schedule RC, item 1.a or 1.b, as appropriate).
- (4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule RC, item 4.b, "Loans and leases, net of unearned income").

For further information, see the Glossary entry for "federal funds transactions."

**Item No.    Caption and Instructions****3.b        Securities purchased under agreements to resell. Report the outstanding amount of:**

- (1) Securities resale agreements, regardless of maturity, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.
- (2) Purchases of participations in pools of securities, regardless of maturity.

Report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under FASB Interpretation No. 41. Include the fair value of securities purchased under agreements to resell that are accounted for at fair value under a fair value option.

Exclude from this item:

- (1) Resale agreements involving assets other than securities (report in Schedule RC, item 3.a, "Federal funds sold," or item 4.b, "Loans and leases, net of unearned income," as appropriate, depending on the maturity and office location of the transaction).
- (2) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule RC, item 4.b). See the Glossary entry for "due bills."
- (3) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements").

For further information, see the Glossary entry for "repurchase/resale agreements."

**4        Loans and lease financing receivables. Report in the appropriate subitem loans and leases held for sale and loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., held for investment. The sum of Schedule RC, items 4.a and 4.b, must equal Schedule RC-C, part I, item 12, (column A on the FFIEC 031).**

**4.a        Loans and leases held for sale. Report the amount of loans and leases held for sale. Loans and leases held for sale should be reported at the lower of cost or fair value except for those loans held for sale that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. For loan and leases held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance within this item. No allowance for loan and lease losses should be included in Schedule RC, item 4.c, for loans and leases held for sale. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, part I.**

**4.b        Loans and leases, net of unearned income. Report the amount of loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans held for investment. Include loans held for investment that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, part I.**

**Item No.    Caption and Instructions**

- 4.c    Less: Allowance for loan and lease losses.** Report the allowance for loan and lease losses as determined in accordance with the instructions in the Glossary entry for "allowance for loan and lease losses." Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies. This item must equal Report of Income Schedule RI-B, part II, item 7, "Balance end of current period."
- 4.d    Loans and leases, net of unearned income and allowance.** Report the amount derived by subtracting Schedule RC, item 4.c, from Schedule RC, item 4.b.
- 5       Trading assets.** Banks that (a) regularly underwrite or deal in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements; or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this item the value of such assets or positions on the report date. Assets and other financial instruments held for trading shall be consistently valued at fair value.

Do not include in this item the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Available-for-sale securities are reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. Loans and leases held for sale should be reported in Schedule RC, item 4.a, "Loans and leases held for sale," and in Schedule RC-C.

Trading assets include but are not limited to U.S. Treasury securities, U.S. Government agency obligations, securities issued by states and political subdivisions in the U.S., other bonds, notes, and debentures, certificates of deposit, commercial paper, and bankers acceptances. Under FASB Statement No. 159, trading assets include securities not acquired for trading purposes that the bank has elected to report at fair value under a fair value option. Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RC, item 15, "Trading liabilities," as appropriate. (See the Glossary entry for "offsetting.")

For those banks that must complete Schedule RC-D, this item must equal Schedule RC-D, item 12, "Total trading assets."

- 6       Premises and fixed assets.** Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures purchased directly or acquired by means of a capital lease. 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.

**Item No.    Caption and Instructions**

**6**            Do not deduct mortgages or other liens on such property (report in Schedule RC, item 16, (cont.) "Other borrowed money").

Include as premises and fixed assets:

- (1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the bank, its branches, or its consolidated subsidiaries.
- (2) Leasehold improvements, vaults, and fixed machinery and equipment.
- (3) Remodeling costs to existing premises.
- (4) Real estate acquired and intended to be used for future expansion.
- (5) Parking lots that are used by customers or employees of the bank, its branches, and its consolidated subsidiaries.
- (6) Furniture, fixtures, and movable equipment of the bank, its branches, and its consolidated subsidiaries.
- (7) Automobiles, airplanes, and other vehicles owned by the bank and used in the conduct of its business.
- (8) The amount of capital lease property (with the bank as lessee): premises, furniture, fixtures, and equipment. See the discussion of accounting with bank as lessee in the Glossary entry for "lease accounting."
- (9) Stocks and bonds issued by nonmajority-owned corporations whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the bank, its branches, or its consolidated subsidiaries.

Exclude from premises and fixed assets:

- (1) Original paintings, antiques, and similar valuable objects (report in Schedule RC-F, item 6, "All other assets").
- (2) Favorable leasehold rights (report in Schedule RC, item 10.b, "Other intangible assets").

Property formerly but no longer used for banking may be reported either in this item as "Premises and fixed assets" or in Schedule RC-M, item 3.b, as "All other real estate owned."

**7**            **Other real estate owned.** Report the total amount of other real estate owned from Schedule RC-M, item 3.c. For further information on other real estate owned, see the instruction to Schedule RC-M, item 3, and the Glossary entry for "foreclosed assets."

**8**            **Investments in unconsolidated subsidiaries and associated companies.** Report the total amount of the bank's investments in unconsolidated subsidiaries and associated companies from Schedule RC-M, item 4.c. For further information on unconsolidated subsidiaries and associated companies, see the instruction to Schedule RC-M, item 4.

**9**            Not applicable.

**Item No.    Caption and Instructions**

**14.a**  
(cont.)    Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, except to the extent permitted under FASB Interpretation No. 39. Include the fair value of federal funds purchased that are accounted for at fair value under a fair value option.

Also exclude from federal funds purchased:

- (1) Purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 16, "Other borrowed money").
- (2) Security repurchase agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase").
- (3) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank (report those in the form of securities repurchase agreements in Schedule RC, item 14.b, and all other borrowings in Schedule RC, item 16).
- (4) Borrowing transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities repurchase agreements (report in Schedule RC, item 16).

For further information, see the Glossary entry for "federal funds transactions."

**14.b**    **Securities sold under agreements to repurchase.** Report the outstanding amount of:

- (1) Securities repurchase agreements, regardless of maturity, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.
- (2) Sales of participations in pools of securities, regardless of maturity.

Report securities sold under agreements to repurchase on a gross basis, i.e., do not net them against securities purchased under agreements to resell, except to the extent permitted under FASB Interpretation No. 41. Include the fair value of securities sold under agreements to repurchase that are accounted for at fair value under a fair value option.

Exclude from this item:

- (1) Repurchase agreements involving assets other than securities (report in Schedule RC, item 14.a, "Federal funds purchased," or item 16, "Other borrowed money," as appropriate, depending on the maturity and office location of the transaction).
- (2) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank other than in the form of securities repurchase agreements (report in Schedule RC, item 16).
- (3) Obligations under due bills that resulted when the bank sold securities or other assets and received payment, but has not yet delivered the assets, and similar obligations, whether collateralized or uncollateralized (report in Schedule RC, item 16). See the Glossary entry for "due bills."

**Item No.    Caption and Instructions**

**14.b**        (4) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for  
(cont.)        "repurchase/resale agreements").

For further information, see the Glossary entry for "repurchase/resale agreements."

**15**        **Trading liabilities.** Report the amount of liabilities from the reporting bank's trading activities. Include liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "short position") and revaluation losses from the "marking to market" of interest rate, foreign exchange rate, equity, and commodity and other derivative contracts into which the reporting bank has entered for trading, dealer, customer accommodation, and similar purposes. For those banks that must complete Schedule RC-D, Trading Assets and Liabilities, the amount reported in this item must equal Schedule RC-D, item 15.

**16**        **Other borrowed money.** Report the amount from Schedule RC-M, item 5.c.

**17**        Not applicable.

**18**        Not applicable.

**19**        **Subordinated notes and debentures.** Report the amount of subordinated notes and debentures (including mandatory convertible debt). Include the fair value of subordinated notes and debentures that are accounted for at fair value under a fair value option. (See the Glossary entry for "subordinated notes and debentures" for the definition of this term.) Also include the amount of outstanding limited-life preferred stock including any amounts received in excess of its par or stated value. (See the Glossary entry for "preferred stock" for the definition of limited-life preferred stock.)

## SCHEDULE RC-A – CASH AND BALANCES DUE FROM DEPOSITORY INSTITUTIONS

### General Instructions

Schedule RC-A is to be completed by banks with foreign offices or with \$300 million or more in total assets.

On the FFIEC 031, this schedule has two columns for banks with foreign offices to report detail on "Cash and balances due from depository institutions." In column A report amounts for the fully consolidated bank, and in column B report amounts for domestic offices only. See the Glossary entry for "domestic office" for the definition of this term. Refer to the General Instructions section of this book for a detailed discussion of consolidation.

On the FFIEC 041, this schedule has a single column for banks with \$300 million or more in total assets to report detail on "Cash and balances due from depository institutions."

For banks that elect to report balances due from depository institutions at fair value under a fair value option, report the fair value of those balances in the same items and columns as similar balances to which a fair value option has not been applied.

For purposes of these reports, deposit accounts "due from" other depository institutions that are overdrawn are to be reported as other borrowings with a remaining maturity of one year or less in Schedule RC-M, item 5.b.(1), except overdrawn "due from" accounts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted). For further information, refer to the Glossary entry for "overdraft."

Treatment of reciprocal balances with depository institutions -- Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when a reporting bank has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. Net "due from" balances should be reported in this schedule. Net "due to" balances should be reported as deposit liabilities in Schedule RC-E. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. See also the Glossary entry for "reciprocal balances."

Exclude from this schedule:

- (1) All intrabank transactions, i.e., all transactions between any offices of the consolidated bank.
- (2) Claims on banks or other depository institutions that the reporting bank holds for trading purposes (report in Schedule RC, item 5, "Trading assets").
- (3) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks").
- (4) Loans to depository institutions (report in Schedule RC-C, part I, item 2).

**Item Instructions****Item No.    Caption and Instructions**

- 1**        **Cash items in process of collection, unposted debits, and currency and coin.** On the FFIEC 031, report this item as a single total for the fully consolidated bank in column A, but with a breakdown between cash items in process of collection and unposted debits (Schedule RC-A, item 1.a) and currency and coin (Schedule RC-A, item 1.b) for domestic offices of the bank in column B. On the FFIEC 041, report cash items in process of collection and unposted debits in Schedule RC-A, item 1.a, and currency and coin in Schedule RC-A, item 1.b.

Cash items in process of collection include:

- (1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank) and that are payable immediately upon presentation in the United States (or, for purposes of the FFIEC 031, in the country where the reporting bank's office which is clearing or collecting the check or draft is located). This includes:
  - (a) Checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting bank has not yet been given credit ("cash letters").
  - (b) Checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.
  - (c) Checks or drafts that have been deposited with the reporting bank's correspondent and for which the reporting bank has already been given credit, but for which the amount credited is not subject to immediate withdrawal ("ledger credit" items).

However, if the reporting bank has been given immediate credit by its correspondent for checks or drafts presented for payment or forwarded for collection and if the funds on deposit are subject to immediate withdrawal, report the amount of such checks or drafts in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks."

- (2) Government checks drawn on the Treasurer of the United States or any other government agency that are payable immediately upon presentation and that are in process of collection.
- (3) Such other items in process of collection that are payable immediately upon presentation and that are customarily cleared or collected as cash items by depository institutions in the United States or in such other country where the reporting bank's office which is clearing or collecting the item is located, such as:
  - (a) Redeemed United States savings bonds and food stamps.
  - (b) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.



## SCHEDULE RC-B – SECURITIES

### General Instructions

This schedule has four columns for information on securities, two columns for held-to-maturity securities and two columns for available-for-sale securities.<sup>1</sup> Report the amortized cost and fair value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and fair value of available-for-sale debt securities in columns C and D, respectively. Information on equity securities with readily determinable fair values is reported in the columns for available-for-sale securities only (columns C and D). For these equity securities, historical cost (not amortized cost) is reported in column C and fair value is reported in column D.

Exclude from this schedule all securities held for trading and securities the bank has elected to report at fair value under a fair value option even if bank management did not acquire the securities principally for the purpose of selling them in the near term. Securities held for trading and securities reported under a fair value option are to be reported in Schedule RC, item 5, "Trading assets," and, for certain banks, in Schedule RC-D – Trading Assets and Liabilities. Trading assets and securities reported under a fair value option are also reported in Schedule RC-Q – Financial Assets and Liabilities Measured at Fair Value.

In general, amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value. (See the Glossary entry for "premiums and discounts.") As defined in FASB Statement No. 115, fair value is "[t]he amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. . . . If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets and the results of valuation techniques to the extent available in the circumstances." When FASB Statement No. 157, *Fair Value Measurements*, takes effect, the definition of fair value in Statement No. 115 will be superseded by the definition in Statement No. 157. For further information, see the Glossary entry for "fair value."

The preferred method for reporting purchases and sales of securities is as of trade date. However, settlement date accounting is acceptable if the reported amounts would not be materially different. (See the Glossary entry for "trade date and settlement date accounting.")

For purposes of this schedule, the following events and transactions involving securities should be reported in the manner indicated below:

- (1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase – These transactions are not to be treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities if the agreements meet the criteria for a borrowing set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

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<sup>1</sup> Available-for-sale securities are generally reported in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, (e.g., certain industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

**General Instructions (cont.)**

- (2) Purchases and sales of participations in pools of securities – Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities if the participation agreements meet the criteria for a borrowing set forth in FASB Statement No. 140. For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."
- (3) Pledged securities – Pledged securities that have not been transferred to the secured party should continue to be included in the pledging bank's holdings of securities that are reported in Schedule RC-B. If the bank has transferred pledged securities to the secured party, the bank should account for the pledged securities in accordance with FASB Statement No. 140.
- (4) Securities borrowed and lent – Securities borrowed and lent shall be reported on the balance sheet of either the borrowing or lending bank in accordance with FASB Statement No. 140. For further information, see the Glossary entries for "transfers of financial assets" and "securities borrowing/lending transactions."
- (5) Short sales of securities – Such transactions are to be reported as described in the Glossary entry for "short position."
- (6) Futures, forward, and option contracts – Such open contracts to buy or sell securities in the future are to be reported as derivatives in Schedule RC-L, item 12.

**Item Instructions****Item No.    Caption and Instructions**

- 1        **U.S. Treasury securities.** Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held in trading accounts. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed."

Exclude all obligations of U.S. Government agencies. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in Schedule RC-B, item 6.a below). Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

**Item No.**    **Caption and Instructions**

- 2**        **U.S. Government agency obligations.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all U.S. Government agency obligations (excluding mortgage-backed securities) not held for trading.

Exclude from U.S. Government agency obligations:

- (1) Loans to the Export-Import Bank and to federally-sponsored lending agencies (report in "Other loans," Schedule RC-C, part I, item 9). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.
- (2) All holdings of U.S. Government-issued or -guaranteed mortgage pass-through securities (report in Schedule RC-B, item 4.a, below).
- (3) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) issued by U.S. Government agencies and corporations (report in Schedule RC-B, item 4.b, below).
- (4) Participations in pools of Federal Housing Administration (FHA) Title I loans, which generally consist of junior lien home improvement loans (report as loans in Schedule RC-C, generally in item 1.c.(2)(b), Loans "secured by junior liens" on 1-to-4 family residential properties).



## SCHEDULE RC-C – LOANS AND LEASE FINANCING RECEIVABLES

### Part I. Loans and Leases

#### General Instructions for Part I

Loans and lease financing receivables are extensions of credit resulting from either direct negotiation between the bank and its customers or the purchase of such assets from others. See the Glossary entries for "loan" and for "lease accounting" for further information.

Report all loans and leases that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans and leases held for investment, in Schedule RC-C, part I. Also report in Schedule RC-C, part I, all loans and leases held for sale as part of the consolidated bank's mortgage banking activities or activities of a similar nature involving other types of loans. Include the fair value of all loans held for investment and all loans held for sale that the bank has elected to report at fair value under a fair value option.

When a loan is acquired (through origination or purchase) with the intent or expectation that it may or will be sold at some indefinite date in the future, the loan should be reported as held for sale or held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles and related supervisory guidance. In addition, a loan acquired and held for securitization purposes should be reported as a loan held for sale, provided the securitization transaction will be accounted for as a sale under FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Loans held for sale shall be reported at the lower of cost or fair value as of the report date, except for those that the bank has elected to account for at fair value under a fair value option. For loans held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance. For further information, see FASB Statement No. 65, "Accounting for Certain Mortgage Banking Activities," AICPA Statement of Position 01-6, "Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others," and the March 26, 2001, Interagency Guidance on Certain Loans Held for Sale.

On the FFIEC 041, Schedule RC-C, part I, has two columns for information on loans and leases: column B is to be completed by all banks and column A is to be completed by banks with \$300 million or more in total assets. On the FFIEC 031, this schedule has two columns: column A provides loan and lease detail for the fully consolidated bank and column B provides detail on loans and leases held by the domestic offices of the reporting bank. (See the Glossary entry for "domestic office" for the definition of this term.)

Report loans and leases held for investment in this schedule without any deduction for loss allowances for loans and leases or allocated transfer risk reserves related to loans and leases, which are to be reported in Schedule RC, item 4.c, "Allowance for loan and lease losses." Each item in this schedule should be reported net of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in this schedule in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in Schedule RC-C, part I, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above." Net unamortized direct loan origination costs shall be added to the related loan balances in each item in this schedule. (See the Glossary entry for "loan fees" for further information.)

**General Instructions for Part I (cont.)**

"Purchased impaired loans" are loans accounted for in accordance with AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," that a bank has purchased, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the bank will be unable to collect all contractually required payments receivable. Neither the accretible yield nor the nonaccretible difference associated with purchased impaired loans should be reported as unearned income in Schedule RC-C, part I, item 11. In addition, the nonaccretible difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance.

If, as a result of a change in circumstances, the bank regains control of a loan previously accounted for appropriately as having been sold because one or more of the conditions for sale accounting in FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," are no longer met, such a change should be accounted for in the same manner as a purchase of the loan from the former transferee (purchaser) in exchange for liabilities assumed. The rebooked loan must be reported as a loan asset in Schedule RC-C, part I, either as a loan held for sale or a loan held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles. This accounting and reporting treatment applies, for example, to U.S. Government-guaranteed or -insured residential mortgage loans backing Government National Mortgage Association (GNMA) mortgage-backed securities that a bank services after it has securitized the loans in a transfer accounted for as a sale. If and when individual loans later meet delinquency criteria specified by GNMA, the loans are eligible for repurchase, the bank is deemed to have regained effective control over these loans, and the delinquent loans must be brought back onto the bank's books as loan assets.

Exclude from Schedule RC-C, part I, all loans and leases held for trading purposes (report in Schedule RC, item 5, "Trading assets," and, in the appropriate items of Schedule RC-D, Trading Assets and Liabilities, if applicable).

All loans should be categorized in Schedule RC-C, part I, according to security, borrower, or purpose. Loans covering two or more categories are sometimes difficult to categorize. In such instances, categorize the entire loan according to the major criterion.

Report in Schedule RC-C, part I, all loans and leases on the books of the reporting bank even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the bank has sold or charged off. Also exclude assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the bank has obtained physical possession of the underlying collateral, regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower. Refer to the Glossary entries for "troubled debt restructurings" and "foreclosed assets" for further discussion of these topics.

Exclude, for purposes of this schedule, the following:

- (1) Federal funds sold (in domestic offices), i.e., all loans of immediately available funds (in domestic offices) that mature in one business day or roll over under a continuing contract, excluding funds lent in the form of securities purchased under agreements to resell. Report federal funds sold (in domestic offices) in Schedule RC, item 3.a. However, report overnight lending for commercial and industrial purposes as loans in this schedule. On the FFIEC 031, also report lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements as loans in this schedule.

**General Instructions for Part I (cont.)**

- (2) Lending transactions in the form of securities purchased under agreements to resell (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").
- (3) All holdings of commercial paper (report in Schedule RC, item 5, if held for trading; report in Schedule RC-B, item 5, "Asset-backed securities," or item 6, "Other debt securities," as appropriate, if held for purposes other than trading).
- (4) Contracts of sale or other loans indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").
- (5) Undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amount of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid; see Schedule RC-L, item 1.)

**Item Instructions for Part I****Item No.    Caption and Instructions**

- 1        Loans secured by real estate.** Report all loans secured by real estate. On the FFIEC 041, all banks should report in the appropriate subitems of column B a breakdown of these loans into seven categories. On the FFIEC 031, all banks should report the total amount of these loans for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.

Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. See the Glossary entry for "loan secured by real estate" for the definition of this term.

Include as loans secured by real estate:

- (1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.
- (2) Loans secured by properties and guaranteed by governmental entities in foreign countries.
- (3) Participations in pools of Federal Housing Administration (FHA) Title I home improvement loans that are secured by liens (generally, junior liens) on residential properties.

Exclude from loans secured by real estate:

- (1) Obligations (other than securities and leases) of states and political subdivisions in the U.S. that are secured by real estate (report in Schedule RC-C, part I, item 8).
- (2) All loans and sales contracts indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

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

- 1**  
(cont.)
- (3) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign non-governmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages or similar liens on real estate are not sold to the bank but are merely pledged as collateral (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks," or as all other loans in Schedule RC-C, part I, item 9).
- (4) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages (report in Schedule RC-B, item 2.b, Securities "Issued by U.S. Government-sponsored agencies").
- (5) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation (report in Schedule RC-B, item 4.a). However, if the reporting bank is the seller-servicer of the residential mortgages backing such securities and, as a result of a change in circumstances, it must rebook any of these mortgages because one or more of the conditions for sale accounting in FASB Statement No. 140 are no longer met, the rebooked mortgages should be included in Schedule RC-C, part I, as loans secured by real estate.

- 1.a**        **Construction, land development, and other land loans.** Report in column B loans secured by real estate made to finance land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings. For this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Also include in this item:

- (1) Loans secured by vacant land, except land known to be used or usable for agricultural purposes, such as crop and livestock production (which should be reported in Schedule RC-C, part I, item 1.b, below, as loans secured by farmland).
- (2) Loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.
- (3) Loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Exclude loans to finance construction and land development that are not secured by real estate (report in other items of Schedule RC-C, part I, as appropriate).



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

**1.b        Secured by farmland.** Report in column B loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

Include loans secured by farmland that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by any party other than FmHA or SBA.

Exclude loans for farm property construction and land development purposes (report in Schedule RC-C, part I, item 1.a).

**1.c        Secured by 1-4 family residential properties.** Report in the appropriate subitem of column B open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on:

- (1) Nonfarm property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).
- (2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.
- (3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.
- (3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.
- (4) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1-to-4 family dwelling units are involved.

Exclude loans for 1-to-4 family residential property construction and land development purposes (report in Schedule RC-C, part I, item 1.a). Also exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes (report in Schedule RC-C, part I, item 1.a).

**1.c.(1)    Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report in column B the amount outstanding under revolving, open-end lines of credit secured by 1-to-4 family residential properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

**1.c.(2)    Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem of column B the amount of all closed-end loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages and junior liens).



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

- 9**  
(cont.)
- (5) Loans to holding companies of other depository institutions.
  - (6) Loans to insurance companies.
  - (7) Loans to finance companies, mortgage finance companies, factors and other financial intermediaries, short-term business credit institutions that extend credit to finance inventories or carry accounts receivable, and institutions whose functions are predominantly to finance personal expenditures (exclude loans to financial corporations whose sole function is to borrow money and relend it to its affiliated companies or a corporate joint venture in which an affiliated company is a joint venturer).
  - (8) Loans to federally-sponsored lending agencies (see the Glossary entry for "federally-sponsored lending agency" for the definition of this term).
  - (9) Loans to investment banks.
  - (10) Loans and advances made to the bank's own trust department.
  - (11) Loans to other domestic and foreign financial intermediaries whose functions are predominantly the extending of credit for business purposes, such as investment companies that hold stock of operating companies for management or development purposes.
  - (12) Loans to Small Business Investment Companies.

Exclude from all other loans extensions of credit initially made in the form of planned or "advance agreement" overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report such planned overdrafts in other items of Schedule RC-C, part I, as appropriate). For example, report advances to banks in foreign countries in the form of "advance agreement" overdrafts as loans to depository institutions in Schedule RC-C, part I, item 2, and overdrafts under consumer check-credit plans as "Other revolving credit plans" to individuals in Schedule RC-C, part I, item 6.b. Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in Schedule RC-C, part I, item 2.

NOTE: Items 9.a and 9.b are not applicable to banks filing the FFIEC 041 report forms that have less than \$300 million in total assets.

- 9.a**        **Loans for purchasing or carrying securities.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in column B) all loans for purchasing or carrying securities (on the FFIEC 031, in domestic offices) as described above.
- 9.b**        **All other loans.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in column B) all other loans (on the FFIEC 031, in domestic offices) as described above.

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

- 10**        **Lease financing receivables (net of unearned income)**. Report all outstanding balances relating to direct financing and leveraged leases on property acquired by the bank for leasing purposes. On the FFIEC 041, all banks should report the total amount of these leases in column B, and banks with \$300 million or more in total assets should also report in the appropriate subitems of column A a breakdown of these leases between leases to individuals for household, family, and other personal expenditures and all other leases. On the FFIEC 031, all banks should report the total amount of these leases in domestic offices in column B and a breakdown of these leases for the fully consolidated bank between leases to individuals for household, family, and other personal expenditures and all other leases. These balances should include the estimated residual value of leased property and must be net of unearned income. For further discussion of leases where the bank is the lessor, refer to the Glossary entry for "lease accounting."

Include all leases to states and political subdivisions in the U.S. in this item.

NOTE: Items 10.a and 10.b are not applicable to banks filing the FFIEC 041 report forms that have less than \$300 million total assets.

- 10.a**        **Leases to individuals for household, family, and other personal expenditures**. Report in column A all outstanding balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to individuals for household, family, and other personal expenditures (i.e., consumer leases). For further information on extending credit to individuals for consumer purposes, refer to the instructions for Schedule RC-C, part I, item 6.c, "Other consumer loans."
- 10.b**        **All other leases**. Report in column A all outstanding balances relating to all other direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to lessees other than for household, family, and other personal expenditure purposes.
- 11**        **LESS: Any unearned income on loans reflected in items 1-9 above**. To the extent possible, the preferred treatment is to report the specific loan categories net of unearned income. A reporting bank should enter (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) unearned income only to the extent that it is included in (i.e., not deducted from) the various loan items of this schedule (Schedule RC-C, part I, items 1 through 9). If a bank reports each loan item of this schedule net of unearned income, enter a zero or the word "none" in this item.

Do not include unearned income on lease financing receivables in this item. Leases should be reported net of unearned income in Schedule RC-C, part I, item 10.

- 12**        **Total loans and leases, net of unearned income**. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) the sum of items 1 through 10 less the amount reported in item 11. The amount reported for this item (on the FFIEC 041, in column B; on the FFIEC 031, in column A) must equal Schedule RC, item 4.a plus item 4.b.

**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions**

NOTE: Memorandum item 5 is not applicable to banks filing the FFIEC 041 report forms that have less than \$300 million in total assets.

- 5            Loans secured by real estate to non-U.S. addressees (domicile).** Report the amount of loans secured by real estate to non-U.S. addressees that are included in Schedule RC-C, part I, items 1.a through 1.e, column B, on the FFIEC 041; item 1, column A, on the FFIEC 031. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile."

NOTE: Memorandum item 6 is to be completed only by those banks that:

- (1) either individually or on a combined basis with their affiliated depository institutions, report outstanding credit card receivables that exceed, in the aggregate, \$500 million as of the report date. Outstanding credit card receivables are the sum of:
  - (a) Schedule RC-C, part I, item 6.a (column B on the FFIEC 041, column A on the FFIEC 031);
  - (b) Schedule RC-S, item 1, column C; and
  - (c) Schedule RC-S, item 6.a, column C.
 (Include comparable data on managed credit card receivables for any affiliated savings association.)  
 OR
- (2) are credit card specialty banks as defined for purposes of the Uniform Bank Performance Report (UBPR). According to the UBPR Users Guide, credit card specialty banks are currently defined as those banks that exceed 50% for the following two criteria:
  - (a) Credit Cards plus Securitized and Sold Credit Cards divided by Total Loans plus Securitized and Sold Credit Cards.
  - (b) Total Loans plus Securitized and Sold Credit Cards divided by Total Assets plus Securitized and Sold Credit Cards.

- 6            Outstanding credit card fees and finance charges.** Report the amount of fees and finance charges included in the amount of credit card receivables reported in Schedule RC-C, part I, item 6.a (column A on the FFIEC 031; column B on the FFIEC 041).

NOTE: Memorandum items 7.a and 7.b are to be completed by all banks.

- 7            Purchased impaired loans held for investment accounted for in accordance with AICPA Statement of Position 03-3.** Report in the appropriate subitem the outstanding balance and carrying amount of "purchased impaired loans" reported as held for investment in Schedule RC-C, part I, items 1 through 9, and accounted for in accordance with AICPA Statement of Position 03-3. Purchased impaired loans are loans that a bank has purchased, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the bank will be unable to collect all contractually required payments receivable. Loans held for investment are those that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff.

**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions**

- 7.a        Outstanding balance.** Report the outstanding balance of all purchased impaired loans reported as held for investment in Schedule RC-C, part I, items 1 through 9. The outstanding balance is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loan, owed to the bank at the report date, whether or not currently due and whether or not any such amounts have been charged off by the bank. However, the outstanding balance does not include amounts that would be accrued under the contract as interest, fees, penalties, and other after the report date.
- 7.b        Carrying amount included in Schedule RC-C, part I, items 1 through 9.** Report the carrying amount (before any allowances established after acquisition for decreases in cash flows expected to be collected) of, i.e., the recorded investment in all purchased impaired loans reported as held for investment. The recorded investment in these loans will have been included in Schedule RC-C, part I, items 1 through 9.
- 8         Closed-end loans with negative amortization features secured by 1-4 family residential properties in domestic offices.** Report in the appropriate subitem the carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties and, if certain criteria are met, the maximum remaining amount of negative amortization contractually permitted on these loans and the total amount of negative amortization included in the carrying amount of these loans. Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).

NOTE: Memorandum item 8.a is to be completed by all banks.

- 8.a        Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1.c.(2)(a) and (b)).** Report the total carrying amount (before any loan loss allowances) of, i.e., the recorded investment in, closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization. The carrying amounts included in this item will also have been reported in Schedule RC-C, part I, items 1.c.(2)(a) and (b).

**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions**

NOTE: Memorandum items 8.b and 8.c are to be completed by banks that had closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1.c.(2)(a) and (b)) as of the previous December 31 report date, with a carrying amount (before any loan loss allowances) that exceeds the lesser of \$100 million or 5 percent of total loans and leases, net of unearned income, in domestic offices (as reported in Schedule RC-C, part I, item 12, column B), as of the previous December 31 report date.

- 8.b        Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization (that were reported in Schedule RC-C, part I, Memorandum item 8.a), report the total maximum remaining amount of negative amortization permitted under the terms of the loan contract (i.e., the maximum loan principal balance permitted under the negative amortization cap less the principal balance of the loan as of the quarter-end report date).
- 8.c        Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the carrying amount reported in Memorandum item 8.a above.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization, report the total amount of negative amortization included in the carrying amount (i.e., the total amount of interest added to the original loan principal balance that has not yet been repaid) reported in Schedule RC-C, part I, Memorandum item 8.a above. Once a loan reaches its maximum principal balance, the amount of negative amortization included in the carrying amount should continue to be reported until the principal balance of the loan has been reduced through cash payments below the original principal balance of the loan.
- 9 and 10** Memorandum items 9 and 10 must be completed by (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their "Construction, land development, and other land loans" and on their loans "Secured by nonfarm nonresidential properties" beginning March 31, 2008.
- 9         Construction, land development, and other land loans.** Report in the appropriate subitem all construction, land development, and other land loans (in domestic offices). The sum of Memorandum items 9.a and 9.b must equal Schedule RC-C, part I, item 1.a.

**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions**

**9.a        1-4 family residential construction loans.** Report the amount of 1-4 family residential construction loans (in domestic offices) included in Schedule RC-C, part I, item 1.a, i.e., loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term "1-4 family residential properties" is defined in Schedule RC-C, part I, item 1.c. "1-4 family residential construction loans" include:

- Construction loans to developers secured by tracts of land on which 1-4 family residential properties, including townhouses, are being constructed.
- Construction loans secured by individual parcels of land on which single 1-4 family residential properties are being constructed.
- Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
- Construction loans secured by duplex units and townhouses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.
- Combination land and construction loans on 1-4 family residential properties, regardless of the current stage of construction or development.
- Combination construction-permanent loans on 1-4 family residential properties until construction is completed or principal amortization payments begin, whichever comes first.
- Bridge loans to developers on 1-4 family residential properties where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

**9.b        Other construction loans and all land development and other land loans.** Report the amount of all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a. Include loans for the development of building lots and loans secured by vacant land, unless the same loan finances the construction of 1-4 family residential properties on the property.

**10        Loans secured by nonfarm nonresidential properties.** Report in the appropriate subitem all loans secured by nonfarm nonresidential properties (in domestic offices). The sum of Memorandum items 10.a and 10.b must equal Schedule RC-C, part I, item 1.e.

For purposes of reporting loans in Memorandum items 10.a and 10.b, the determination as to whether a nonfarm nonresidential property is considered "owner-occupied" should be made upon acquisition (origination or purchase) of the loan. However, for purposes of determining whether existing nonfarm nonresidential real estate loans should be reported as "owner-occupied" when a bank must begin reporting such loans as of March 31, 2007 (or March 31, 2008), the bank may consider the source of repayment either when the loan was acquired or based on the most recent available information. Once a bank determines whether a loan should be reported as "owner-occupied" or not, this determination need not be reviewed thereafter.



**Part I. (cont.)****Memoranda****Item No.    Caption and Instructions**

- 10.a        Loans secured by owner-occupied nonfarm nonresidential properties.** Report the amount of loans secured by owner-occupied nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e.

“Loans secured by owner-occupied nonfarm nonresidential properties” are those nonfarm nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property. Thus, for loans secured by owner-occupied nonfarm nonresidential properties, the primary source of repayment is not derived from third party, nonaffiliated, rental income associated with the property (i.e., any such rental income is less than 50 percent of the source of repayment) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hospitals, golf courses, recreational facilities, and car washes unless the property is owned by an investor who leases the property to the operator who, in turn, is not related to or affiliated with the investor (in which case, the loan should be reported in Memorandum item 10.b below). Also include loans secured by churches unless the property is owned by an investor who leases the property to the congregation (in which case, the loan should be reported in Memorandum item 10.b below).

- 10.b        Loans secured by other nonfarm nonresidential properties.** Report the amount of loans (in domestic offices) included in Schedule RC-C, part I, item 1.e, that are not secured by owner-occupied nonfarm nonresidential properties.

“Loans secured by other nonfarm nonresidential properties” are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hotels, motels, dormitories, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties in this item as loans secured by other nonfarm nonresidential properties.

## **Schedule RC-C, Part II. Loans to Small Businesses and Small Farms**

### **General Instructions**

Schedule RC-C, part II, is to be completed only with the June 30 Report of Condition.

Schedule RC-C, part II, requests information on the number and amount currently outstanding of "loans to small businesses" and "loans to small farms," as defined below. This information is being collected pursuant to Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

For purposes of this schedule, "**loans to small businesses**" consist of the following:

- (1) Loans with original amounts of \$1 million or less that have been reported in Schedule RC-C, part I, item 1.e, column B, "Loans secured by nonfarm nonresidential properties" (in domestic offices), and
- (2) Loans with original amounts of \$1 million or less that have been reported in Schedule RC-C, part I:
  - On the FFIEC 041 for banks with less than \$300 million in total assets, item 4, column B, "Commercial and industrial loans;"
  - On the FFIEC 041 for banks with \$300 million or more in total assets, item 4.a, "Commercial and industrial loans to U.S. addressees;" and
  - On the FFIEC 031, item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices.

For purposes of this schedule, "**loans to small farms**" consist of the following:

- (1) Loans with original amounts of \$500,000 or less that have been reported in Schedule RC-C, part I, item 1.b, column B, "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices), and
- (2) Loans with original amounts of \$500,000 or less that have been reported in Schedule RC-C, part I, item 3, column B, "Loans to finance agricultural production and other loans to farmers" (in domestic offices).

The following guidelines should be used to determine the "**original amount**" of a loan:

- (1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.
- (2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.
- (3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The "**amount currently outstanding**" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule RC-C, part I, item 1.b, 1.e, 3, 4, or 4.a.

## SCHEDULE RC-D – TRADING ASSETS AND LIABILITIES

### General Instructions

Schedule RC-D is to be completed by banks that reported a quarterly average for trading assets of \$2 million or more in Schedule RC-K, item 7, for any quarter of the preceding calendar year. However, because banks with domestic offices only and with less than \$100 million in total assets do not report a quarterly average for trading assets in Schedule RC-K, item 7, on the FFIEC 041, Schedule RC-D is not applicable to such banks.

Banks that (a) regularly underwrite or deal in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale (or repurchase); (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell (or repurchase) in order to profit from short-term price movements; or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this schedule the fair value of such items or positions on the report date. Pursuant to FASB Statement No. 159, also include the fair value of securities the bank has elected to report at fair value under a fair value option even if bank management did not acquire the securities principally for the purpose of selling them in the near term. Assets, liabilities, and other financial instruments held for trading shall be consistently valued at fair value.

Exclude from this schedule all available-for-sale securities and all loans and leases that are held for sale. Available-for-sale securities are generally reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., nonrated industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables"). Loans and leases held for sale should be reported in Schedule RC, item 4.a, "Loans and leases held for sale," and in Schedule RC-C.

### Item Instructions

#### Item No.    Caption and Instructions

#### ASSETS

- 1        **U.S. Treasury securities (in domestic offices)**. Report the total fair value of securities issued by the U.S. Treasury (as defined for Schedule RC-B, item 1, "U.S. Treasury securities") held for trading (in domestic offices).
- 2        **U.S. Government agency obligations (in domestic offices)**. Report the total fair value of all obligations of U.S. Government agencies (as defined for Schedule RC-B, item 2, "U.S. Government agency obligations") held for trading (in domestic offices). Exclude mortgage-backed securities.
- 3        **Securities issued by states and political subdivisions in the U.S. (in domestic offices)**. Report the total fair value of all securities issued by states and political subdivisions in the United States (as defined for Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.") held for trading (in domestic offices).

- | <b>Item No.</b> | <b>Caption and Instructions</b>   |
|-----------------|---|
| <b>4</b>        | <b><u>Mortgage-backed securities (in domestic offices)</u></b> . Report in the appropriate subitem the total fair value of all mortgage-backed securities held for trading (in domestic offices).   |
| <b>4.a</b>      | <b><u>Pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA</u></b> . Report the total fair value of all pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA (as defined for Schedule RC-B, item 4.a.(1), Pass-through securities "Guaranteed by GNMA," and item 4.a.(2), Pass-through securities "Issued by FNMA and FHLMC") held for trading (in domestic offices).                         |
| <b>4.b</b>      | <b><u>Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA</u></b> . Report the total fair value of all other mortgage-backed securities issued by FNMA, FHLMC, or GNMA (as defined for Schedule RC-B, item 4.b.(1), Other mortgage-backed securities "Issued or guaranteed by FNMA, FHLMC, or GNMA") held for trading (in domestic offices).  |
| <b>4.c</b>      | <b><u>All other mortgage-backed securities</u></b> . Report the total fair value of all other mortgage-backed securities (as defined for Schedule RC-B, item 4.a.(3), "Other pass-through securities," item 4.b.(2), Other mortgage-backed securities "Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA," and item 4.b.(3), "All other mortgage-backed securities") held for trading (in domestic offices). |
| <b>5</b>        | <b><u>Other debt securities (in domestic offices)</u></b> . Report the total fair value of all other debt securities (as defined for Schedule RC-B, item 5, "Asset-backed securities," and item 6, "Other debt securities") held for trading (in domestic offices).   |
| <b>6-8</b>      | Not applicable.   |
| <b>9</b>        | <b><u>Other trading assets (in domestic offices)</u></b> . Report the total fair value of all trading assets (in domestic offices) that cannot properly be reported in items 1 through 5. <u>Exclude</u> revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (in domestic offices) (report in item 11 below).   |

NOTE: Item 10 is applicable only to banks filing the FFIEC 031 report form.

- |           |   |
|-----------|---|
| <b>10</b> | <b><u>Trading assets in foreign offices</u></b> . On the FFIEC 031 only, report the total fair value of all assets held for trading in foreign offices. <u>Exclude</u> revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts in foreign offices (report in item 11.b below).  |
| <b>11</b> | <b><u>Derivatives with a positive fair value</u></b> . Report (on the FFIEC 031, in the appropriate subitem) the amount of revaluation gains (i.e., assets) from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting bank's derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and item 14 below, as appropriate. (For further information, see the Glossary entry for "offsetting.") |

## SCHEDULE RC-E -- DEPOSIT LIABILITIES

### General Instructions

A complete discussion of deposits is included in the Glossary entry entitled "deposits." That discussion addresses the following topics and types of deposits in detail:

- (1) Federal Deposit Insurance Act definition of deposits;
- (2) transaction accounts;
- (3) demand deposits;
- (4) NOW accounts;
- (5) ATS accounts;
- (6) telephone or preauthorized transfer accounts;
- (7) nontransaction accounts;
- (8) savings deposits;
- (9) money market deposit accounts;
- (10) other savings deposits;
- (11) time deposits;
- (12) time certificates of deposit;
- (13) time deposits, open account;
- (14) interest-bearing deposit accounts; and
- (15) noninterest-bearing deposit accounts.

Additional discussions pertaining to deposits will also be found under separate Glossary entries for:

- (1) borrowings and deposits in foreign offices;
- (2) brokered deposits;
- (3) cash management arrangements;
- (4) dealer reserve accounts;
- (5) hypothecated deposits;
- (6) letter of credit (for letters of credit sold for cash and travelers letters of credit);
- (7) overdraft;
- (8) pass-through reserve balances;
- (9) placements and takings; and
- (10) reciprocal balances.

On the FFIEC 031 only, Schedule RC-E consists of two parts. Part I covers the deposit liabilities of the domestic offices of the consolidated bank. Part II covers the deposit liabilities of the foreign offices (including Edge and Agreement subsidiaries and IBFs) of the consolidated bank. (See the Glossary entries for "domestic office" and "foreign office" for the definitions of these terms.)

NOTE: For information about the reporting of deposits for deposit insurance and FICO assessment purposes, refer to Schedule RC-O.

NOTE: For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

NOTE: For banks that elect to report deposits at fair value under a fair value option, report the fair value of those deposits in the same items and columns as similar deposits to which a fair value option has not been applied. Currently, deposits that include a demand feature (e.g., demand and savings deposits in domestic offices) are not eligible to be reported under a fair value election.

**(Part I. Deposits in Domestic Offices)****Definitions**

The term "deposits" is defined in the Glossary and generally follows the definitions of deposits used in the Federal Deposit Insurance Act and in Federal Reserve Regulation D.

Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

The following are not reported as deposits:

- (1) Deposits received in one office of the bank for deposit in another office of the bank.
- (2) Outstanding drafts (including advices or authorizations to charge the bank's balance in another depository institution) drawn in the regular course of business by the reporting bank on other depository institutions.
- (3) Trust funds held in the bank's own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business (report separately in Schedule RC-O, item 3, "Uninvested trust funds (cash) held in the bank's own trust department").
- (4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule RC-C, Loans and Lease Financing Receivables.
- (5) All obligations arising from assets sold under agreements to repurchase.
- (6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule RC-C and not as negative deposits. Overdrafts in one or more transaction accounts within a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that are established under a bona fide cash management arrangement by this customer are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. For reporting and deposit insurance assessment purposes, such accounts function as, and are regarded as, one account rather than multiple separate accounts. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) See the Glossary entry for "cash management arrangements" for information on bona fide cash management arrangements.
- (7) Time deposits sold (issued) by the reporting bank that it has subsequently purchased in the secondary market (typically as a result of the bank's trading activities) and has not resold as of the report date. For purposes of these reports, a bank that purchases a time deposit it has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the bank has cancelled a liability as opposed to having acquired an asset for its portfolio.

The following are reported as deposits:

- (1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of the reporting bank other than the trust department.
- (2) Credit items that could not be posted to the individual deposit accounts but that have been credited to the control accounts of the various deposit categories on the general ledger.

**Item No.**    **Caption and Instructions**

- 4**        Exclude from this item deposits of the following depository institutions:
- (1) Banks in foreign countries (report in Schedule RC-E, item 5, below). (See the Glossary entry for "banks, U.S. and foreign" for the definition of this term.)
  - (2) On the FFIEC 031, IBFs (report in part II of Schedule RC-E).
- 5**        **Deposits of banks in foreign countries.** Report in the appropriate column all deposits of banks located in foreign countries.
- Banks in foreign countries cover:
- (1) foreign-domiciled branches of other U.S. banks; and
  - (2) foreign-domiciled branches of foreign banks.
- See the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms.
- Exclude from this item deposits of foreign official institutions and foreign central banks (to be reported in Schedule RC-E, item 6 below) and deposits of U.S. branches and agencies of foreign banks and New York State investment companies (to be reported in Schedule RC-E, item 4 above).
- For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."
- 6**        **Deposits of foreign governments and official institutions.** Report in the appropriate column all deposits of foreign governments and official institutions. (See the Glossary entry for "foreign governments and official institutions" for the definition of this term.)
- Exclude from this item deposits of:
- (1) U.S. branches and agencies of foreign official banking institutions (report in Schedule RC-E, item 4, above).
  - (2) Nationalized banks and other banking institutions that are owned by foreign governments and that do not function as central banks, banks of issue, or development banks (report in Schedule RC-E, item 5, above).
  - (3) Foreign government-owned nonbank commercial and industrial enterprises (report in Schedule RC-E, item 1, above).
- 7**        **Total.** Report in column B the total of all demand deposits. Report in columns A and C the sum of items 1 through 6. The sum of columns A and C of this item must equal Schedule RC, item 13.a, "Deposits in domestic offices."

**Memoranda****Item No.    Caption and Instructions**

**1**            **Selected components of total deposits.** The amounts to be reported in Memorandum items 1.a through 1.e below are included as components of total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C).

**1.a**          **Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts.** Report in this Memorandum item the total of all IRA and Keogh Plan deposits included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C). IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs.

Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

**1.b**          **Total brokered deposits.** Report in this Memorandum item the total of all brokered deposits included in total deposits (in domestic offices) (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument. (See the Glossary entry for "brokered deposits" for the definition of this term.)

**1.c**          **Fully insured brokered deposits.** Report in the appropriate subitem all fully insured brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b above.

In some cases, brokered certificates of deposit are issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$100,000. For these so-called "retail brokered deposits," multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (either \$100,000 or \$250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in \$1,000 amounts may be rebuttably presumed to be fully insured brokered deposits and should be reported in Schedule RC-E, Memorandum item 1.c.(1), below. In addition, some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers. An individual depositor's deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA, the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured brokered deposits and should be reported in Schedule RC-E, Memorandum item 1.c.(1), below.

For brokered deposits that represent retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) eligible for \$250,000 in deposit insurance coverage, report such brokered deposits in Schedule RC-E, Memorandum item 1.c.(1), only if they have been issued by the bank in denominations of less than \$100,000. Report such brokered deposits in Schedule RC-E, Memorandum item 1.c.(2), if they have been issued by



**Memoranda****Item No.    Caption and Instructions**

**1.c**            the bank (a) in denominations of exactly \$100,000 through exactly \$250,000 or (b) in  
(cont.)        denominations greater than \$100,000 that have been participated out by the broker in shares  
of \$250,000 or less.

**1.c.(1)**        **Issued in denominations of less than \$100,000.** Report in this item those brokered  
deposits issued by the bank in denominations of less than \$100,000.

**1.c.(2)**        **Issued either in denominations of \$100,000 or in denominations greater than \$100,000  
and participated out by the broker in shares of \$100,000 or less.** Report in this item:

(1) those brokered deposits issued by the bank in denominations of exactly \$100,000; and

(2) those brokered deposits issued by the bank in denominations greater than \$100,000 that  
have been participated out by the broker in shares of \$100,000 or less.

Also report in this item brokered deposits that represent retirement deposit accounts (as  
defined in Schedule RC-O, Memorandum item 1) eligible for \$250,000 in deposit insurance  
coverage that have been issued by the bank (a) in denominations of more than \$100,000  
through exactly \$250,000 or (b) in denominations greater than \$100,000 that have been  
participated out by the broker in shares of more than \$100,000 through exactly \$250,000.

**1.d**            **Maturity data for brokered deposits.** Report in the appropriate subitem the indicated  
maturity data for brokered deposits (as defined in the Glossary entry for "brokered deposits").

**1.d.(1)**        **Brokered deposits issued in denominations of less than \$100,000 with a remaining  
maturity of one year or less.** Report in this item those brokered time deposits issued by  
the bank in denominations of less than \$100,000 reported in Schedule RC-E, Memorandum  
item 1.c.(1) above that have a remaining maturity of one year or less. Remaining maturity is  
the amount of time remaining from the report date until the final contractual maturity of a  
brokered deposit. Also report in this item all brokered demand and savings deposits with  
balances of less than \$100,000 that were reported in Schedule RC-E, Memorandum  
item 1.c.(1) above.

**1.d.(2)**        **Brokered deposits issued in denominations of \$100,000 or more with a remaining  
maturity of one year or less.** Report in this item those brokered time deposits issued by  
the bank in denominations of \$100,000 or more reported in Schedule RC-E, Memorandum  
item 1.b above that have a remaining maturity of one year or less. Remaining maturity is the  
amount of time remaining from the report date until the final contractual maturity of a brokered  
deposit. Also report in this item all brokered demand and savings deposits with balances of  
\$100,000 or more that were reported in Schedule RC-E, Memorandum item 1.b above.

**Memoranda****Item No.    Caption and Instructions**

- 1.e        Preferred deposits.** (This item is to be reported for the December 31 report only.)  
Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule RC-E, item 3, columns A and C above, which are secured or collateralized as required under state law. Exclude deposits of the U.S. Government which are secured or collateralized as required under federal law. Also exclude deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S. The amount reported in this memorandum item must be less than the sum of Schedule RC-E, item 3, column A, and item 3, column C, above.

State law may require a bank to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the bank has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has \$350,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits (\$250,000 in this example). The bank has pledged securities with a value of \$300,000 to secure these deposits. Only \$250,000 of the political subdivision's \$350,000 in deposits (the uninsured amount) would be considered "preferred deposits."

In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has \$1,000,000 in public deposits under the program and \$700,000 of this amount is uninsured. The bank's most recent calculation indicates that it must pledge securities with a value of at least \$77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of \$80,000. The bank should report the \$700,000 in uninsured public deposits as "preferred deposits."

**Memoranda****Item No. Caption and Instructions**

- 2** **Components of total nontransaction accounts.** Memorandum item 2 divides total nontransaction accounts into two major categories: savings deposits (Memorandum items 2.a.(1) and 2.a.(2)) and time deposits (Memorandum items 2.b and 2.c). The sum of Memorandum items 2.a.(1) and 2.a.(2) equals total savings deposits. The sum of Memorandum items 2.b and 2.c equals total time deposits. The sum of Memorandum items 2.a.(1) and 2.a.(2) (savings deposits) and Memorandum items 2.b and 2.c (time deposits) equals total nontransaction deposits reported in item 7, column C, above.

Include as time deposits in Memorandum items 2.b and 2.c:

- (1) All time deposits (as defined in the Glossary entry for "deposits") with original maturities of seven days or more that are not classified as transaction accounts.
- (2) Interest paid by crediting time deposit accounts.

- 2.a** **Savings deposits.** Report in the appropriate subitem all savings deposits included in column C above. See the Glossary entry for "deposits" for the definition of savings deposits.

Include as savings deposits in Memorandum items 2.a.(1) and 2.a.(2) interest paid by crediting savings deposit accounts.

Exclude from Memorandum items 2.a.(1) and 2.a.(2):

- (1) NOW accounts, ATS accounts, and telephone or preauthorized transfer accounts that meet the definition of a transaction account (report in Schedule RC-E, column A, as transaction accounts).
- (2) Special passbook or statement accounts, such as "90-day notice accounts," "golden passbook accounts," or deposits labeled as "savings certificates," that have a specified original maturity of seven days or more (report as time deposits in Schedule RC-E, Memorandum item 2.b or 2.c, below).
- (3) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule RC-G, item 1.a, "Interest accrued and unpaid on deposits (in domestic offices)").

- 2.a.(1)** **Money market deposit accounts (MMDAs).** Report in this item the total amount of all money market deposit accounts (MMDAs) that are included in Schedule RC-E, column C, above. See the Glossary entry for "deposits" for the definition of money market deposit accounts.

- 2.a.(2)** **Other savings deposits.** Report in this item the total amount of all other savings deposits that are included in Schedule RC-E, column C, above. This item includes those accounts commonly known as passbook savings and statement savings. See the Glossary entry for "deposits" for the definition of other savings deposits.

**Memoranda****Item No. Caption and Instructions**

- 2.b Total time deposits of less than \$100,000.** Report in this item all time deposits included in Schedule RC-E, column C, above with balances of less than \$100,000. This item includes both time certificates of deposit and open-account time deposits with balances of less than \$100,000, regardless of negotiability or transferability. This item also includes time deposits issued to deposit brokers in the form of large (\$100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than \$100,000. In addition, if the bank has issued a master certificate of deposit to a deposit broker in an amount that exceeds \$100,000 and under which brokered certificates of deposit are issued in \$1,000 amounts (so-called "retail brokered deposits"), individual depositors who purchase multiple certificates issued by the bank normally do not exceed the applicable deposit insurance limit (either \$100,000 or \$250,000). Under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in \$1,000 amounts should be reported in this item as time deposits of less than \$100,000.

Exclude from this item all time deposits with balances of \$100,000 or more (report in Schedule RC-E, Memorandum item 2.c, below).

- 2.c Total time deposits of \$100,000 or more.** Report in this item all time deposits included in Schedule RC-E, column C, above with balances of \$100,000 or more. This item includes both time certificates of deposit and open-account time deposits with balances of \$100,000 or more, regardless of negotiability or transferability. Exclude from this item:

- all time deposits issued to deposit brokers in the form of large (\$100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than \$100,000, and
- all time deposits with balances of less than \$100,000,

which should be reported in Schedule RC-E, Memorandum item 2.b, above.

NOTE: Banks should include as time deposits of \$100,000 or more those time deposits originally issued in denominations of less than \$100,000 but that, because of interest paid or credited, or because of additional deposits, now have a balance of \$100,000 or more.

- 2.c.(1) Individual Retirement Accounts (IRAs) and Keogh Plan accounts included in Memorandum item 2.c, "Total time deposits of \$100,000 or more," above.** Report in this item all IRA and Keogh Plan time deposits of \$100,000 or more included above in Schedule RC-E, Memorandum item 2.c. These IRA and Keogh Plan time deposits will also have been included in Schedule RC-E, Memorandum item 1.a., "Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts."

IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs. Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

## Memoranda

### Item No.    **Caption and Instructions**

- 3        Maturity and repricing data for time deposits of less than \$100,000.** Report in the appropriate subitem maturity and repricing data for the bank's time deposits of less than \$100,000, i.e., the bank's time certificates of deposit of less than \$100,000 and the bank's open-account time deposits of less than \$100,000. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum item 2.b, above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 3.a.(1) through 3.a.(4) must equal Schedule RC-E, Memorandum item 2.b, above.

For purposes of this memorandum item and Schedule RC-E, Memorandum item 4, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the time deposit, and is known to both the bank and the depositor. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the time deposit on a predetermined basis, with the exact rate of interest over the life of the time deposit known with certainty to both the bank and the depositor when the time deposit is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the time deposit carries at any subsequent time cannot be known at the time the time deposit is received by the bank or subsequently renewed.

When the rate on a time deposit with a floating rate has reached a contractual floor or ceiling level, the time deposit is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit.

Next repricing date is the date the interest rate on a floating rate time deposit can next change in accordance with the terms of the contract or the contractual maturity date of the deposit, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities and next repricing dates of their time deposits for time periods that closely approximate the maturity and repricing periods specified in this Memorandum item and Schedule RC-E, Memorandum item 4 (e.g., 89 or 90 days rather than three months, 359 or 360 days rather than 12 months) may use these data to complete this Memorandum item and Schedule RC-E, Memorandum item 4.

**Memoranda****Item No. Caption and Instructions**

**3**  
(cont.) Time deposits held in Individual Retirement Accounts (IRAs) and Keogh Plan accounts should be reported without regard to distribution schedules that may be in effect for funds held in certain depositors' accounts. Such time deposits should be reported in this Memorandum item and in Schedule RC-E, Memorandum item 4, in the same manner as time deposits not held in IRAs and Keogh Plan accounts.

Noninterest-bearing time deposits should be treated as fixed rate time deposits and reported according to the amount of time remaining until the final contractual maturity in this Memorandum item and in Schedule RC-E, Memorandum item 4.

Fixed rate time deposits that offer the depositor the option to reset the interest rate on the deposit to a current market rate one time during the term of the deposit should be treated as fixed rate deposits and reported based on their remaining maturity.

Fixed rate time deposits that are callable at the option of the issuing bank should be reported according to their remaining maturity without regard to their next call date unless the time deposit has actually been called. When fixed rate time deposits have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate time deposits should be reported on the basis of their next repricing date, without regard to their next call date unless the time deposit has actually been called. Floating rate time deposits that have been called should be reported on the basis of their next repricing date or their actual call date, whichever is earlier.

Fixed rate time deposits that provide depositors with the option to redeem them at one or more specified dates prior to their contractual maturity date without penalty should be reported according to their remaining maturity without regard to "put" dates if the depositor has not exercised the "put." If a redemption option has been exercised, however, such deposits should be reported on the basis of the time remaining until the date on which the time deposit will be redeemed. Floating rate time deposits that provide depositors with redemption options without penalty should be reported on the basis of their next repricing date without regard to the "put" dates if the depositor has not exercised the "put." If a redemption option has been exercised but the time deposit has not yet been redeemed, the deposit should be reported on the basis of its next repricing date or its scheduled redemption date, whichever is earlier.

**3.a** **Time deposits of less than \$100,000 with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate time deposits of less than \$100,000 in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Report the dollar amount of the bank's floating rate time deposits of less than \$100,000 in the appropriate subitems according to their next repricing dates.

**3.a.(1)** **Three months or less.** Report the dollar amount of:

- the bank's fixed rate time deposits of less than \$100,000 with remaining maturities of three months or less, and
- the bank's floating rate time deposits of less than \$100,000 with the next repricing date occurring in three months or less.

**Item No.    Caption and Instructions**

- 6** (cont.) (11) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).
- (12) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).
- (13) Cost of issuing subordinated notes and debentures, net of accumulated amortization.
- (14) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.
- (15) Ground rents.
- (16) Customers' liability for deferred payment letters of credit.
- (17) Reinsurance recoverables from reinsurers external to the consolidated bank.
- (18) "Separate account assets" of the reporting bank's insurance subsidiaries.
- (19) The positive fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

**Exclude from all other assets:**

- (1) Redeemed U.S. savings bonds and food stamps (report in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, if applicable, in Schedule RC-A, item 1, "Cash items in process of collection, unposted debits, and currency and coin").
- (2) Real estate owned or leasehold improvements to property intended for future use as banking premises (report in Schedule RC, item 6, "Premises and fixed assets").
- (3) Accounts identified as "building accounts," "construction accounts," or "remodeling accounts" (report in Schedule RC, item 6, "Premises and fixed assets").
- (4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property, and real estate collateral underlying a loan when the bank has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower (report as "All other real estate owned" in Schedule RC-M, item 3.b).
- (5) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered (report as loans in Schedule RC-C).
- (6) Factored accounts receivable (report as loans in Schedule RC-C).
- 7**    **Total.** Report the sum of items 1 through 6. This amount must equal Schedule RC, item 11, "Other assets."





## SCHEDULE RC-G – OTHER LIABILITIES

### General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

### Item Instructions

#### Item No.    Caption and Instructions

- 1.a**    **Interest accrued and unpaid on deposits (in domestic offices).** Report the amount of interest on deposits (in domestic offices) accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. For savings banks, include in this item "dividends" accrued and unpaid on deposits. On the FFIEC 031, exclude from this item interest accrued and unpaid on deposits in foreign offices (report such accrued interest in Schedule RC-G, item 1.b below).
- 1.b**    **Other expenses accrued and unpaid.** Report the amount of income taxes, interest on nondeposit liabilities (and, on the FFIEC 031, deposits in foreign offices), and other expenses accrued through charges to expense during the current or prior periods, but not yet paid. Exclude interest accrued and unpaid on deposits in domestic offices (report such accrued interest in Schedule RC-G, item 1.a above).
- 2**        **Net deferred tax liabilities.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in Schedule RC-F, item 2, "Net deferred tax assets." If the result for each tax jurisdiction is a net debit balance, enter a zero or the word "none" in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)
- 3**        **Allowance for credit losses on off-balance sheet credit exposures.** Report the amount of any allowance for credit losses on off-balance sheet exposures established in accordance with generally accepted accounting principles.
- 4**        **All other liabilities.** Report the amount of all other liabilities (other than those reported in Schedule RC-G, items 1, 2, and 3, above) that cannot properly be reported in Schedule RC, items 13 through 19.

Disclose in items 4.a through 4.g each component of all other liabilities, and the dollar amount of such component, that is greater than \$25,000 and exceeds 25 percent of the amount reported for this item.

For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in items 4.a through 4.d, describe the component with a clear but concise caption in items 4.e through 4.g. These descriptions should not exceed 50 characters in length (including spacing between words).

**Item No.    Caption and Instructions**4  
(cont.)Include as all other liabilities:

- (1) Accounts payable (other than expenses accrued and unpaid). (Report the amount of accounts payable in Schedule RC-G, item 4.a, if this amount is greater than \$25,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)
- (2) Deferred compensation liabilities. (Report the amount of such liabilities in Schedule RC-G, item 4.b, if this amount is greater than \$25,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)
- (3) Dividends declared but not yet payable, i.e., the amount of cash dividends declared on limited-life preferred, perpetual preferred, and common stock on or before the report date but not payable until after the report date. (Report the amount of such dividends in Schedule RC-G, item 4.c, if this amount is greater than \$25,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.) (Report dividend checks outstanding as deposit liabilities in Schedule RC-E, item 1, column A, and item 7, column B.)
- (4) Derivative instruments that have a negative fair value that the reporting bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this negative fair value in Schedule RC-G, item 4.d, if this amount is greater than \$25,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4.)
- (5) Deferred gains from sale-leaseback transactions.
- (6) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material (refer to the Glossary entry for "loan fees" for further information).
- (7) Bank's liability for deferred payment letters of credit.
- (8) Recourse liability accounts arising from asset transfers with recourse that are reported as sales.
- (9) Unearned insurance premiums, claim reserves and claims adjustment expense reserves, policyholder benefits, contractholder funds, and "separate account liabilities" of the reporting bank's insurance subsidiaries.
- (10) The *full* amount (except as noted below) of the liability represented by drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and that are outstanding. The bank's liability on acceptances executed and outstanding should be reduced prior to the maturity of such acceptances only when the reporting bank acquires and holds its own acceptances, i.e., only when the acceptances are not outstanding. See the Glossary entry for "bankers acceptances" for further information.
- (11) Servicing liabilities.
- (12) The negative fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

**Item No.**    **Caption and Instructions**

**4**            Exclude from all other liabilities (report in appropriate items of Schedule RC-E, Deposit  
(cont.)        Liabilities):

- (1) Proceeds from sales of U.S. savings bonds.
- (2) Withheld taxes, social security taxes, sales taxes, and similar items.
- (3) Mortgage and other escrow funds (e.g., funds received for payment of taxes or insurance), sometimes described as mortgagors' deposits or mortgage credit balances.
- (4) Undisbursed loan funds for which borrowers are liable and on which they pay interest. The amounts of such undisbursed funds should be included in both loans and deposits.
- (5) Funds held as dealer reserves (see the Glossary entry for "dealer reserve accounts" for the definition of this term).
- (6) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.
- (7) Credit balances on credit cards and other revolving credit plans as a result of customers' overpayments.

Also exclude from all other liabilities due bills or similar instruments representing the bank's receipt of payment and the bank's liability on capital lease obligations (report in Schedule RC, item 16, "Other borrowed money").

**5**            **Total.** Report the sum of items 1 through 4. This amount must equal Schedule RC, item 20, "Other liabilities."



## SCHEDULE RC-L – DERIVATIVES AND OFF-BALANCE SHEET ITEMS

### General Instructions

Schedule RC-L should be completed on a fully consolidated basis. In addition to information about derivatives, Schedule RC-L includes the following selected commitments, contingencies, and other off-balance sheet items that are not reportable as part of the balance sheet of the Report of Condition (Schedule RC). Among the items not to be reported in Schedule RC-L are contingencies arising in connection with litigation. For those asset-backed commercial paper program conduits that the reporting bank consolidates onto its balance sheet (Schedule RC) in accordance with FASB Interpretation No. 46 (Revised), any credit enhancements and liquidity facilities the bank provides to the programs should not be reported in Schedule RC-L. In contrast, for conduits that the reporting bank does not consolidate, the bank should report the credit enhancements and liquidity facilities it provides to the programs in the appropriate items of Schedule RC-L.

### Item Instructions

#### Item No.    Caption and Instructions

- 1    **Unused commitments.** Report in the appropriate subitem the unused portions of commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions. Exclude commitments that meet the definition of a derivative and must be accounted for in accordance with FASB Statement No. 133, which should be reported in Schedule RC-L, item 12. Include the amount of the unused portions of loan commitments (not the fair value of the commitments) that do not meet the definition of a derivative that the bank has elected to report at fair value under a fair value option.

Report the unused portions of all credit card lines in item 1.b. Report in items 1.a and 1.c through 1.e the unused portions of commitments for which the bank has charged a commitment fee or other consideration, or otherwise has a legally binding commitment. Such commitments are to be reported in the appropriate subitem regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancelable at any time. In the case of commitments for syndicated loans, report only the bank's proportional share of the commitment. Unused commitments are to be reported gross, i.e., include in this item the amounts of commitments acquired from and conveyed to others.

If the bank offers an overdraft protection program and it advises account holders of the available amount of overdraft protection, for example, when accounts are opened or on depositors' account statements or ATM receipts, report the available amount of overdraft protection on depositors' accounts in item 1.e.

Include loan proceeds that the bank is obligated to advance, such as loan draws, construction progress payments, seasonal or living advances to farmers under prearranged lines of credit, rotating or revolving credit arrangements, including retail credit cards, or similar transactions. Forward agreements and commitments to issue a commitment at some point in the future are to be reported in this item.

**Item No.    Caption and Instructions**

**1**  
(cont.)      For purposes of reporting the unused portions of revolving asset-based lending commitments, the legally binding commitment is defined as the amount a bank is obligated to fund – as of the report date – based on the contractually agreed upon terms. In the case of revolving asset-based lending, the unused portions of such legally binding commitments should be measured as the difference between (a) the lesser of the contractual borrowing base (i.e., eligible collateral times the advance rate) or the note commitment limit, and (b) the sum of outstanding loans and letters of credit under the commitment. The note commitment limit is the overall maximum loan amount beyond which the bank will not advance funds regardless of the amount of collateral posted. This definition of “legally binding commitment” is applicable only to revolving asset-based lending, which is a specialized form of secured lending in which a borrower uses current assets (e.g., accounts receivable and inventory) as collateral for a loan. The loan is structured so that the amount of credit is limited by the value of the collateral.

In addition, include revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements. These are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting banks have a legally binding commitment either to purchase any notes the borrower is unable to sell by the rollover date or to advance funds to the borrower.

**1.a**      **Revolving, open-end lines secured by 1-4 family residential properties.** Report the unused portions of commitments to extend credit under revolving, open-end lines of credit secured by 1-4 family residential properties. These lines, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

**1.b**      **Credit card lines.** Report the unused portions of all commitments to extend credit both to individuals for household, family, and other personal expenditures and to commercial or industrial enterprises through credit cards. Exclude home equity lines accessible through credit cards. Banks may report unused credit card lines as of the end of their customers' last monthly billing cycle prior to the report date or as of the report date.

**1.c.(1)**    **Commitments to fund commercial real estate, construction, and land development loans secured by real estate.** Report the unused portions of commitments to extend credit for the specific purpose of financing commercial and multifamily residential properties (e.g., business and industrial properties, hotels, motels, churches, hospitals, and apartment buildings), provided that such commitments, when funded, would be reportable as either loans secured by multifamily residential properties in Schedule RC-C, part I, item 1.d, or loans secured by nonfarm nonresidential properties in Schedule RC-C, part I, item 1.e.

Also include the unused portions of commitments to extend credit for the specific purpose of financing land development (i.e., the process of improving land - laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, part I, item 1.a, "Construction, land development, and other land loans." For this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures. Also include in this item loan proceeds the bank is obligated to advance as construction progress payments.

Do not include general lines of credit that a borrower, at its option, may draw down to finance construction and land development (report in Schedule RC-L, item 1.c.(2) or item 1.e, below, as appropriate).

**Item No.    Caption and Instructions**

**1.c.(1)(a) and 1.c.(1)(b)** Items 1.c.(1)(a) and 1.c.(1)(b) must be completed by all banks that are required to complete Schedule RC-C, part I, Memorandum items 9 and 10, i.e., (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their "Commitments to fund loans secured by real estate" beginning March 31, 2008.

The sum of items 1.c.(1)(a) and 1.c.(1)(b) must equal Schedule RC-L, item 1.c.(1).

**1.c.(1)(a)    1-4 family residential construction loan commitments.** Report the unused portions of commitments to extend credit for the specific purpose of constructing 1-4 family residential properties, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, part I, Memorandum item 9.a, "1-4 family residential construction loans."

**1.c.(1)(b)    Commercial real estate, other construction loan, and land development loan commitments.** Report the unused portions of all other commitments to fund loans secured by real estate, i.e., all commitments to fund loans secured by real estate (as defined for Schedule RC-L, item 1.c.(1)) other than commitments to fund 1-4 family residential construction (as defined for Schedule RC-L, item 1.c.(1)(a)).

**1.c.(2)        Commitments to fund commercial real estate, construction, and land development loans not secured by real estate.** Report the unused portions of all commitments to extend credit for the specific purpose of financing commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, provided that such commitments, when funded, would be reportable as "Commercial and industrial loans" in Schedule RC-C, part I, item 4, or as "Other loans" in Schedule RC-C, part I, item 9. Include in this item loan proceeds the bank is obligated to advance as construction progresses.

Such commitments generally may include:

- (1) commitments to extend credit for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or
- (2) commitments made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.





## SCHEDULE RC-M – MEMORANDA

### Item No.    Caption and Instructions

- 1**            **Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date.** For purposes of this item, the terms "extension of credit," "executive officer," "director," "principal shareholder," and "related interest," are as defined in Federal Reserve Board Regulation O.

An "extension of credit" is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See Section 215.3 of Regulation O for further details.

An "executive officer" of the reporting bank generally means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the reporting bank, an executive officer of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) an executive officer of any other subsidiary of that bank holding company. See Section 215.2(e) of Regulation O for further details.

A "director" of the reporting bank generally means a person who is a director of a bank, whether or not receiving compensation, a director of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) a director of any other subsidiary of that bank holding company. See Section 215.2(d) of Regulation O for further details.

A "principal shareholder" of the reporting bank generally means an individual or a company (other than an insured bank or foreign bank) that directly or indirectly owns, controls, or has the power to vote more than ten percent of any class of voting securities of the reporting bank. See Section 215.11(a)(1) of Regulation O for further details.

A "related interest" means (1) a company (other than an insured bank or a foreign bank) that is controlled by an executive officer, director, or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See Section 215.11(a)(2) of Regulation O.

- 1.a**            **Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests.** Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting bank to all of its executive officers, directors, and principal shareholders, and to all of the related interests of its executive officers, directors, and principal shareholders.

Include each extension of credit by the reporting bank in the aggregate amount only *one* time, regardless of the number of executive officers, directors, principal shareholders, and related interests thereof to whom the extension of credit has been made.

**Item No.    Caption and Instructions**

- 1.b        Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of \$500,000 or 5 percent of total capital as defined for this purpose in agency regulations.** Report the number of executive officers, directors, and principal shareholders of the reporting bank to whom the amount of all extensions of credit by the reporting bank outstanding as of the report date equals or exceeds the lesser of \$500,000 or five percent of total capital as defined for this purpose in regulations issued by the bank's primary federal bank supervisory authority.

For purposes of this item, the amount of all extensions of credit by the reporting bank to an executive officer, director, or principal shareholder includes all extensions of credit by the reporting bank to the related interests of the executive officer, director, or principal shareholder. Furthermore, an extension of credit made by the reporting bank to *more than one* of its executive officers, directors, principal shareholders, or related interests thereof must be included in full in the amount of all extensions of credit for *each* such executive officer, director, or principal shareholder.

- 2            Intangible assets other than goodwill.** Report in the appropriate subitem the carrying amount of intangible assets other than goodwill. Intangible assets primarily result from business combinations accounted for under the purchase method in accordance with FASB Statement No. 141, *Business Combinations*, from acquisitions of portions or segments of another institution's business such as branch offices, mortgage servicing portfolios, and credit card portfolios, and from the sale or securitization of financial assets with servicing retained.

An intangible asset with a finite life (other than a servicing asset) should be amortized over its estimated useful life and should be reviewed at least quarterly to determine whether events or changes in circumstances indicate that its carrying amount may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the intangible asset should be tested for recoverability (impairment) in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An impairment loss shall be recognized if the carrying amount of the intangible asset is not recoverable and this amount exceeds the asset's fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted expected future cash flows from the intangible asset. An impairment loss is recognized by writing the intangible asset down to its fair value (which becomes the new accounting basis of the intangible asset), with a corresponding charge to expense (which should be reported in Schedule RI, item 7.c.(2)). Subsequent reversal of a previously recognized impairment loss is prohibited.

An intangible asset with an indefinite useful life should not be amortized, but should be tested for impairment at least annually in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets*.

- 2.a        Mortgage servicing assets.** Report the carrying amount of mortgage servicing assets, i.e., contracts to service loans secured by real estate (as defined for Schedule RC-C, part I, item 1, in the Glossary entry for "Loans secured by real estate") under which the estimated future revenues from contractually specified servicing fees, late charges, and other ancillary revenues are expected to more than adequately compensate the servicer for performing the servicing. A mortgage servicing contract is either (a) undertaken in conjunction with selling or securitizing the mortgages being serviced or (b) purchased or assumed separately. For mortgage servicing assets accounted for under the amortization method, the carrying amount is the unamortized cost of acquiring the mortgage servicing contracts, net of any related

**Item No.    Caption and Instructions**

**2.a**  
(cont.)      valuation allowances. For mortgage servicing assets accounted for under the fair value method, the carrying amount is the fair value of the mortgage servicing contracts. Exclude servicing assets resulting from contracts to service financial assets other than loans secured by real estate (report nonmortgage servicing assets in Schedule RC-M, item 2.b). For further information, see the Glossary entry for "servicing assets and liabilities."

**2.a.(1)**      **Estimated fair value of mortgage servicing assets.** Report the estimated fair value of the capitalized mortgage servicing assets reported in Schedule RC-M, item 2.a.

According to FASB Statement No. 140, the fair value of mortgage servicing assets is the amount at which the assets could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used to measure fair value if available. If quoted market prices are not available, the estimate of fair value should be based on the best information available in the circumstances, considering prices for similar assets and the results of valuation techniques such as the present value of estimated future cash flows using a discount rate commensurate with the risks involved. Valuation techniques for measuring servicing assets should be consistent with the objective of measuring fair value and should incorporate assumptions that market participants would use. Estimates of expected future cash flows, if used to estimate fair value, should be the best estimate based on reasonable and supportable assumptions and projections.

For purposes of this item, the reporting bank should determine the fair value of mortgage servicing assets in the same manner that it determines the fair value of these assets for other financial reporting purposes, consistent with the guidance in FASB Statement No. 140.



**Item No.**    **Caption and Instructions**

- 2.b**        **Purchased credit card relationships and nonmortgage servicing assets.** Report the carrying amount of purchased credit card relationships plus the carrying amount of nonmortgage servicing assets.

*Purchased credit card relationships* represent the right to conduct ongoing credit card business dealings with the cardholders. In general, purchased credit card relationships are an amount paid in excess of the value of the purchased credit card receivables. Such relationships arise when the reporting bank purchases existing credit card receivables and also has the right to provide credit card services to those customers. Purchased credit card relationships may also be acquired when the reporting bank purchases an entire depository institution.

Purchased credit card relationships shall be carried at amortized cost. Management of the institution shall review the carrying amount at least quarterly, adequately document this review, and adjust the carrying amount as necessary. This review should determine whether unanticipated acceleration or deceleration of cardholder payments, account attrition, changes in fees or finance charges, or other events or changes in circumstances indicate that the carrying amount of the purchased credit card relationships may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the intangible asset should be tested for recoverability, and any impairment loss should be recognized, as described in the instruction for Schedule RC-M, item 2.

*Nonmortgage servicing assets* are contracts to service financial assets, other than loans secured by real estate (as defined for Schedule RC-C, part I, item 1) under which the estimated future revenues from contractually specified servicing fees, late charges, and other ancillary revenues are expected to more than adequately compensate the servicer for performing the servicing. A nonmortgage servicing contract is either (a) undertaken in conjunction with selling or securitizing the nonmortgage financial assets being serviced or (b) purchased or assumed separately. For nonmortgage servicing assets accounted for under the amortization method, the carrying amount is the unamortized cost of acquiring the nonmortgage servicing contracts, net of any related valuation allowances. For nonmortgage servicing assets accounted for under the fair value method, the carrying amount is the fair value of the nonmortgage servicing contracts. For further information, see the Glossary entry for "servicing assets and liabilities."

- 2.c**        **All other identifiable intangibles.** Report the carrying amount of all other specifically identifiable intangible assets such as core deposit intangibles and favorable leasehold rights. Also include the carrying amount of any unidentifiable intangible assets recorded in accordance with FASB Statement No. 72, *Accounting for Certain Combinations of a Banking or Thrift Institution*. Exclude goodwill, which should be reported in Schedule RC, item 10.a.
- 2.d**        **Total.** Report the sum of items 2.a, 2.b, and 2.c. This amount must equal Schedule RC, item 10.b, "Other intangible assets."

**Item No.    Caption and Instructions**

- 3        Other real estate owned.** Report in the appropriate subitem the book value, less accumulated depreciation, if any, of all real estate other than bank premises owned or controlled by the bank and its consolidated subsidiaries. Do not deduct mortgages or other liens on such property (report in Schedule RC, item 16, "Other borrowed money"). Amounts should be reported net of any applicable valuation allowances.

Exclude any property necessary for the conduct of banking business (report in Schedule RC, item 6, "Premises and fixed assets").

- 3.a      Direct and indirect investments in real estate ventures.** Report the net book value of direct and indirect investments in real estate ventures that are reportable as other real estate owned.

NOTE: 12 USC 29 limits the authority of national banks to hold real estate. State member banks are not authorized to invest in real estate except with the prior approval of the Board of Governors of the Federal Reserve System under Federal Reserve Regulation H (12 CFR Part 208). In certain states, nonmember banks may invest in real estate.

Include as direct and indirect investments in real estate ventures:

- (1) Any real estate acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes. (Do not include real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure. Report such real estate in Schedule RC-M, item 3.b.)
- (2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.
- (3) Real estate acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, *Accounting for Sales of Real Estate*. Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under FASB Statement No. 66 is being used to account for the sale, the receivable resulting from the sale of the real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with FASB Statement No. 66.
- (4) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting bank in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture.
- (5) Investments in corporate joint ventures, unincorporated joint ventures, and general or limited partnerships that are primarily engaged in the holding of real estate for development, resale, or other investment purposes and over which the bank does not exercise significant influence.

**Item No.    Caption and Instructions**

- 5        Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column the amount of all loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) included in Schedule RC-C, part I, item 6, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 5.a      Credit cards.** Report in the appropriate column the amount of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule RC-C, part I, item 6.a, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 5.b      Other.** Report in the appropriate column the amount of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, items 6.b and 6.c, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 6        Loans to foreign governments and official institutions.** Report in the appropriate column the amount of all loans to foreign governments and official institutions included in Schedule RC-C, part I, item 7, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 7        All other loans.** Report in the appropriate column the amount of all:
- obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, part I, item 8;
  - other loans included in Schedule RC-C, part I, item 9; and
  - on the FFIEC 041 only, all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3,
- that are past due 30 days or more or are in nonaccrual status as of the report date.
- 8        Lease financing receivables (net of unearned income).** Report on the FFIEC 041 in the appropriate column and on the FFIEC 031 in the appropriate subitem and column the amount of all lease financing receivables (net of unearned income) included in Schedule RC-C, part I, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.

NOTE: Items 8.a and 8.b are not applicable to banks filing the FFIEC 041 report form.

- 8.a      Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases (net of unearned income) to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 8.b      All other leases.** Report in the appropriate column the amount of all other leases (net of unearned income) included in Schedule RC-C, part I, item 10.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.

**Item No.    Caption and Instructions**

- 9**        **Debt securities and other assets.** Report in the appropriate column all assets other than loans and leases reportable in Schedule RC-C that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Also include operating lease payments receivable that have been recorded as assets in Schedule RC, item 11, when the operating lease is past due 30 days or more or in nonaccrual status.

Exclude other real estate owned reportable in Schedule RC, item 7, and other repossessed assets reportable in Schedule RC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.

- 10**        **Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U.S. Government.** Report in the appropriate column the aggregate recorded investment in all loans and leases reported in items 1 through 8 above for which repayment of principal is wholly or partially guaranteed or insured by the U.S. Government, including its agencies and its government-sponsored agencies. Examples include loans guaranteed by the FDIC (through loss-sharing arrangements in FDIC-assisted acquisitions), the Small Business Administration, and the Federal Housing Administration. Amounts need not be reported in this item and in items 10.a and 10.b below if they are considered immaterial.

Exclude from this item loans and leases guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

- 10.a**      **Guaranteed portion of loans and leases included in item 10 above.** Report in the appropriate column the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee or insurance provisions applicable to the loans and leases included in Schedule RC-N, item 10, above.

Seller-servicers of GNMA loans should exclude all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase from this item (report such rebooked GNMA loans in item 10.b below). Servicers of GNMA loans should exclude individual delinquent loans (for which they were not the transferor) that they have purchased out of GNMA securitizations from this item (report such purchased GNMA loans in item 10.b below).

- 10.b**      **Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 10 above.** Report in the appropriate column the recorded investment in:

- (1) Delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase by seller-servicers of GNMA loans; and
- (2) Delinquent loans that have been purchased out of GNMA securitizations by servicers of GNMA loans that were not the transferors of the loans.



**Memoranda****Item No.    Caption and Instructions**

- 1            Restructured loans and leases included in Schedule RC-N, items 1 through 8, above.**  
Report in the appropriate column the amount of restructured loans and leases (as defined above) that under their modified terms are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan categories in items 1 through 8 of this schedule. However, exclude from this item all restructured loans secured by 1-to-4 family residential properties (included in Schedule RC-N, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b)) and all restructured loans to individuals for household, family, and other personal expenditures (included in Schedule RC-N, items 5.a and 5.b).
- 2            Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 4 and 7, above.** Report in the appropriate column the amount of loans to finance commercial real estate, construction, and land development activities ***not secured by real estate*** included in Schedule RC-C, part I, Memorandum item 3, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule RC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RC-N above.

NOTE: Memorandum item 3 is not applicable to banks filing the FFIEC 041 report form.

- 3            Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees that are 30 days or more past due or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, items 1.a through 1.f, above.

NOTE: Memorandum items 3.a through 3.c are not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum items 3.a through 3.c are not applicable to banks that have less than \$300 million in total assets.

- 3.a            Loans secured by real estate to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all loans secured by real estate to non-U.S. addressees that are 30 days or more past due or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, items 1.a through 1.e, above.
- 3.b            Loans to and acceptances of foreign banks.** Report in the appropriate column the amount of all loans to and acceptances of foreign banks included in Schedule RC-C, part I, items 2.a.(1) and 2.c.(2), column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and acceptances will have been included in Schedule RC-N, item 2, above.
- 3.c            Commercial and industrial loans to non-U.S. addressees (domicile).** Report in the appropriate column the amount of all commercial and industrial loans to non-U.S. addressees included in Schedule RC-C, part I, item 4.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 4, above.

**Memoranda****Item No. Caption and Instructions**

NOTE: Memorandum item 3.d is not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum item 3.d is not applicable to banks that have less than \$300 million in total assets.

- 3.d** **Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases to individuals for household, family, and other personal expenditures (net of unearned income) included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such leases will have been included in Schedule RC-N, item 8, above.

NOTE: Memorandum item 4 is not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum item 4 is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers, as defined for Schedule RC-C, part I, item 3, column B, exceeding five percent of total loans.

- 4** **Loans to finance agricultural production and other loans to farmers.** Report in the appropriate column the amount of all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in Schedule RC-N, item 7, above.

- 5** **Loans and leases held for sale.** Report in the appropriate column the amount of all loans and leases held for sale included in Schedule RC, item 4.a, that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan and lease categories in items 1 through 8 of Schedule RC-N above.

NOTE: On the FFIEC 041, Memorandum item 6 is not applicable to banks that have less than \$300 million in total assets.

- 6** **Interest rate, foreign exchange rate, and other commodity and equity contracts: Fair value of amounts carried as assets.** Report in the appropriate column the fair value of all interest rate, foreign exchange rate, equity, and commodity and other derivative contracts (as defined for Schedule RC-L, item 12) on which a required payment by the bank's counterparty is past due 30 days or more as of the report date.

**Memoranda****Item No.    Caption and Instructions**

- 7**        **Additions to nonaccrual assets during the quarter.** Report the aggregate amount of all loans, leases, debt securities, and other assets (net of unearned income) that have been placed in nonaccrual status during the calendar quarter ending on the report date. Include those assets placed in nonaccrual status during the quarter that are included as of the quarter-end report date in Schedule RC-N, column C, items 1 through 9. Also include those assets placed in nonaccrual status during the quarter that, before the current quarter-end, have been sold, paid off, charged-off, settled through foreclosure or concession of collateral (or any other disposition of the nonaccrual asset) or have been returned to accrual status. In other words, the aggregate amount of assets placed in nonaccrual status since the prior quarter-end that should be reported in this item should not be reduced, for example, by any charge-offs or sales of such nonaccrual assets. If a given asset is placed in nonaccrual status more than once during the quarter, report the amount of the asset only once.
- 8**        **Nonaccrual assets sold during the quarter.** Report the total of the outstanding balances of all loans, leases, debt securities, and other assets held in nonaccrual status (i.e., reportable in Schedule RC-N, column C, items 1 through 9) that were sold during the calendar quarter ending on the report date. The amount to be included in this item is the outstanding balance (net of unearned income) of each nonaccrual asset at the time of its sale. Do not report the sales price of the nonaccrual assets and do not include any gains or losses from the sale. For purposes of this item, only include those transfers of nonaccrual assets that meet the criteria for a sale as set forth in FASB Statement No. 140. For further information, see the Glossary entry for “transfers of financial assets.”
- 9 and 10**    Memorandum items 9 and 10 must be completed by all banks that are required to complete Schedule RC-C, part I, Memorandum items 9 and 10, i.e., (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than \$300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their “Construction, land development, and other land loans” and on their loans “Secured by nonfarm nonresidential properties” beginning March 31, 2008.
- 9**        **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column the amount of all construction, land development, and other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. The sum of Memorandum items 9.a and 9.b must equal Schedule RC-N, item 1.a.
- 9.a**        **1-4 family residential construction loans.** Report in the appropriate column the amount of all 1-4 family residential construction loans (in domestic offices) included in Schedule RC-C, part I, Memorandum item 9.a, that are past due 30 days or more or are in nonaccrual status as of the report date.

**Memoranda****Item No.    Caption and Instructions**

- 9.b**        **Other construction loans and all land development and other land loans.** Report in the appropriate column the amount of all other construction loans and all land development and other land loans (in domestic offices) included in Schedule RC-C, part I, Memorandum item 9.b, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 10**        **Loans secured by nonfarm nonresidential properties.** Report in the appropriate subitem and column the amount of all loans secured by nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. The sum of Memorandum items 10.a and 10.b must equal Schedule RC-N, item 1.e.
- 10.a**      **Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by owner-occupied nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, Memorandum item 10.a, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 10.b**      **Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by other nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, Memorandum item 10.b, that are past due 30 days or more or are in nonaccrual status as of the report date.

## SCHEDULE RC-O – OTHER DATA FOR DEPOSIT INSURANCE AND FICO ASSESSMENTS

### General Instructions

For an interim period covering the March 31, 2007, through December 31, 2007, report dates, each bank must complete either:

- (1) Items A and B (and, on the FFIEC 031 report, item C) on an unconsolidated basis and Memorandum items 1 through 3, which is the revised format of Schedule RC-O;  
OR
- (2) Items 1 through 12 and Memorandum items 1 through 3, which is the current format of Schedule RC-O.

The revised format will take effect for all institutions on March 31, 2008, at which time the current format will be eliminated. Although the use of the revised format is not required for report dates in 2007, an institution that chooses to begin reporting under the revised format as of any quarter-end report date during the interim period may elect to report, on an unconsolidated basis, quarter-end total deposits and allowable exclusions only (in items A and B and, on the FFIEC 031 report, item C) or quarter-end balances and daily averages for the quarter (in items A, B, D, and E, and, on the FFIEC 031 report, items C and F). However, once an institution chooses to begin reporting quarter-end total deposits and allowable exclusions under the revised format in any quarter during the interim period, it must continue to report under the revised format of Schedule RC-O each quarter thereafter and may not revert back to the current format of Schedule RC-O. In addition, once an institution begins to report daily averages in any quarter during the interim period, it must continue to report daily averages each quarter thereafter, including in 2008 and subsequent years. The deposit insurance assessment base of an institution that reports daily averages for total deposits and allowable exclusions will be determined using the daily averages rather than the institution's quarter-end balances.

Effective March 31, 2008, an institution that reported \$1 billion or more in total assets as of the March 31, 2007, report date (regardless of its asset size in subsequent quarters) must report quarter-end balances and daily averages for the quarter in the revised format of Schedule RC-O. In addition, an institution that meets one of the following criteria must report quarter-end deposit totals and daily averages in Schedule RC-O:

- (1) If an institution reports \$1 billion or more in total assets in two consecutive Reports of Condition and Income beginning with its June 30, 2007, report, the institution must begin reporting both quarter-end balances and daily averages for the quarter beginning on the later of the March 31, 2008, report date or the report date six months after the second consecutive quarter in which it reports total assets of \$1 billion or more. For example, if an institution reports \$1 billion or more in total assets in its reports for June 30 and September 30, 2007, it would begin to report daily averages in its report for March 31, 2008. If the institution reports \$1 billion or more in total assets in its reports for December 31, 2008, and March 31, 2009, it would begin to report daily averages in its report for September 30, 2009.
- (2) If an institution becomes newly insured by the FDIC on or after April 1, 2008, the institution must report daily averages in Schedule RC-O beginning in the first quarterly Reports of Condition and Income that it files. The daily averages reported in the first report the institution files after becoming FDIC-insured would include the dollar amounts for the days since the institution began operations and zero for the days prior to the date the institution began operations, effectively pro-rating the first quarter's assessment base.

**General Instructions (cont.)**

Any institution that reports less than \$1 billion in total assets in its March 31, 2007, report or became FDIC-insured after March 31, 2007, but on or before March 31, 2008, may continue to report only quarter-end total deposits and allowable exclusions until it meets the two-consecutive-quarter asset size test for reporting daily averages. Alternatively, the institution may opt permanently at any time to begin reporting daily averages for purposes of determining its assessment base. After an institution begins to report daily averages for its total deposits and allowable exclusions, either voluntarily or because it is required to do so, the institution is not permitted to switch back to reporting only quarter-end balances.

The amounts to be reported as daily averages are the sum of the gross amounts of total deposits (domestic and foreign) and allowable exclusions for each calendar day during the quarter divided by the number of calendar days in the quarter (except as noted above for a newly insured institution in the first report it files after becoming insured). For days that an office of the reporting institution (or any of its subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. An office is considered closed if there are no transactions posted to the general ledger as of that date.

For purposes of reporting using the current format of Schedule RC-O and deposit insurance assessments, "time and savings deposits" consists of all transaction accounts other than demand deposits – i.e., NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts – and all nontransaction accounts. However, for all other items in the Reports of Condition and Income involving time or savings deposits, a strict distinction, based on Federal Reserve Board Regulation D definitions, is to be maintained between transaction accounts and time and savings accounts.

**Instructions for Revised Format of Schedule RC-O****Item No.    Caption and Instructions**

- A        Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on an unconsolidated basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting exclusions from total deposits that are allowed in the determination of the assessment base upon which deposit insurance assessments (and FICO premiums) are calculated. See the Glossary entry for "deposits" for the statutory definition of deposits.

An institution's gross total deposit liabilities is typically found in and supported by the control totals in the institution's deposit systems that provide the detail sufficient to track, control, and handle inquiries from depositors about their specific individual accounts. These deposit systems can be automated or manual. If the control totals have been reduced by accounts that are overdrawn, these overdrawn accounts are extensions of credit that must be treated and reported as "loans" rather than being treated as negative deposit balances.

- B        Total allowable exclusions (including foreign deposits).** Report on an unconsolidated basis the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions. The allowable exclusions include:

- (1) *Foreign Deposits:* As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include

**Item No.    Caption and Instructions****B**  
(cont.)

- (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –
- (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and
  - (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and
- (B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System.
- (2) *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to cash and cash items in the process of collection due such depository institution.
- (3) *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution.
- (4) *Pass-through reserve balances*: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution that does not act as a correspondent bank in any pass-through reserve balance relationship. A state nonmember bank generally cannot act as a pass-through correspondent unless it maintains an account for its own reserve balances directly with the Federal Reserve.
- (5) *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.
- (6) *Accumulated deposits*: Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

**C**    **Total foreign deposits (included in total allowable exclusions)**. Report on an unconsolidated basis the total amount of foreign deposits (including International Banking Facility deposits) as of the calendar quarter-end report date included in Schedule RC-O, item B above.

**Item No.**    **Caption and Instructions**

- D**        **Total daily average of deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on an unconsolidated basis the total daily average for the quarter of gross total deposit liabilities that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting exclusions from total deposits that are allowed in the determination of the assessment base upon which deposit insurance assessments (and FICO premiums) are calculated. For further information, see the instructions for Schedule RC-O, item A above.
- E**        **Total daily average of allowable exclusions (including foreign deposits).** Report on an unconsolidated basis the total daily average for the quarter of the total amount of allowable exclusions from deposits (as defined in Schedule RC-O, item B, above) if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions.
- F**        **Total daily average of foreign deposits.** Report on an unconsolidated basis the total daily average for the quarter of the total amount of foreign deposits (including International Banking Facility deposits) included in Schedule RC-O, item E above.



## Instructions for Current Format of Schedule RC-O

### Item Instructions

#### Item No.    Caption and Instructions

- 1**        **Unposted debits.** Report the actual amount of cash items in the bank's possession, drawn on itself, that are immediately chargeable but that have not been charged to the general ledger deposit controlling account (for deposits in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) at the close of business on the report date. Report only those items the bank elects to take as deductions on the deposit insurance assessment form (Certified Statement). However, report all unposted debits in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," whether or not they are reported in this item.

Drafts or warrants that are "payable at" or "payable through" the reporting bank may be reported as unposted debits if allowed under applicable state statute or if a written authorization, on file at the bank, allows the bank, at its discretion, to charge such items to the demand deposit account of the drawee. Such drafts and warrants that have already been charged to the general ledger deposit controlling account at the close of business on the report date or that the drawee does not have sufficient funds on deposit to pay, shall not be reported as unposted debits.

Exclude cash items drawn on other banks, overdrafts, nonsufficient funds (NSF) items, and cash items that are returned unpaid to the last endorser for any reason (e.g., stop payment, missing endorsement, post or stale date, or account closed).

Complete either item 1.a or items 1.b.(1) and 1.b.(2).

- 1.a**        **Actual amount of all unposted debits.** Report all unposted debits.

OR

- 1.b**        **Separate amount of unposted debits:**

- 1.b.(1)**    **Actual amount of unposted debits to demand deposits.** Report unposted debits to demand deposits.

- 1.b.(2)**    **Actual amount of unposted debits to time and savings deposits.** Report unposted debits to time and savings accounts.

- 2**        **Unposted credits.** Report the actual amount of unposted credits to deposit accounts (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions). Unposted credits are those deposits that the reporting bank had received but not posted to its general ledger deposit control account at the close of business on the report date which have not otherwise been reported as deposits (in domestic offices) in Schedule RC, item 13.a (or, for insured branches in Puerto Rico and U.S. territories and possessions, in Schedule RC, item 13.b).

**Item No.    Caption and Instructions**

**2**            Unposted credits do not include any deposits that have been credited to the general ledger  
(cont.)        deposit control account as of the close of business on the report date (even if the deposits  
                  have not been posted to individual customer accounts). Rather, unposted credits are  
                  deposits carried in suspense or similar nondeposit accounts that, following a review of the  
                  items included in these accounts, have not been reclassified as deposits on the reporting  
                  bank's balance sheet (refer to the Glossary entry for "suspense accounts").

Complete either item 2.a or item 2.b.(1) and 2.b.(2).

**2.a**            **Actual amount of all unposted credits.** Report all unposted credits.

OR

**2.b**            **Separate amount of unposted credits:**

**2.b.(1)**        **Actual amount of unposted credits to demand deposits.** Report unposted credits to  
demand deposits.

**2.b.(2)**        **Actual amount of unposted credits to time and savings deposits.** Report unposted  
credits to time and savings accounts.

**3**            **Uninvested trust funds (cash) held in bank's own trust department (not included in total  
deposits in domestic offices).** Report all trust funds held in the bank's own U.S.-domiciled  
trust department that the bank keeps segregated and apart from its general assets and does  
not use in the conduct of its business. Include any trust overdrafts (net of disbursements in  
excess of principal and/or income cash in an individual trust account or accounts maintained  
in the same right and capacity) that reduce the bank's liability for deposits. The amount of  
such trust overdrafts may be reduced by the amount of any loan or advance (including any  
reserve for trust overdrafts) to the trust department that is included as a deposit in the Report  
of Condition.

Exclude trust funds received or held by the bank, whether held or deposited in any other  
department of the bank (report in Schedule RC-E, Deposit Liabilities). Also exclude trust  
funds deposited or held in any other bank or financial institution.

**4**            **Deposits of consolidated subsidiaries (in domestic offices and in insured branches in  
Puerto Rico and U.S. territories and possessions) (not included in total deposits).**

Report all deposits held in domestic offices of the reporting bank by its consolidated  
subsidiaries (including any consolidated bank or savings association subsidiaries) and the  
interest accrued and unpaid on such deposits. On the FFIEC 031, also report all deposits  
held by consolidated subsidiaries in insured branches in Puerto Rico and U.S. territories and  
possessions and the interest accrued and unpaid on such deposits. All deposits of and  
interest accrued and unpaid on deposits of subsidiaries consolidated in the Report of  
Condition should be eliminated from deposits reported in Schedule RC-E and other liabilities  
reported in Schedule RC-G, respectively.

## Memoranda

### Item No. Caption and Instruction

- 1** **Total deposits (in domestic offices) of the bank (and in insured branches in Puerto Rico and U.S. territories and possessions).** Memorandum items 1.a.(1), 1.b.(1), 1.b.(2), 1.c.(1), 1.d.(1), and 1.d.(2) are to be completed each quarter. Memorandum items 1.a.(2) and 1.c.(2) are to be completed for the June report only. The dollar amounts used as the basis for reporting the number and amount of deposit accounts in these eight Memorandum items reflect the deposit insurance limits in effect for “retirement deposit accounts” and other deposit accounts on the report date, which are \$250,000 and \$100,000, respectively.

“Retirement deposit accounts” that are eligible for \$250,000 in deposit insurance coverage are deposits made in connection with the following types of retirement plans:

- Individual Retirement Accounts (IRAs), including traditional and Roth IRAs;
- Simplified Employee Pension (SEP) plans;
- "Section 457" deferred compensation plans;
- Self-directed Keogh (HR 10) plans; and
- Self-directed defined contribution plans, which are primarily 401(k) plan accounts.

The term “self-directed” means that the plan participants have the right to direct how their funds are invested, including the ability to direct that the funds be deposited at an FDIC-insured institution.

Retirement deposit accounts exclude Coverdell Education Savings Accounts, formerly known as Education IRAs.

In some cases, brokered certificates of deposit are issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$100,000. For these so-called “retail brokered deposits,” multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (either \$100,000 or \$250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in \$1,000 amounts may be rebuttably presumed to be fully insured and should be reported as “Deposit accounts of \$100,000 or less” in Schedule RC-O, Memorandum item 1.a, below. In addition, some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker’s customers. An individual depositor’s deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA, the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured and should be reported as “Deposit accounts of \$100,000 or less” in Schedule RC-O, Memorandum item 1.a, below.

When determining the number and size of deposit accounts, each individual certificate, passbook, account, and other evidence of deposit is to be treated as a separate account. For purposes of completing this Memorandum item, multiple accounts of the same depositor should not be aggregated. In situations where a bank assigns a single account number to each depositor so that one account number may represent multiple deposit contracts between the bank and the depositor (e.g., one demand deposit account, one money market deposit account, and three certificates of deposit), each deposit contract is a separate account.

**Memoranda****Item No.    Caption and Instruction**

- 1** (cont.) On the FFIEC 041 report, the sum of Memorandum items 1.a.(1), 1.b.(1), 1.c.(1), and 1.d.(1) must equal Schedule RC, item 13.a, "Deposits in domestic offices." On the FFIEC 031 report, the sum of Memorandum items 1.a.(1), 1.b.(1), 1.c.(1), and 1.d.(1) must equal the sum of Schedule RC, item 13.a, "Deposits in domestic offices," plus Schedule RC-O, items 5.a, "Demand deposits in insured branches" in Puerto Rico and U.S. territories and possessions, and 5.b, "Time and savings deposits in insured branches," in Puerto Rico and U.S. territories and possessions.
- 1.a**     **Deposit accounts (excluding retirement accounts) of \$100,000 or less.** Report in the appropriate subitem the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1), with a balance of \$100,000 or less as of the report date.
- 1.a.(1)**   **Amount of deposit accounts (excluding retirement accounts) of \$100,000 or less.** Report the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of \$100,000 or less. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule RC-O, Memorandum item 1.a.(2) below.
- 1.a.(2)**   **Number of deposit accounts (excluding retirement accounts) of \$100,000 or less.** (To be completed for the June report only.) Report the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of \$100,000 or less. Count each certificate, passbook, account, and other evidence of deposit that has a balance of \$100,000 or less.
- 1.b**     **Deposit accounts (excluding retirement accounts) of more than \$100,000.** Report in the appropriate subitem the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1), with a balance of more than \$100,000 as of the report date.
- 1.b.(1)**   **Amount of deposit accounts (excluding retirement accounts) of more than \$100,000.** Report the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than \$100,000. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule RC-O, Memorandum item 1.b.(2) below.
- 1.b.(2)**   **Number of deposit accounts (excluding retirement accounts) of more than \$100,000.** Report the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than \$100,000. Count each certificate, passbook, account, and other evidence of deposit that has a balance of more than \$100,000.
- 1.c**     **Retirement deposit accounts of \$250,000 or less.** Report in the appropriate subitem the amount outstanding and the number of retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) with a balance of \$250,000 or less as of the report date.

**Memoranda****Item No.    Caption and Instruction**

- 1.c.(1)**    **Amount of retirement deposit accounts of \$250,000 or less.** Report the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of \$250,000 or less. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule RC-O, Memorandum item 1.c.(2) below.
- 1.c.(2)**    **Number of retirement deposit accounts of \$250,000 or less.** (To be completed for the June report only.) Report the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of \$250,000 or less. Count each certificate, passbook, account, and other evidence of deposit which has a balance of \$250,000 or less.
- 1.d**        **Retirement deposit accounts of more than \$250,000.** Report in the appropriate subitem the amount outstanding and the number of retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) with a balance of more than \$250,000 as of the report date.
- 1.d.(1)**    **Amount of retirement deposit accounts of more than \$250,000.** Report the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of more than \$250,000. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule RC-O. Memorandum item 1.d.(2) below.
- 1.d.(2)**    **Number of retirement deposit accounts of more than \$250,000.** Report the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of more than \$250,000. Count each certificate, passbook, account, and other evidence of deposit which has a balance of more than \$250,000.
- 2**         **Estimated amount of uninsured deposits (in domestic offices of the bank and in insured branches in Puerto Rico and U.S. territories and possessions).**

Schedule RC-O, Memorandum item 2, is to be completed by banks with \$1 billion or more in total assets.

Report the estimated amount of the bank's deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) that is not covered by federal deposit insurance. This estimate should reflect the deposit insurance limits in effect for "retirement deposit accounts" (as defined in Schedule RC-O, Memorandum item 1) and other deposit accounts on the report date, which are \$250,000 and \$100,000, respectively. The reporting of this information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

**Memoranda****Item No.    Caption and Instruction**

**2**  
(cont.)

The bank's estimate of its uninsured deposits should be reported in accordance with the following criteria. In this regard, it is recognized that a bank may have multiple automated information systems for different types of deposits and that the capabilities of a bank's information systems to provide an estimate of its uninsured deposits will differ from bank to bank at any point in time and, within an individual institution, may improve over time.

- (1) If the bank has brokered deposits, which must be reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits," it must use the information it has developed for completing Schedule RC-E, Memorandum item 1.c, "Fully insured brokered deposits," to determine its best estimate of the uninsured portion of its brokered deposits.
- (2) If the bank has deposit accounts whose ownership is based on a fiduciary relationship, Part 330 of the FDIC's regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a "pass-through" basis. Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian.

A bank with fiduciary deposit accounts with balances of \$100,000 or more must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries and data indicating that some or all of the funds on deposit represent retirement deposit accounts eligible for \$250,000 in deposit insurance coverage, to determine its best estimate of the uninsured portion of these accounts.

- (3) If the bank has deposit accounts of employee benefit plans, Part 330 of the FDIC's regulations states that these accounts are insured on a "pass-through" basis for the non-contingent interest of each plan participant provided that certain prescribed recordkeeping requirements are met. A bank with employee benefit plan deposit accounts with balances of \$100,000 or more must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.
- (4) If the bank's deposit accounts include benefit-responsive "Depository Institution Investment Contracts," which must be reported in Schedule RC-O, item 10, these deposit liabilities are not eligible for federal deposit insurance pursuant to Section 11(a)(8) of the Federal Deposit Insurance Act. A bank with benefit-responsive "Depository Institution Investment Contracts" must include the entire amount of these contracts in the estimated amount of uninsured deposits it reports in this Memorandum item 2.
- (5) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit that it has collateralized by pledging assets, such as deposits of the U.S. Government and of states and political subdivisions in the U.S. (which must be reported in Schedule RC-E, items 2 and 3, and, on the FFIEC 031 report form, in Schedule RC-E, part II, item 5), the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems.

**Memoranda****Item No.    Caption and Instruction**

- 2  
(cont.)
- (6) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit for which it has acquired private deposit insurance to cover this excess amount, the bank should make a reasonable estimate of the portion of these deposits that is not insured by the FDIC using the data available from its information systems.
- (7) For all other deposit accounts, the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems. In developing this estimate, if the bank has automated information systems in place that enable it to identify jointly owned accounts and estimate the deposit insurance coverage of these deposits, the higher level of insurance afforded these joint accounts should be taken into consideration. Similarly, if the bank has automated information systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the bank should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the \$100,000 or \$250,000 insurance limit, as appropriate. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts.

In the absence of automated information systems, a bank may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A bank's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.

- 3
- Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report or Thrift Financial Report?** If the reporting bank is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting bank as part of the parent institution's Call Report or Thrift Financial Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.





**Item No.**    **Caption and Instructions**

- 5**        **Noninterest income for the quarter from the sale, securitization, and servicing of closed-end 1-4 family residential mortgage loans.** Report the noninterest income earned during the calendar quarter ending on the report date from mortgage banking activities involving closed-end 1-4 family residential mortgage loans. Include the portion of the consolidated bank's "Net servicing fees," "Net securitization income," and "Net gains (losses) on sales of loans and leases" (items 5.f, 5.g, and 5.i of Schedule RI) earned during the quarter that is attributable to closed-end 1-4 family residential mortgage loans.



## **SCHEDULE RC-Q – FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

### **General Instructions**

Schedule RC-Q is to be completed by banks that have adopted FASB Statement No. 157, “Fair Value Measurements” (FAS 157), and either:

- (1) Have elected to report certain assets and liabilities at fair value with changes in fair value recognized in earnings in accordance with U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (FAS 159); FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments” (FAS 155); and FASB Statement No. 156, “Accounting for Servicing of Financial Assets” (FAS 156)). This election is generally referred to as the fair value option.

OR

- (2) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

Banks that have elected to report certain assets and liabilities at fair value through earnings in accordance with FAS 155 and/or FAS 156, but have not adopted FAS 157, need not complete Schedule RC-Q until the first quarter-end report date after the effective date of FAS 157, which is determined based on a bank’s fiscal year.

Banks must adopt FAS 157 for purposes of the Reports of Condition and Income in the first fiscal quarter of their first fiscal year beginning after November 15, 2007. Thus, banks with a calendar year fiscal year must adopt FAS 157 as of January 1, 2008. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year in accordance with the provisions of the standard (e.g., as of January 1, 2007, for banks with a calendar year fiscal year, provided FAS 157 is applied in their originally filed March 31, 2007, reports).

### **Column Instructions**

#### **Column A, Total Fair Value Reported on Schedule RC**

For items 1, 2.a, 3, 4, 6, and 7, include in Column A the total fair value of those assets and liabilities reported on Schedule RC, Balance Sheet, that the bank has elected to report at fair value under the fair value option. For items 2 and 5, include in Column A the total amount of trading assets and trading liabilities reported in Schedule RC, item 5 and item 15, respectively.

#### **Columns B and C, Fair Value Measurements**

Include in Column B the fair value reported in Column A for those assets or liabilities whose fair value was determined using Level 2 measurement inputs as defined in FAS 157. Include in Column C the fair value reported in Column A for those assets or liabilities whose fair value was determined using Level 3 inputs as defined in FAS 157. If the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column B or Column C based on the lowest level measurement input with the most significance to the fair value of the asset or liability in its entirety as described in FAS 157. For more information on Level 2 and 3 measurement inputs, see the Glossary entry for “fair value.”

**Item Instructions****Item No.    Caption and Instructions**

- 1        Loans and leases.** Report in the appropriate column the total fair value of those loans held for sale and held for investment that the bank has elected to report under the fair value option and the fair values determined using Level 2 and Level 3 measurement inputs. Loans held for sale that the bank has elected to report under the fair value option are included in Schedule RC, item 4.a. Loans held for investment that the bank has elected to report under the fair value option are included in Schedule RC, item 4.b. Leases are generally not eligible for the fair value option. Exclude loans held for sale that are reported at the lower of cost or fair value.
- 2        Trading assets.** Report in the appropriate column the total fair value of trading assets as reported in Schedule RC, item 5, and the fair values determined using Level 2 and Level 3 measurement inputs.
- 2.a      Nontrading securities at fair value with changes in fair value reported in current earnings.** Report in the appropriate column the total fair value of those securities the bank has elected to report under the fair value option that is included in Schedule RC-Q, item 2 above, and the fair values determined using Level 2 or Level 3 measurement inputs. Securities that the bank has elected to report at fair value under the fair value option are reported as trading securities pursuant to FAS 159 even though management did not acquire the securities principally for the purpose of selling them in the near term.
- 3        All other financial assets and servicing assets.** Report in the appropriate column the total fair value of all other assets (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 1 and 2 above, and the fair values determined using Level 2 or Level 3 measurement inputs.
- Exclude derivative assets held for purposes other than trading and interest-only strips receivable (not in the form of a security) from this item. Because these two categories of financial instruments are required to be reported at fair value on the balance sheet under applicable accounting standards, the fair value option cannot be applied to them.
- 4        Deposits.** Report in the appropriate column the total fair value of those deposits the bank has elected to report under the fair value option that is included in Schedule RC, items 13.a and 13.b, and the fair values determined using Level 2 and Level 3 measurement inputs. Deposits with demand features (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.
- 5        Trading liabilities.** Report in the appropriate column the total fair value of trading liabilities as reported in Schedule RC, item 15, and the fair values determined using Level 2 and Level 3 measurement inputs.
- 6        All other financial liabilities and servicing liabilities.** Report in the appropriate column the total fair value of all other liabilities (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 4 and 5 above, and the fair values determined using Level 2 or Level 3 measurement inputs.

**Item No.**    **Caption and Instructions**

- 6**            Exclude derivative liabilities held for purposes other than trading from this item. Because  
(cont.)        derivatives are required to be reported at fair value on the balance sheet under applicable  
                 accounting standards, the fair value option cannot be applied to them.
- 7**            **Loan commitments (not accounted for as derivatives).** Report in the appropriate column  
                 the total fair value of those unused loan commitments the bank has elected to report under  
                 the fair value option that is included in Schedule RC, Balance Sheet, and the fair values  
                 determined using Level 2 and Level 3 measurement inputs. Exclude unused loan  
                 commitments that meet the definition of a derivative under GAAP. For purposes of this item,  
                 report the net fair value of unused loan commitments reported as assets and those reported  
                 as liabilities. If the net fair value is a liability, report it as a negative number.



**Item No.**    **Caption and Instructions**

- 4        **LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges that is included in Schedule RC, item 26.b, "Accumulated other comprehensive income." If the amount is an accumulated net gain, report it as a positive value in this item. If the amount is an accumulated net loss, report it as a negative value in this item.
- 5        **LESS: Nonqualifying perpetual preferred stock.** Report the portion of perpetual preferred stock (and any related surplus) included in Schedule RC, item 23, that **does not** qualify for inclusion in Tier 1 capital based on the capital guidelines of the bank's primary federal supervisory authority. Generally, banks should include in this item the book value of all perpetual preferred stock except for noncumulative perpetual preferred stock. However, noncumulative perpetual preferred stock in which the dividend rate is periodically reset based on the bank's credit standing or financial condition e.g., Dutch auction, money market, and remarketable preferred stock, is not eligible for Tier 1 capital and should be included in this item. Although the amount reported in this item is not eligible for Tier 1 capital, it may be eligible for inclusion in Tier 2 capital in Schedule RC-R, item 13.





**Item No. Caption and Instructions**

- 6** **Qualifying minority interests in consolidated subsidiaries.** Report the portion of minority interests in consolidated subsidiaries included in Schedule RC, item 22, that is eligible for inclusion in Tier 1 capital based on the capital guidelines of the bank's primary federal supervisory authority. Generally, banks may include minority interests in equity capital accounts (both common and noncumulative perpetual preferred stocks) of consolidated subsidiaries unless such accounts would not otherwise qualify for inclusion in Tier 1 capital. For example, a bank may not include minority interests representing cumulative preferred stock in consolidated subsidiaries since such preferred stock if issued directly by the bank would not eligible for inclusion in Tier 1 capital.

Exclude any minority interests in consolidated asset-backed commercial paper conduits if the consolidated program assets are excluded from risk-weighted assets.

- 7.a** **LESS: Disallowed goodwill and other disallowed intangible assets.** Report the portion of goodwill included in Schedule RC, item 10.a, and the portion of other identifiable intangible assets included in Schedule RC-M, item 2.c, that does not qualify for inclusion in Tier 1 capital based on the capital guidelines of the bank's primary federal supervisory authority. Generally, all goodwill reported in Schedule RC, item 10.a, and all other identifiable intangible assets reported in Schedule RC-M, item 2.c, do not qualify for Tier 1 capital and should be included in this item.

However, if the bank has a deferred tax liability that is specifically related to an intangible asset (other than servicing assets and purchased credit card relationships) acquired in a nontaxable purchase business combination that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of this deferred tax liability. However, a deferred tax liability that the bank chooses to net against the related intangible asset for purposes of this item may not also be netted against deferred tax assets when the bank determines the amount of deferred tax assets that are dependent upon future taxable income and calculates the maximum allowable amount of such deferred tax assets for regulatory capital purposes.

For state member banks, if the amount reported for other identifiable intangible assets in Schedule RC-M, item 2.c, includes intangible assets that were recorded on the reporting bank's balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item.

- 7.b** **LESS: Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness.** When determining the fair value of a financial liability reported on Schedule RC – Balance Sheet, that is accounted for under a fair value option, banks should consider the effect of a change in their own creditworthiness on the fair value of the liability. The agencies have determined that banks should exclude from Tier 1 capital the cumulative change in the fair value of financial liabilities accounted for under a fair value option that is included in retained earnings (Schedule RC, item 26.a) and is attributable to changes in the bank's own creditworthiness. Banks should report in this item the amount of this cumulative change, net of applicable taxes.

If the amount of the cumulative change is a net gain, report it as a positive value in this item. If the amount of the cumulative change is a net loss, report it as a negative value in this item.

**Item No.    Caption and Instructions**

**8            Subtotal.** Report the sum of Schedule RC-R, items 1 and 6, less items 2, 3, 4, 5, and 7.a, and 7.b. The amount reported in this item should be used to determine the limitations on servicing assets and purchased credit card relationships for Schedule RC-R, item 9.a; deferred tax assets for Schedule RC-R, item 9.b; and credit-enhancing interest-only strips and nonfinancial equity investments for Schedule RC-R, item 10, below.

**9.a        LESS: Disallowed servicing assets and purchased credit card relationships.** Report the portion of servicing assets and purchased credit card relationships included in Schedule RC-M, items 2.a and 2.b, that **does not** qualify for inclusion in Tier 1 capital based on the capital guidelines of the bank's primary federal supervisory authority. Generally, servicing assets and purchased credit card relationships (PCCRs) are limited to 100 percent of Tier 1 capital. In addition, nonmortgage servicing assets and PCCRs are subject to a separate sublimit of 25 percent of Tier 1 capital. Banks may use the following approach to determine the amount of disallowed servicing assets and PCCRs.

***Disallowed Mortgage Servicing Assets, Nonmortgage Servicing Assets, and PCCRs Calculation***

- (a) Enter the amount from Schedule RC-R, item 8 \_\_\_\_\_
- (b) Enter 25% of the amount in (a) above \_\_\_\_\_
- (c) Enter the amount of nonmortgage servicing assets and PCCRs reported in Schedule RC-M, item 2.b \_\_\_\_\_
- (d) Enter 90% of the fair value of the nonmortgage servicing assets and PCCRs reported in (c) above \_\_\_\_\_
- (e) Enter the lesser of (b), (c), or (d) \_\_\_\_\_
- (f) Minimum amount of nonmortgage servicing assets and PCCRs to be deducted from Tier 1 capital: subtract (e) from (c); enter 0 if the result is a negative amount \_\_\_\_\_
- (g) Enter the amount of mortgage servicing assets reported in Schedule RC-M, item 2.a \_\_\_\_\_
- (h) Enter 90% of the estimated fair value of mortgage servicing assets reported in Schedule RC-M, item 2.a.(1) \_\_\_\_\_
- (i) Enter the lesser of (a), (g), or (h) \_\_\_\_\_
- (j) Minimum amount of mortgage servicing assets to be deducted from Tier 1 capital: subtract (i) from (g); enter 0 if the result is a negative amount \_\_\_\_\_
- (k) Excess nonmortgage servicing assets, PCCRs, and mortgage servicing assets (i.e., the combined amount exceeding 100% of Tier 1 capital): sum of (e) and (i) minus (a); enter 0 if the result is a negative amount \_\_\_\_\_
- (l) Disallowed nonmortgage servicing assets, PCCRs, and mortgage servicing assets: enter the sum of (f), (j), and (k) \_\_\_\_\_

**Item No.**    **Caption and Instructions**

- 20**        **LESS: Deductions for total risk-based capital.** Report the amount of the bank's investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes, intentional reciprocal cross-holdings of banking organizations' capital instruments, and any other deductions for total risk-based capital as determined by the reporting bank's primary federal supervisory authority. Banks with financial subsidiaries should exclude adjustments to total risk-based capital for the deconsolidation of such subsidiaries. Adjustments to total risk-based capital for financial subsidiaries should be reported in Schedule RC-R, item 28.b, below.
- 21**        **Total risk-based capital.** Report the sum of Schedule RC-R, items 11, 18, and 19, less item 20. The amount reported in this item is the numerator of the bank's total risk-based capital ratio.

**Total assets for leverage ratio**

- 22**        **Average total assets.** Report the bank's average total assets as reported in Schedule RC-K, item 9.
- 23**        **LESS: Disallowed goodwill and other disallowed intangible assets.** Report the amount of any disallowed goodwill and other disallowed intangible assets from Schedule RC-R, item 7.a, above.
- 24**        **LESS: Disallowed servicing assets and purchased credit card relationships.** Report the amount of any disallowed servicing assets and purchased credit card relationships from Schedule RC-R, item 9.a, above.
- 25**        **LESS: Disallowed deferred tax assets.** Report the amount of any disallowed deferred tax assets from Schedule RC-R, item 9.b, above.
- 26**        **LESS: Other deductions from assets for leverage capital purposes.** Report the amount of any other assets that are deducted in determining Tier 1 capital in accordance with the capital standards issued by the reporting bank's primary federal supervisory authority. Include the amount of any disallowed credit-enhancing interest-only strips from Schedule RC-R, item 10, above. Also include the adjusted carrying value of any nonfinancial equity investments for which a Tier 1 capital deduction is included on Schedule RC-R, item 10, above.
- Banks with financial subsidiaries should exclude from this item adjustments to average total assets for the deconsolidation of such subsidiaries. Adjustments to average total assets for financial subsidiaries should be reported in Schedule RC-R, item 30, below.
- 27**        **Average total assets for leverage capital purposes.** Report Schedule RC-R, item 22, less items 23 through 26.

**Adjustments for financial subsidiaries**

NOTE: Schedule RC-R, items 28.a through 30, and column A of items 31 through 33 are only to be completed by banks with “financial subsidiaries” as defined by the Gramm-Leach-Bliley Act of 1999 (the Act). The Act effectively amends the federal banking agencies' capital guidelines to require all banks with financial subsidiaries to deconsolidate the assets and liabilities of all financial subsidiaries and to deduct the aggregate outstanding equity investment in the financial subsidiaries from capital and assets for purposes of calculating the bank’s regulatory capital ratios.

**Item No.    Caption and Instructions**

**28.a**    **Adjustment to Tier 1 capital reported in item 11.** Report one half of the bank's aggregate outstanding equity investment in financial subsidiaries as of the report date, which should be determined in the following manner.

If a financial subsidiary is not consolidated into the bank for purposes of these reports, one half of the bank's aggregate outstanding equity investment in the subsidiary is one half of the amount of the bank's ownership interest accounted for under the equity method of accounting. The bank’s ownership interest will have been included in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies." However, the bank's ownership interest in a financial subsidiary should exclude any loans and advances to the subsidiary and any holdings of the subsidiary's bonds, notes, and debentures, which are included in Schedule RC, item 8.

If one or more financial subsidiaries are consolidated into the bank for purposes of these reports, the bank may use the following approach to determine one half of the bank's aggregate outstanding equity investment in these consolidated financial subsidiaries.

***One Half of the Aggregate Outstanding Equity Investments in Consolidated Financial Subsidiaries***

- (a) Enter the total assets of consolidated financial subsidiaries included in Schedule RC, item 12 \_\_\_\_\_
- (b) Enter the total liabilities of consolidated financial subsidiaries included in Schedule RC, item 21 \_\_\_\_\_
- (c) Enter the sum of the amounts included in Schedule RC-R, items 2, 3, 4, 5, 7, 9.a, and 9.b, that are attributable to the bank’s consolidated financial subsidiaries (e.g., goodwill on a financial subsidiary's balance sheet that was included in the disallowed goodwill reported on Schedule RC-R, item 7) \_\_\_\_\_
- (d) Enter the amount of "Other additions to (deductions from) Tier 1 capital" included in Schedule RC-R, item 10, that is attributable to the bank's consolidated financial subsidiaries \_\_\_\_\_
- (e) Enter the amount of any minority interests in consolidated financial subsidiaries included in Schedule RC, item 22 \_\_\_\_\_
- (f) Enter the sum of (a) and (d) less (b), (c), and (e); enter 0 if the amount is a negative number \_\_\_\_\_

**Item No.    Caption and Instructions**

**41**                    value of those mortgage-backed and asset-backed securities reported in Schedule RC-D, (cont.)                    item 4, "Mortgage-backed securities," item 5, "Other debt securities," and, on the FFIEC 031 report form, item 10, "Trading assets in foreign offices," that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of these types of trading assets.

- *In column E--50% risk weight*, if the bank completes Schedule RC-D, include the portion of the amount reported in RC-D, item 3, that represents the fair value of revenue obligations issued by states and political subdivisions in the U.S. Also include the fair value of those mortgage-backed and asset-backed securities reported in Schedule RC-D, item 4, "Mortgage-backed securities," item 5, "Other debt securities," and, on the FFIEC 031 report form, item 10, "Trading assets in foreign offices," that are rated in the third highest investment grade category, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g. A-2 or P-2, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of these types of securities.
- *In column F--100% risk weight*, include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns B through E. However, for those mortgage-backed and asset-backed securities reported in Schedule RC, item 5, that are rated one category below investment grade, e.g., BB, include in column F the fair value of these securities multiplied by 2.

**42**                    **All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets;" item 7, "Other real estate owned;" item 8, "Investments in unconsolidated subsidiaries and associated companies;" item 10.a, "Goodwill;" item 10.b, "Other intangible assets;" and item 11, "Other assets."

The carrying value of any bank-owned general account insurance product included in Schedule RC, item 11, should be risk weighted 100 percent. If the bank owns a separate account insurance product that qualifies for the "look-through" approach, the qualifying portion of the carrying value of this product included in Schedule RC, item 11, may be eligible for a risk weight less than 100 percent, but in no case less than 20 percent. Any general account and stable value protection (SVP) portions of the carrying value of a separate account insurance product should be risk weighted at the risk weights applicable to claims on the insurer (100 percent) and the SVP provider (100 percent or, if appropriate, 20 percent), respectively. A separate account insurance product that does not qualify for the "look-through" approach should receive a 100 percent risk weight. For further information, see the Interagency Statement on the Purchase and Risk Management of Life Insurance, issued December 7, 2004.

- *In column B*, include the amount of any disallowed goodwill and other disallowed intangible assets reported in Schedule RC-R, item 7.a; disallowed servicing assets and purchased credit card relationships reported in Schedule RC-R, item 9.a; disallowed deferred tax assets reported in Schedule RC-R, item 9.b; all credit-enhancing

**Item No.    Caption and Instructions**

**42**  
(cont.)            interest-only strips reported in Schedule RC, item 11; all residual interests (as defined in the instructions for Schedule RC-R, item 50) not eligible for the ratings-based approach; the fair value of derivative contracts that are reported as assets in Schedule RC, item 11; and the carrying value of other assets reported in Schedule RC, item 11, that act as credit enhancements for those recourse transactions that must be reported in Schedule RC-R, items 49 and 51. Also include the amount of the bank's investments in unconsolidated banking and finance subsidiaries that are reported in Schedule RC, item 8, and are deducted for risk-based capital purposes in Schedule RC-R, item 20.

If the bank has residual interests in asset securitizations that are eligible for the ratings-based approach, report the difference between these residuals' fair value carrying amount and their amortized cost in column B as a positive number if fair value exceeds cost and as a negative number (i.e., in parentheses) if cost exceeds fair value. Also, include *in column B* as a negative number the amortized cost of any residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated one category below investment grade, e.g., BB.

- *In column C--0% risk weight*, include the carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4; accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule RC-R, items 34 through 41); and the carrying value of gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis.
- *In column D--20% risk weight*, include the carrying value of Federal Home Loan Bank stock included in Schedule RC-F, item 4; accrued interest receivable on assets included in the 20 percent risk weight category (column D of Schedule RC-R, items 34 through 41); and the portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions. Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.
- *In column E--50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column E of Schedule RC-R, items 34 through 41). Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings.
- *In column F--100% risk weight*, include the amount of all other assets reported in column A that is not included in columns B through E. However, for residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, include the amortized cost of those that are rated in the lowest investment grade category, e.g., BBB, and the amortized cost multiplied by 2 of those that are rated one category below investment grade, e.g., BB.

**43**            **Total assets.** For columns A through F, report the sum of items 34 through 42. The sum of columns B through F must equal column A.

**Item No.**    **Caption and Instructions****Bank Asset Sales**

- 11        **Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank.** Report in the appropriate column the unpaid principal balance as of the report date of loans and leases, which the reporting bank has sold with recourse or other seller-provided credit enhancements, but which were not securitized by the reporting bank. Include loans and leases that the reporting bank has sold with recourse or other seller-provided credit enhancements to other institutions or entities, whether or not the purchaser has securitized the loans and leases purchased from the bank. Include 1-4 family residential mortgages that the reporting bank has sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) with recourse or other seller-provided credit enhancements.

Exclude small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, which are to be reported in Schedule RC-S, Memorandum item 1, below.

- 12        **Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11.** Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under recourse arrangements or other seller-provided credit enhancements provided by the reporting bank in connection with its sales of the loans and leases reported in Schedule RC-S, item 11, above. Report the unused portion of standby letters of credit, the carrying value of retained interests, and the maximum contractual amount of recourse or other credit exposure arising from other on- and off-balance sheet credit enhancements that the reporting bank has provided. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under the recourse arrangements or credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

**Memoranda****Item No. Caption and Instructions**

- 1 Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994.** Report in the appropriate subitem the outstanding principal balance of and recourse exposure on small business loans and leases on personal property (small business obligations) which the bank has transferred with recourse during the time the bank was a "qualifying institution" and did not exceed the retained recourse limit set forth in banking agency regulations implementing Section 208. Transfers of small business obligations with recourse that were consummated during such a time should be reported as sales for Call Report purposes if the transactions are treated as sales under generally accepted accounting principles (GAAP) and the institution establishes a recourse liability account that is sufficient under GAAP.
- 1.a Outstanding principal balance.** Report the principal balance outstanding as of the report date for small business obligations which the bank has transferred with recourse while it was a "qualifying institution" and did not exceed the retained recourse limit.
- 1.b Amount of retained recourse on these obligations as of the report date.** Report the maximum contractual amount of recourse the bank has retained on the small business obligations whose outstanding principal balance was reported in Schedule RC-S, Memorandum item 1.a, above, not a reasonable estimate of the probable loss under the recourse provision and not the fair value of the liability incurred under this provision. Furthermore, the remaining maximum contractual exposure should not be reduced by the amount of any associated recourse liability account. The amount of recourse exposure to be reported should not include interest payments the bank has advanced on delinquent obligations. For small business obligations transferred with full (unlimited) recourse, the amount of recourse exposure to be reported is the outstanding principal balance of the obligations as of the report date. For small business obligations transferred with limited recourse, the amount of recourse exposure to be reported is the maximum amount of principal the transferring bank would be obligated to pay the holder of the obligations in the event the entire outstanding principal balance of the obligations transferred becomes uncollectible.
- 2 Outstanding principal balance of assets serviced for others.** Report in the appropriate subitem the outstanding principal balance of loans and other financial assets the bank services for others, regardless of whether the servicing involves whole loans and other financial assets or only portions thereof, as is typically the case with loan participations. Include (1) the principal balance of loans and other financial assets owned by others for which the reporting bank has purchased the servicing (i.e., purchased servicing) and (2) the principal balance of loans and other financial assets that the reporting bank has either originated or purchased and subsequently sold, whether or not securitized, but for which it has retained the servicing duties and responsibilities (i.e., retained servicing). If the bank services a portion of a loan or other financial asset for one or more other parties and owns the remaining portion of the loan or other financial asset, report only the principal balance of the portion of the asset serviced for others.
- 2.a Closed-end 1–4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements.** Report the outstanding principal balance of closed-end 1-to-4 family residential mortgage loans (as defined for Schedule RC-C, part I, item 1.c.(2)) that the reporting bank services for others under servicing arrangements in which the reporting bank also provides recourse or other servicer-provided credit enhancements. Include closed-end 1-to-4 family residential mortgages serviced under regular option contracts (i.e., with recourse) with the Federal National Mortgage Association, serviced with recourse for the Federal Home Loan Mortgage Corporation, and serviced with recourse under other servicing contracts.



**Equity Method of Accounting:** The equity method of accounting is used to account for investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence (collectively referred to as "investees").

Under the equity method, the carrying value a bank's investment in an investee is originally recorded at cost but is adjusted periodically to record as income the bank's proportionate share of the investee's earnings or losses and decreased by the amount of cash dividends or similar distributions received from the investee. For purposes of these reports, the date through which the carrying value of the bank's investment in an investee has been adjusted should, to the extent practicable, match the report date of the Report of Condition, but in no case differ by more than 93 days from the report.

See also "subsidiaries."

**Extinguishments of Liabilities:** The accounting and reporting standards for extinguishments of liabilities are set forth in FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Under Statement No. 140, a bank should remove a previously recognized liability from its balance sheet if and only if the liability has been extinguished. A liability has been extinguished if either of the following conditions is met:

- (1) The bank pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivering cash, other financial assets, goods, or services or the bank's reacquiring its outstanding debt.
- (2) The bank is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Except for those unusual and infrequent gains and losses that qualify as extraordinary under the criteria in APB Opinion No. 30, banks should aggregate their gains and losses from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances, and consistently report the net amount in item 7.d, "Other noninterest expense," of the income statement (Schedule RI). Only if a bank's debt extinguishments normally result in net gains over time should the bank consistently report its net gains (losses) in Schedule RI, item 5.I, "Other noninterest income."

In addition, under FASB Emerging Issues Task Force (EITF) Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments," the accounting for the gain or loss on the modification or exchange of debt depends on whether the original and the new debt instruments are substantially different. If they are substantially different, the transaction is treated as an extinguishment of debt and the gain or loss on the modification or exchange is reported immediately in earnings as discussed in the preceding paragraph. If the original and new debt instruments are not substantially different, the gain or loss on the modification or replacement of the debt is deferred and recognized over time as an adjustment to the interest expense on the new borrowing. EITF Issue No. 96-19 provides guidance on how to determine whether the original and the new debt instruments are substantially different.

**Extraordinary Items:** Extraordinary items are material events and transactions that are (1) unusual and (2) infrequent. Both of those conditions must exist in order for an event or transaction to be reported as an extraordinary item.

To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of banks. An event or transaction that is beyond bank management's control is not automatically considered to be unusual.

**Extraordinary Items (cont.):**

To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Only a limited number of events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), an expropriation, or a prohibition under a newly enacted law or regulation.

For further information, see APB Opinion No. 30, "Reporting the Results of Operations."

**Fails:** When a bank has sold an asset and, on settlement date, does not deliver the security or other asset and does not receive payment, a sales fail exists. When a bank has purchased a security or other asset and, on settlement date, does not receive the asset and does not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in the Reports of Condition and Income.

**Fair Value:** The accounting standard for fair value measurements that should be applied in accounting pronouncements that require or permit fair value measurements is FASB Statement No. 157, "Fair Value Measurements" (FAS 157). For further information, refer to FASB Statement No. 157.

FAS 157 defines fair value and establishes a framework for measuring fair value. The definition of fair value for an asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants (not a forced liquidation or distressed sale) in the asset's or liability's principal (or most advantageous) market at the measurement date. The transaction is assumed to occur based on an exit price notion versus an entry price.

FAS 157 establishes a three level fair value hierarchy that prioritizes inputs used to measure fair value. The highest priority is given to Level 1 and the lowest priority to Level 3.

Level 1 fair value measurement inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a bank has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 fair value measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Depending on the specific factors related to an asset or a liability, certain adjustments to Level 2 inputs may be necessary to determine the fair value of the asset or liability. If those adjustments are significant to the asset or liability's fair value in its entirety, the adjustments may render the fair value hierarchy classification to a Level 3 fair value measurement rather than a Level 2 fair value measurement.

Level 3 fair value measurement inputs are unobservable inputs for the asset or liability. Although these inputs may not be readily observable in the market, the fair value measurement objective is, nonetheless, to obtain an exit price for the asset or liability from the perspective of a market participant. Therefore, Level 3 fair value measurement inputs should reflect the bank's own assumptions about the assumptions that a market participant would use in pricing an asset or liability and should be based on the best information available in the circumstances.

**Fair Value (cont.):**

FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is permitted, provided that the bank has not yet issued financial statements for that fiscal year, including financial statements or Reports of Condition and Income for an interim period within that fiscal year. For purposes of these reports, banks must adopt FAS 157 upon the statement's effective date based on their fiscal year, with earlier application permitted consistent with the statement.

**Federal Funds Transactions:** For purposes of the Reports of Condition and Income, federal funds transactions involve the reporting bank's lending (federal funds sold) or borrowing (federal funds purchased) in domestic offices of immediately available funds under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract. However, funds lent or borrowed in the form of securities resale or repurchase agreements, due bills, borrowings from the Discount and Credit Department of a Federal Reserve Bank, deposits with and advances from a Federal Home Loan Bank, and overnight loans for commercial and industrial purposes are excluded from federal funds. Transactions that are to be reported as federal funds transactions may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed.

The borrowing and lending of immediately available funds has an original maturity of one business day if the funds borrowed on one business day are to be repaid or the transaction reversed on the next business day, that is, if immediately available funds borrowed today are to be repaid tomorrow (in tomorrow's immediately available funds). Such transactions include those made on a Friday to mature or be reversed the following Monday and those made on the last business day prior to a holiday (for either or both of the parties to the transaction) to mature or be reversed on the first business day following the holiday.

A continuing contract is a contract or agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of either party to terminate. Such contracts may also be known as rollovers or as open-ended agreements.

Federal funds may take the form of the following two types of transactions in domestic offices provided that the transactions meet the above criteria (i.e., immediately available funds with an original maturity of one business day or under a continuing contract):



**Mandatory Convertible Debt:** Mandatory convertible debt is a subordinated note or debenture with a maturity of 12 years or less that obligates the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal by a date at or before the maturity date of the debt instrument (so-called "equity contract notes").

**Mergers:** See "business combinations."

**Money Market Deposit Account (MMDA):** See "deposits."

**Nonaccrual Status:** This entry covers, for purposes of these reports, the criteria for placing assets in nonaccrual status (presented in the general rule below) and related exceptions, the reversal of previously accrued but uncollected interest, the treatment of cash payments received on nonaccrual assets and the criteria for cash basis income recognition, the restoration of a nonaccrual asset to accrual status, and the treatment of multiple extensions of credit to one borrower.

General rule -- Banks shall not accrue interest, amortize deferred net loan fees or costs, or accrete discount on any asset (1) which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

Any state statute, regulation, or rule that imposes more stringent standards for nonaccrual of interest takes precedence over this instruction.

**Nonaccrual Status (cont.):**

Exceptions to the general rule -- In the following situations, an asset need not be placed in nonaccrual status:

- (1) The criteria for accrual of income under the interest method specified in AICPA Statement of Position 03-3<sup>1</sup> are met for a purchased impaired loan or debt security accounted for in accordance with that Statement of Position, regardless of whether the loan or debt security had been maintained in nonaccrual status by its seller. For further information, see the Glossary entry for "purchased impaired loans and debt securities."
- (2) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6<sup>2</sup> are met with respect to a loan or other debt instrument accounted for in accordance with that Practice Bulletin that was acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.
- (3) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. However, to the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in Schedule RC-N.

Treatment of previously accrued interest -- The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status should be handled in accordance with generally accepted accounting principles. Acceptable accounting treatment includes a reversal of all previously accrued but uncollected interest applicable to assets placed in a nonaccrual status against appropriate income and balance sheet accounts.

For example, one acceptable method of accounting for such uncollected interest on a loan placed in nonaccrual status is (1) to reverse all of the unpaid interest by crediting the "accrued interest receivable" account on the balance sheet, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate "interest and fee income on loans" account on the income statement, and (3) to reverse any uncollected interest that had been accrued during previous calendar years by debiting the "allowance for loan and lease losses" account on the balance sheet. The use of this method presumes that bank management's additions to the allowance through charges to the "provision for loan and lease losses" on the income statement have been based on an evaluation of the collectability of the loan and lease portfolios and the "accrued interest receivable" account.

Treatment of cash payments and criteria for the cash basis recognition of income -- When doubt exists as to the collectability of the remaining recorded investment in an asset in nonaccrual status, any payments received must be applied to reduce the recorded investment in the asset to the extent necessary to eliminate such doubt. Placing an asset in nonaccrual status does not, in and of itself, require a charge-off, in whole or in part, of the asset's recorded investment. However, any identified losses must be charged off.

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<sup>1</sup> American Institute of Certified Public Accountants Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," December 12, 2003.

<sup>2</sup> American Institute of Certified Public Accountants Practice Bulletin No. 6, "Amortization of Discounts on Certain Acquired Loans," August 1989.