CALL REPORT

INSTRUCTION BOOK UPDATE

MARCH 2013

FILING INSTRUCTIONS

NOTE: This instruction book update is designed for two-sided (duplex) printing. 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.

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Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)

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GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-V constitute the Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the Report of Income and its supporting schedules. The Consolidated Reports of Condition and Income are commonly referred to as the Call Report. For purposes of these General Instructions, the FASB Accounting Standards Codification is referred to as "ASC."

Unless the context indicates otherwise, the term "bank" in the Call Report instructions refers to both banks and savings associations.

WHO MUST REPORT ON WHAT FORMS

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

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

   (a) An International Banking Facility (IBF);
   (b) A branch or consolidated subsidiary in a foreign country; and
   (c) A majority-owned Edge or Agreement subsidiary.

   In addition, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary in Puerto Rico or a U.S. territory or possession is a "foreign" office. However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a "domestic" office.

(2) BANKS WITHOUT FOREIGN OFFICES: Banks of *any* size that have only domestic offices must file quarterly the *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only* (FFIEC 041). For banks chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary in one of the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a "domestic" office.

Close of Business

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Call Report (e.g., adjustments of accruals, posting of items held in suspense on the report date to their proper accounts, and other quarter-end adjusting entries) should be reported in the Call Report as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

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

Frequency of Reporting

The reports are required to be submitted quarterly by all banks. However, for banks with fiduciary powers, the reporting frequency for Schedule RC-T, Fiduciary and Related Services, depends on their total fiduciary assets and their gross fiduciary and related services income. Banks with total fiduciary assets greater than $250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete the applicable items of Schedule RC-T quarterly. All other banks with fiduciary powers must complete the applicable items of Schedule RC-T annually as of the December 31 report date.

In addition, the following items are to be completed annually rather than quarterly:

(1) Schedule RC, Memorandum item 1, on the level of external auditing work performed for the bank, and Memorandum item 2, on the bank's fiscal year-end date, are to be reported as of the March 31 report date;

(2) Schedule RC-E, Memorandum item 1.e, "Preferred deposits," is to be reported as of the December 31 report date; and

(3) Schedule RC-C, Memorandum items 15.a.(1) through 15.c.(2), and Schedule RC-L, items 1.a.(1) and (2), on reverse mortgages are to be reported as of the December 31 report date.

Differences in Detail of Reports

The amount of detail required to be reported varies between the two versions of the report forms, with the report forms for banks with foreign offices (FFIEC 031) having more detail than the report forms for banks with domestic offices only (FFIEC 041). Furthermore, as discussed below under Shifts in Reporting Status, the amount of detail also varies within both report forms, primarily based on the size of the bank. In general, the FFIEC 041 report form requires the least amount of detail from banks with less than $100 million in total assets.

Differences in the level of detail within both the FFIEC 031 and 041 report forms are as follows:

(1) Banks that had closed-end loans with negative amortization features secured by 1-4 family residential properties with a carrying amount (before any loan loss allowances) that exceeded the lesser of $100 million or 5 percent of total loans and leases, net of unearned income, in domestic offices as of the previous December 31 report date must report certain information about these loans in Schedule RC-C, part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12.

(5) Banks with less than $1 billion in total assets at which (a) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan originations and purchases for resale from all sources during a calendar quarter, or (b) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan sales during a calendar quarter, or (c) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loans held for sale at calendar quarter-end exceed $10 million for two consecutive quarters must complete Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities, beginning the second quarter and continue to complete the schedule through the end of the calendar year.

(6) Banks that (a) had $500 million or more in total assets as of the beginning of their fiscal year or (b) had less than $500 million in total assets as of the beginning of their fiscal year and either have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings or are required to complete Schedule RC-D, Trading Assets and Liabilities, must complete Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis.

(7) Banks with financial subsidiaries must complete certain additional items in Schedule RC-R, Regulatory Capital.

(8) Banks servicing more than $10 million in financial assets other than 1-4 family residential mortgages must report the volume of such servicing in Schedule RC-S, Memorandum item 2.c.

(9) Banks with total fiduciary assets greater than $100 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on their fiduciary and related services income and on fiduciary settlements and losses in Schedule RC-T.

In addition, within the FFIEC 031 report form, banks whose foreign office assets, revenues, or net income account for more than 10 percent of the bank's consolidated total assets, total revenues, or net income must complete Schedule RI-D, Income from Foreign Offices.

Shifts in Reporting Status

All shifts in reporting status within the FFIEC 031 and the FFIEC 041 report forms (except as noted below) are to begin with the March Call Report. Such a shift will take place only if the reporting bank's total assets (or, in one case, loans) as reflected in the Report of Condition for June of the previous calendar year equal or exceed the following criteria:

(1) On the FFIEC 041 report form, *when total assets equal or exceed $100 million*, a bank must begin to complete Schedule RC-K, items 7 and 13, for the quarterly averages of "Trading assets" and "Other borrowed money."

(2) On the FFIEC 041 report form, *when loans to finance agricultural production and other loans to farmers exceed 5 percent of total loans, net of unearned income*, at a bank with less than $300 million in total assets, the bank must begin to report the following information for these agricultural loans: interest and fee income, quarterly average, past due and nonaccrual loans, and charge-offs and recoveries.

(3) On the FFIEC 041 report form, *when total assets equal or exceed $300 million*, a bank must begin to complete:

- ➢ Certain items providing additional detail on the composition of the loan and lease portfolio in Schedule RC-C, part I, Loans and Leases; past due and nonaccrual loans and leases in Schedule RC-N; and loan and lease charge-offs and recoveries in Schedule RI-B, part I;
- ➢ Schedule RC-A, Cash and Balances Due From Depository Institutions;

- Schedule RC-L, items 1.b.(1) and (2), on credit card lines by type of customer;[1]
- Schedule RC-N, Memorandum item 6, on past due derivative contracts; and
- Schedule RI, Memorandum item 10, "Credit losses on derivatives."

(4) On both the FFIEC 031 and FFIEC 041 report forms, *when total assets equal or exceed $1 billion*, a bank must begin to complete:

- Schedule RI, Memorandum item 2, “Income from the sale and servicing of mutual funds and annuities (in domestic offices)”;
- Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses;
- Schedule RC-B, Memorandum items 5.a through 5.f, which provide a breakdown of the bank’s holdings of asset-backed securities;
- Schedule RC-L, items 2.a and 3.a, on financial and performance standby letters of credit conveyed to others;
- Schedule RC-O, Memorandum item 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), including related interest accrued and unpaid”; and
- Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities.

(5) On both the FFIEC 031 and FFIEC 041 report forms, *when total assets equal or exceed $10 billion*, a bank must begin to complete Schedule RC-L, item 16, “Over-the-counter derivatives.”

Once a bank reaches the $100 million, $300 million, $1 billion, or $10 billion total asset threshold or exceeds the agricultural loan percentage or credit card lines threshold and begins to report the additional required information described above, it *must* continue to report the additional information in subsequent years without regard to whether it later falls below the total asset, loan percentage, or credit card lines threshold.

Other shifts in reporting status occur when:

(1) A bank with domestic offices only establishes or acquires any "foreign" office. The bank must begin filing the FFIEC 031 report form (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of *all* its "foreign" offices must continue filing the FFIEC 031 report form through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.

(2) A bank is involved in a business combination (poolings of interests, purchase acquisitions), a reorganization, or a branch acquisition that is not a business combination. Beginning with the first quarterly report date following the effective date of a business combination involving a bank and one or more other depository institutions, the resulting bank, regardless of its size prior to the business combination, must (a) file the FFIEC 031 report form if it acquires any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form if its total assets or agricultural loans after the consummation of the transaction surpass the $100 million, $300 million, $1 billion, or $10 billion total asset threshold or the agricultural loan percentage.

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured bank, it must (a) file the FFIEC 031 report form if it has any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form based on its total assets and agricultural loans at the time it becomes an FDIC-insured bank.

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[1] In addition, a bank with less than $300 million in total assets must begin to complete these items when credit card lines equal or exceed $300 million. These total asset and credit card line thresholds also apply to the FFIEC 031 report form.

Item No.	Caption and Instructions
7.b (cont.)	Exclude from expenses of premises and fixed assets:
	(1) Salaries and employee benefits (report such expenses for all officers and employees of the bank and its consolidated subsidiaries in Schedule RI, item 7.a, "Salaries and employee benefits").
	(2) Interest on mortgages, liens, or other encumbrances on premises or equipment owned, including the portion of capital lease payments representing interest expense (report in Schedule RI, item 2.c, "Interest on trading liabilities and other borrowed money").
	(3) All expenses associated with other real estate owned (report in Schedule RI, item 7.d, "Other noninterest expense").
	(4) Gross rentals from other real estate owned and fees charged for the use of parking lots properly reported as other real estate owned, as well as safe deposit box rentals and rental fees applicable to operating leases for furniture and equipment rented to others (report in Schedule RI, item 5.l).
7.c.(1)	**Goodwill impairment losses.** Report any impairment losses recognized during the period on goodwill. Exclude goodwill impairment losses associated with discontinued operations (report such losses on a net-of-tax basis in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes").
	Goodwill should not be amortized, but must be tested for impairment as described in the Glossary entry for "goodwill."

Item No. Caption and Instructions

7.c.(2) **Amortization expense and impairment losses for other intangible assets.** Report the amortization expense of and any impairment losses on "Other intangible assets" (as defined for Schedule RC, item 10.b). Under ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"), intangible assets that have indefinite useful lives should not be amortized, but must be tested at least annually for impairment. Intangible assets that have finite useful lives must be amortized over their useful lives and must be reviewed for impairment in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets").

Exclude the amortization expense of and any impairment losses on servicing assets, which should be netted against the servicing income reported in Schedule RI, item 5.f, "Net servicing fees," above.

7.d **Other noninterest expense.** Report all operating expenses of the bank for the calendar year-to-date not required to be reported elsewhere in Schedule RI.

Disclose in Schedule RI-E, items 2.a through 2.n, each component of other noninterest expense, and the dollar amount of such component, that is greater than $25,000 and exceeds 3 percent of the other noninterest expense reported in this item. If net gains have been reported in this item for a component of "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than $25,000 and exceeds 3 percent of "Other noninterest expense" and should be reported in Schedule RI-E, item 2. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.)

Preprinted captions have been provided in Schedule RI-E, items 2.a through 2.k, for reporting the following components of other noninterest expense if the component exceeds this disclosure threshold: data processing expenses; advertising and marketing expenses; directors' fees; printing, stationery, and supplies; postage; legal fees and expenses; FDIC

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Item No. **Caption and Instructions**

13.a.(1) **Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk.** For loans reported at fair value under a fair value option, report the estimated portion of the change in fair value included in earnings attributable to changes in instrument-specific credit risk. Include all such loans reported in Schedule RC, items 4.a, 4.b, and 5.

13.b **Net gains (losses) on liabilities.** Report the total amounts of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all liabilities, including hybrid financial instruments and servicing liabilities, accounted for under a fair value option. This amount will reflect the reported interest included in total interest expense in Schedule RI, item 2.e, and revaluation adjustments included in noninterest income in Schedule RI, items 5.c, 5.f, and 5.l. Exclude gains and losses for other items measured at fair value, such as items required to be measured at fair value.

13.b.(1) **Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk.** For liabilities reported at fair value under a fair value option, report the estimated portion of the change in fair value included in earnings attributable to changes in instrument-specific credit risk.

14 **Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities.** When the fair value of an individual held-to-maturity or available-for-sale debt security is less than its amortized cost basis, the security is impaired and the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a bank must apply the relevant guidance in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” as amended by FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,” and FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”) and ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly Emerging Issues Task Force (EITF) Issue No. 99-20, “Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets,” as amended by FSP EITF 99-20-1, “Amendments to the Impairment Guidance of EITF Issue No. 99-20”), as appropriate.

Report in the appropriate subitem the specified information on other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that have occurred during the calendar year to date. The amounts to be reported in Memorandum item 14 should be determined as of the date each other-than-temporary impairment loss is initially recognized on an individual debt security during the current calendar year, i.e., based on the fair value and amortized cost of the other-than-temporarily impaired debt security as of that measurement date, and these amounts should be adjusted only to reflect any additional impairment loss on the debt security that is recognized in earnings during the same calendar year. The amounts reported in Memorandum items 14.a and 14.b should not be adjusted to reflect any recoveries in the fair value of the other-than-temporarily impaired debt security that occur after the date when the other-than-temporary impairment (OTTI) loss was initially recognized in earnings during the current calendar year. In contrast, the amounts reported in Memorandum items 14.a, 14.b, and 14.c should be adjusted to reflect a further decline in the fair value of the other-than-temporarily impaired debt security during the current calendar year

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14 (cont.) that is accompanied by an additional impairment loss on the debt security that increases the previously reported impairment loss recognized in earnings during the current calendar year.[1]

Consider the following examples: [2]

Example 1:

First Quarter 2013:

- Debt security with a $1,000 amortized cost basis and fair value of $900.
- Impairment is determined to be other-than-temporary.
- Total OTTI loss of $100 is comprised of a $10 credit loss recognized in earnings and a $90 loss related to factors other than credit recognized in other comprehensive income.
- The new amortized cost basis of the debt security after the recognition of the credit loss is $990.

Second Quarter 2013:

- Debt security has increased in fair value to $920.
- The credit loss has increased by $20, which is recognized in earnings.
- This additional other-than-temporary impairment loss recognized in earnings results in a new amortized cost basis of $970 for the debt security.

Third Quarter 2013:

- Debt security has increased in fair value to $950
- The credit loss is unchanged from the second quarter of 2013, so the amortized cost basis remains $970.

The events listed above would be reported in Memorandum items 14.a, 14.b, and 14.c, as follows:

	March 31, 2013	June 30, 2013	September 30, 2013
14.a	$100	$100	$100
14.b	90	70	70
14.c	$10	$30	$30

Note that Memorandum items 14.b and 14.c are adjusted as of June 30, 2013, to reflect the increase in the other-than-temporary impairment loss recognized in earnings (the increased credit loss) that occurred in the second quarter of 2013; however, Memorandum items 14.a and 14.b are not adjusted as of June 30 and September 30, 2013, to reflect the increases in the fair value of the debt security that occurred in the second and third quarters of 2013 because these recoveries in fair value do not result in a reduction in the amount of the other-than-temporary impairment loss initially recognized in earnings in the first quarter of 2013.

[1] This reporting treatment should be applied to other-than-temporary impairment losses recognized on or after January 1, 2013.

[2] In these examples, references to the amortized cost of the debt security in periods after the recognition of an other-than-temporary impairment loss ignore the effect of the accretion of the difference between the new amortized cost basis and the cash flows expected to be collected.

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Item No. **Caption and Instructions**

14 (cont.) Example 2:

First Quarter 2013:
- Same facts as in Example 1.

Second Quarter 2013:
- Debt security has declined in fair value to $870.
- The credit loss has increased by $20, which is recognized in earnings.
- This additional other-than-temporary impairment loss recognized in earnings results in a new amortized cost basis of $970 for the debt security.

Third Quarter 2013:
- Debt security has increased in fair value to $920
- The credit loss is unchanged from the second quarter of 2013, so the amortized cost basis remains $970.

The events listed above would be reported in Memorandum items 14.a, 14.b, and 14.c, as follows:

	March 31, 2013	June 30, 2013	September 30, 2013
14.a	$100	$130	$130
14.b	90	100	100
14.c	$10	$30	$30

Note that Memorandum items 14.a, 14.b, and 14.c are adjusted as of June 30, 2013, to reflect the additional decline in fair value of the other-than-temporarily impaired debt security that accompanied the increase in the other-than-temporary impairment loss recognized in earnings (the increased credit loss) in the second quarter of 2013; however, Memorandum items 14.a and 14.b are not adjusted as of September 30, 2013, to reflect the increase in the fair value of the debt security that occurred in the third quarter of 2013 because this recovery in fair value did not result in a reduction in the amount of other-than-temporary impairment losses initially and subsequently recognized in earnings in the first and second quarters, respectively, of 2013.

14.a **Total other-than-temporary impairment losses.** When an other-than-temporary impairment loss has occurred on an individual debt security, the total amount of the loss is the entire difference between the amortized cost of the debt security and its fair value on the measurement date of the other-than-temporary impairment. Report the total other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings and other comprehensive income during the calendar year to date in the manner specified in the instructions for Schedule RI, Memorandum item 14, above.

Because this item should not reflect recoveries in the fair value of an other-than-temporarily impaired debt security in periods subsequent to the date when the other-than-temporary impairment loss was initially recognized during the current calendar year, negative entries are not appropriate in this item.

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Item No. **Caption and Instructions**

14.b **Portion of losses recognized in other comprehensive income (before income taxes).** When an other-than-temporary impairment loss has occurred on an individual debt security, if the bank does not intend to sell the security and it is not more likely than not that the bank will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment loss must be separated into (a) the amount representing the credit loss, which must be recognized in earnings, and (b) the amount related to all other factors, which must be recognized in other comprehensive income. Report the portion of other-than-temporary impairment losses included in Memorandum item 14.a above related to factors other than credit that has been recognized in other comprehensive income (before income taxes) during the calendar year to date in the manner specified in the instructions for Schedule RI, Memorandum item 14, above.

Exclude other-than-temporary impairment losses on debt securities that the bank intends to sell and on debt securities that it is more likely than not that the bank will be required to sell before recovery of its amortized cost basis less any current-period credit loss, the entire amount of which must be recognized in earnings.

Because this item should not reflect recoveries in the fair value of an other-than-temporarily impaired debt security in periods subsequent to the date when the other-than-temporary impairment loss was initially recognized during the current calendar year, negative entries are not appropriate in this item.

14.c **Net impairment losses recognized in earnings.** Report Schedule RI, Memorandum item 14.a, less Memorandum item 14.b, which represents the amount of other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that has been recognized in earnings during the calendar year to date. This amount is included in the realized gains (losses) on held-to-maturity and available-for-sale securities reported in Schedule RI, items 6.a and 6.b.

SCHEDULE RI-C – DISAGGREGATED DATA ON THE ALLOWANCE FOR LOAN AND LEASE LOSSES

General Instructions

Schedule RI-C is to be completed by institutions with $1 billion or more in total assets.

This schedule has six columns for the disclosure by portfolio category of the balance in the allowance for loan and lease losses at the end of each quarter disaggregated on the basis of the reporting institution's impairment method and the related recorded investment in loans (and, as applicable, leases) held for investment (excluding loans held for investment that the institution has elected to report at fair value under a fair value option) disaggregated in the same manner: two columns for information on loans individually evaluated for impairment, two columns for information on loans and leases collectively evaluated for impairment, and two columns for purchased credit-impaired loans. For further information on loan impairment methods, see the Glossary entries for "loan impairment" and "purchased credit-impaired loans and debt securities."

Loans and leases held for investment are loans and leases that the institution has the intent and ability to hold for the foreseeable future or until maturity or payoff.

The loan and lease portfolio categories for which allowance and related recorded investment amounts are to be reported in Schedule RI-C represent general categories rather than the standardized loan categories defined in Schedule RC-C, part I, Loans and Leases. Based on the manner in which it segments its portfolio for purposes of applying its allowance methodology, each institution should report each component of the overall allowance reported in Schedule RC, item 4.c, and the recorded investment in the related loans and leases in the Schedule RI-C general loan category that best corresponds to the characteristics of the related loans and leases.[1] The sum of the recorded investment amounts reported in Schedule RI-C (plus the fair value of loans held for investment for which the fair value option has been elected) must equal the balance sheet amount of held-for-investment loans and leases reported in Schedule RC, item 4.b, "Loans and leases, net of unearned income."

Column Instructions

Columns A and B: For each of the specified general categories of loans held for investment, report in column A the recorded investment in individually evaluated loans that have been determined to be impaired as defined in ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), including all loans restructured in troubled debt restructurings, and report in column B the balance of the allowance for loan and lease losses attributable to these individually impaired loans measured in accordance with ASC Subtopic 310-10.

Columns C and D: For each of the specified general categories of loans and leases held for investment, report in column C the recorded investment in loans and leases that have been collectively evaluated for impairment in accordance with ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly

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[1] For example, based on its allowance methodology, one institution's allowance components for credit cards might relate to both consumer and business credit card receivables, but another institution's allowance components for credit cards might relate only to consumer credit card receivables.

As another example, based on its allowance methodology, one institution might include its loans secured by farmland in its allowance components for commercial real estate loans, but another institution might include its loans secured by farmland in its allowance components for commercial loans.

Column Instructions (cont.)

FASB Statement No. 5, "Accounting for Contingencies") and report in column D the balance in the allowance for loan and lease losses attributable to these collectively evaluated loans and leases measured in accordance with ASC Subtopic 450-20. Also report in column D any unallocated portion of the allowance for loan and lease losses for loans collectively evaluated for impairment.

Columns E and F: For each of the specified general categories of loans held for investment, report in column E the recorded investment in purchased credit-impaired loans as defined in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer") and report in column F the balance in the allowance for loan and lease losses attributable to these purchased credit-impaired loans measured in accordance with ASC Subtopic 310-30.

Item Instructions

Item No.	Caption and Instructions
1	**Real estate loans:**
1.a	**Construction loans.** Report in the appropriate column, disaggregated on the basis of impairment method, the recorded investment in held-for-investment construction loans and the related balance in the allowance for loan and lease losses for such loans. Exclude loans that the institution has elected to report at fair value under a fair value option.
1.b	**Commercial real estate loans.** Report in the appropriate subitem and column, disaggregated on the basis of impairment method, the recorded investment in held-for-investment commercial real estate loans and the related balance in the allowance for loan and lease losses for such loans. Exclude loans that the institution has elected to report at fair value under a fair value option.
1.c	**Residential real estate loans.** Report in the appropriate column, disaggregated on the basis of impairment method, the recorded investment in residential real estate loans and the related balance in the allowance for loan and lease losses for such loans. Exclude loans that the institution has elected to report at fair value under a fair value option.
2	**Commercial loans.** Report in the appropriate column, disaggregated on the basis of impairment method, the recorded investment in all held-for-investment commercial loans and the related balance in the allowance for loan and lease losses for such loans. For purposes of this item, commercial loans include all loans and leases not reported as real estate loans, credit cards, or other consumer loans in the other items of this Schedule RI-C. Exclude loans that the institution has elected to report at fair value under a fair value option.
3	**Credit cards.** Report in the appropriate column, disaggregated on the basis of impairment method, the recorded investment in all held-for-investment extensions of credit arising from credit cards and the related balance in the allowance for loan and lease losses for such extensions of credit. Exclude loans that the institution has elected to report at fair value under a fair value option.
4	**Other consumer loans.** Report in the appropriate column, disaggregated on the basis of impairment method, the recorded investment in all held-for-investment consumer loans other than credit cards and the related balance in the allowance for loan and lease losses for such loans. Exclude loans that the institution has elected to report at fair value under a fair value option.

Item No.	Caption and Instructions
5	**Unallocated, if any.** Report in column D the amount of any unallocated portion of the allowance for loan and lease losses for loans collectively evaluated for impairment. An institution is not required to have an unallocated portion of the allowance.
6	**Total.** For each column in Schedule RI-C, report the sum of items 1 through 5.

The sum of the amounts reported in Schedule RI-C, item 6, columns B, D, and F must equal Schedule RC, item 4.c, “Allowance for loan and lease losses.”

The amount reported in Schedule RI-C, item 6, column E, must equal Schedule RC-C, part I, Memorandum item 7.b, “Carrying amount included in Schedule RC-C, part I, items 1 through 9.”

The amount reported in Schedule RI-C, item 6, column F, must equal Schedule RI-B, part II, Memorandum item 4, “Amount of allowance for post-acquisition credit losses on purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30.”

The sum of the amounts reported in Schedule RI-C, item 6, columns A, C, and E, plus the amount reported in Schedule RC-Q, item 4, column A, “Total fair value reported on Schedule RC” for loans and leases held for investment, must equal Schedule RC, item 4.b, “Loans and leases, net of unearned income.”

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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 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) Balances due from Federal Reserve Banks (report as interest-bearing balances due from depository institutions in Schedule RC, item 1.b).

(2) 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").

(3) 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 demand, savings, or time balances, including certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers, but excluding certificates of deposit held for trading. Include balances due from Federal Reserve Banks (including balances maintained to satisfy reserve balance requirements, excess balances, and term deposits), 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

6 (cont.) 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, as "Other real estate owned."

7 **Other real estate owned.** Report the total amount of other real estate owned from Schedule RC-M, item 3.h on the FFIEC 031 and item 3.g on the FFIEC 041. 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 amount of the bank's investments in subsidiaries that have not been consolidated; associated companies; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for “equity method of accounting”), excluding those that represent direct and indirect investments in real estate ventures (which are to be reported in Schedule RC, item 9). The entities in which these investments have been made are collectively referred to as “investees.” Include loans and advances to investees and holdings of their bonds, notes, and debentures.

Investments in investees shall be reported using the equity method of accounting. Under the equity method, the carrying value of the 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 any 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 date.

Unconsolidated subsidiaries include those majority-owned subsidiaries that do not meet the significance standards for required consolidation that the bank chooses not to consolidate under the optional consolidation provisions. Refer to the General Instructions section of this book for a detailed discussion of consolidation. See also the Glossary entry for "subsidiaries."

9 **Direct and indirect investments in real estate ventures.** Report the amount of the bank’s direct and indirect investments in real estate ventures. Exclude 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, and equity holdings that indirectly represent such real estate (report in Schedule RC-M, item 3, “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.

Item No.	Caption and Instructions

9 (cont.) Include as direct and indirect investments in real estate ventures:

(1) Any real estate originally acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes.

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly AICPA Practice Bulletin 1, Appendix, Exhibit I, "ADC Arrangements").

(3) Real estate originally 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 ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly 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 ASC Subtopic 360-20 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 ASC Subtopic 360-20.

(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 subsidiaries that have not been consolidated; associated companies; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting") that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. The entities in which these investments have been made are collectively referred to as "investees." Investments by the bank in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting. For further information on the equity method, see the instruction to Schedule RC, item 8, above.

(6) Investments in corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the bank has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes.

10 **Intangible assets:**

10.a **Goodwill.** Report the carrying amount of goodwill as adjusted for any impairment losses. See "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination. Goodwill should not be amortized, but must be tested for impairment as described in the Glossary entry for "goodwill."

Item No. **Caption and Instructions**

26.a (cont.)

Exclude from retained earnings:

(1) Any portion of the proceeds received from the sale of common stock in excess of its par or stated value (report in Schedule RC, item 25).

(2) Any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate).

(3) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., the allowance for loan and lease losses), reserves for depreciation, and reserves for bond premiums.

26.b **Accumulated other comprehensive income.** Report the accumulated balance of other comprehensive income as of the report date in accordance with ASC Subtopic 220-10, Comprehensive Income – Overall (formerly FASB Statement No. 130, "Reporting Comprehensive Income"), net of applicable income taxes, if any. "Other comprehensive income" refers to revenues, expenses, gains, and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income.

Items of accumulated other comprehensive income include:

(1) Net unrealized holding gains (losses) on available-for-sale securities (including debt securities transferred into the available-for-sale category from the held-to-maturity category), i.e., the difference between the amortized cost and the fair value of the reporting bank's available-for-sale securities (excluding any available-for-sale securities previously written down as other-than-temporarily impaired).[1] For most institutions, all "securities," as that term is defined in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), that are designated as "available-for-sale" will be reported as "Available-for-sale securities" in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, an institution may have certain assets that fall within the definition of "securities" in ASC Topic 320 (e.g., nonrated industrial development obligations) that it has designated as "available-for-sale" and reports in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables") for purposes of the Report of Condition. These "available-for-sale" assets must be carried on the Report of Condition balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects, also must be included in this item.

(2) The unamortized balance of the unrealized holding gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category. Consistent with ASC Topic 320, when a debt security is

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[1] For example, if the fair value of the reporting institution's available-for-sale securities exceeds the amortized cost of its available-for-sale securities by $100,000 (and the institution has had no other transactions affecting the "net unrealized holding gains (losses)" account), the amount to be included in Schedule RC, item 26.b, must be reduced by the estimated amount of taxes using the institution's applicable tax rate (federal, state and local). (See the Glossary entry for "income taxes" for a discussion of "applicable tax rate.") If the institution's applicable tax rate (federal, state and local) is 40% and the tax basis of its available-for-sale securities approximates their amortized cost, the institution would include "net unrealized holding gains" of $60,000 [$100,000 - (40% x $100,000)] in Schedule RC, item 26.b. The institution would also have a deferred tax liability of $40,000 that would enter into the determination of the amount of net deferred tax assets or liabilities to be reported in Schedule RC-F, item 2, or Schedule RC-G, item 2.

Item No. **Caption and Instructions**

26.b (cont.)

transferred from the available-for-sale category into the held-to-maturity category, the unrealized holding gain (loss) at the date of transfer continues to be reported in the accumulated other comprehensive income account, but must be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

(3) The unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, plus the accumulated amount of subsequent decreases (if not other-than-temporary impairment losses) or increases in the fair value of available-for-sale debt securities previously written down as other-than-temporarily impaired.

(4) Accumulated net gains (losses) on derivative instruments that are designated and qualify as cash flow hedges,[2] i.e., the effective portion[3] of the accumulated change in fair value (gain or loss) on derivative instruments designated and qualifying as cash flow hedges in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended).

Under ASC Topic 815, an institution that elects to apply hedge accounting must exclude from net income the effective portion of the change in fair value of a derivative designated and qualifying as a cash flow hedge and record it on the balance sheet in the accumulated other comprehensive income component of equity capital. The ineffective portion of the change in fair value of the derivative designated and qualifying as a cash flow hedge must be reported in earnings. The component of accumulated other comprehensive income associated with a transaction hedged in a cash flow hedge should be adjusted each reporting period to a balance that reflects the lesser (in absolute amounts) of:

(a) The cumulative gain (loss) on the derivative from inception of the hedge, less (i) amounts excluded consistent with the institution's defined risk management strategy and (ii) the derivative's gains (losses) previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction, or

(b) The portion of the cumulative gain (loss) on the derivative necessary to offset the cumulative change in expected future cash flows on the hedged transaction from inception of the hedge less the derivative's gains (losses) previously reclassified from accumulated other comprehensive income into earnings.

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[2] Generally, the objective of a cash flow hedge is to link a derivative to an existing recognized asset or liability or a forecasted transaction with exposure to variability in expected future cash flows, e.g., the future interest payments (receipts) on a variable-rate liability (asset) or a forecasted purchase (sale). The changes in cash flows of the derivative are expected to offset changes in cash flows of the hedged item or transaction. To achieve the matching of cash flows, ASC Topic 815 requires that the effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges initially be reported in the accumulated other comprehensive income component of equity capital and subsequently be reclassified into earnings in the same future period or periods that the hedged transaction affects earnings .

[3] The effective portion of a cash flow hedge can be described as the change in fair value of the derivative that offsets the change in expected future cash flows being hedged. Refer to ASC Topic 815, for further information.

Item No. **Caption and Instructions**

26.b (cont.) Accordingly, the amount reported in this item should reflect the sum of the adjusted balance (as described above) of the cumulative gain (loss) for each derivative designated and qualifying as a cash flow hedge. These amounts will be reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (for example, when a hedged variable-rate interest receipt on a loan is accrued or when a forecasted sale occurs).

(5) Foreign currency translation adjustments and gains (losses) on certain foreign currency transactions accumulated in accordance with ASC Topic 830, Foreign Currency Matters (formerly FASB Statement No. 52, "Foreign Currency Translation"). See the Glossary entry for "foreign currency transactions and translation" for further information.

(6) The accumulated amounts of gains (losses), transition assets or obligations, and prior service costs or credits associated with single-employer defined benefit pension and other postretirement plans that have not yet been recognized as components of net periodic benefit cost in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 87, "Employers' Accounting for Pensions"; FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; and FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans").

26.c **Other equity capital components.** Report the carrying value of any treasury stock and of any unearned Employee Stock Ownership Plan (ESOP) shares, which under generally accepted accounting principles are reported in a contra-equity account on the balance sheet. For further information, see the Glossary entry for "treasury stock" and ASC Subtopic 718-40, Compensation-Stock Compensation – Employee Stock Ownership Plans (formerly AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans").

27.a **Total bank equity capital.** Report the sum of items 23 through 26.c. This item must equal Report of Income Schedule RI-A, item 12, "Total bank equity capital end of current period."

27.b **Noncontrolling (minority) interests in consolidated subsidiaries.** Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank held by parties other than the parent bank. A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank.

28 **Total equity capital.** Report the sum of items 27.a and 27.b.

29 **Total liabilities and equity capital.** Report the sum of items 21 and 28. This item must equal Schedule RC, item 12, "Total assets."

Memorandum

Item No.	Caption and Instructions

1 **Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during the preceding calendar year.** *(To be reported only with the March Report of Condition.)* Report the number of the statement listed on the report form that, in the bank's judgment, best describes the most comprehensive level of auditing work performed by any independent external auditors during the preceding calendar year.

The term "any date during the preceding calendar year" refers to the date of the balance sheet and income statement reported on by the auditor (or the date as of which certain agreed-upon procedures were applied to selected records and transactions by the auditor) regardless of the actual date of the commencement of the auditing work (audit, internal control attestation, directors' examination, review, compilation, or specific procedures) and regardless of the date of the report submitted by the auditor.

Exclude from "auditing work performed" any tax or consulting work regardless of whether it was performed by an independent certified public accounting firm or others.

The list of possible external auditing work is structured with the "most comprehensive level," an audit of the bank, as number 1 and the other levels of auditing work in descending order so that "no external audit work" is number 9.

Banks may be assisted in determining the level of auditing work performed by reviewing the type of report received from the auditor:

(a) If the bank or parent holding company has external auditing work performed by a certified public accounting firm and the report of the auditor:

Begins	"We have examined . . ." or "We have audited . . ."
and	
The final paragraph begins	"In our opinion, the financial statements referred to above . . ." or In our opinion, the balance sheet referred to above . . ."

the bank would respond to this item with a "1" if the first sentence of the first paragraph of the report describes the financial statements or the balance sheet of the bank or with a "2" if the first sentence of the first paragraph of the report describes the financial statements or the balance sheet of the parent holding company.

Item No.	Caption and Instructions
1 (cont.)	(c) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances should be reported in Schedule RC-A, item 4, "Balances due from Federal Reserve Banks."

(d) Checks or drafts drawn on another depository institution that have been deposited in one office of the reporting bank and forwarded for collection to another office of the reporting bank.

(e) Brokers' security drafts and commodity or bill-of-lading drafts payable immediately upon presentation in the U.S. (See the Glossary entries for "broker's security draft" and "commodity or bill-of-lading draft" for the definitions of these terms.)

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 (report in Schedule RC-A, item 2, 3, or 4, below, as appropriate).

(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 should be reported 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," as appropriate.

(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.

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.

Item No.	Caption and Instructions
1.a	**Cash items in process of collection and unposted debits.** Report (on the FFIEC 031, in column B) the total amount outstanding (at domestic offices) of cash items in process of collection and unposted debits that are immediately payable upon presentation in the United States.
1.b	**Currency and coin.** Report (on the FFIEC 031, in column B) all currency and coin owned and held (in domestic offices) by the reporting bank.
2	**Balances due from depository institutions in the U.S.** On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between balances due from U.S. branches and agencies of foreign banks, including their IBFs, (Schedule RC-A, item 2.a) and balances due from other commercial banks in the U.S. and other depository institutions in the U.S., including their IBFs, (Schedule RC-A, item 2.b) for the fully consolidated bank in column A. On the FFIEC 041, report balances due from U.S. branches and agencies of foreign banks in Schedule RC-A, item 2.a, and balances due from other commercial banks in the U.S. and other depository institutions in the U.S. in Schedule RC-A, item 2.b.

Depository institutions in the U.S. cover:

(1) U.S. branches and agencies of foreign banks (refer to the Glossary entry for "banks, U.S. and foreign" for the definition of this term); and

(2) All other depository institutions in the U.S., i.e.,
- (a) U.S. branches of U.S. banks (refer to the Glossary entry for "banks, U.S. and foreign");
- (b) savings or building and loan associations, homestead associations, and cooperative banks;
- (c) mutual and stock savings banks; and
- (d) credit unions.

For purposes of this schedule, also include Federal Home Loan Banks in "all other depository institutions in the U.S."

Balances due from such institutions cover all interest-bearing and noninterest-bearing balances whether in the form of demand, savings, or time balances, including certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers, but excluding certificates of deposit held for trading. Balances, as reported in these items, should reflect funds on deposit at other depository institutions in the U.S. 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 to be reported as "cash items in process of collection."

Included in the amounts to be reported as balances due from depository institutions in the U.S. are:

(1) 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).

Item No. **Caption and Instructions**

5.b **Structured financial products.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all structured financial products not held for trading according to whether the product is a cash, synthetic, or hybrid instrument. Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, and bonds) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk. One of the more common structured financial products is referred to as a collateralized debt obligation (CDO). Other products include synthetic structured financial products (such as synthetic CDOs) that use credit derivatives and a reference pool of assets, hybrid structured products that mix cash and synthetic instruments, collateralized bond obligations (CBOs), resecuritizations such as CDOs squared or cubed (which are CDOs backed primarily by the tranches of other CDOs), and other similar structured financial products. For each column, the sum of items 5.b.(1) through 5.b.(3) must equal the sum of Memorandum items 6.a through 6.g.

Exclude from structured financial products:

(1) Mortgage-backed pass-through securities (report in Schedule RC-B, item 4, above).

(2) Collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper (report in Schedule RC-B, item 4, above).

(3) Asset-backed commercial paper not held for trading (report in Schedule RC-B, item 5.a, above).

(4) Asset-backed securities that are primarily secured by one type of asset (report in Schedule RC-B, item 5.a, above).

(5) Securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-B, item 5.a, above).

5.b.(1) **Cash instruments.** Report in the appropriate columns the amortized cost and fair value of structured financial products (as defined in Schedule RC-B, item 5.b, above) that are cash instruments. A cash instrument means that the instrument represents a claim against a reference pool of assets. For example, include investments in collateralized debt obligations for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts organized by financial institutions or real estate investment trusts. However, exclude investments in trust preferred securities issued by a single U.S. business trust (report in Schedule RC-B, item 6.a, "Other domestic debt securities").

5.b.(2) **Synthetic instruments.** Report in the appropriate columns the amortized cost and fair value of structured financial products (as defined in Schedule RC-B, item 5.b, above) that are synthetic instruments. A synthetic instrument means that the investors do not have a claim against a reference pool of assets; rather, the originating bank merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool.

Item No. **Caption and Instructions**

5.b.(3) **Hybrid instruments.** Report in the appropriate columns the amortized cost and fair value of structured financial products (as defined in Schedule RC-B, item 5.b, above) that are hybrid instruments. A hybrid instrument means that the instrument is a mix of both cash and synthetic instruments.

6 **Other debt securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all debt securities not held for trading that cannot properly be reported in Schedule RC-B, items 1 through 5, above.

Exclude from other debt securities:

(1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4, above).

(2) Holdings of bankers acceptances and certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers. (Report holdings of bankers acceptances as loans in Schedule RC, item 4.a, if held for sale; item 4.b, if held for investment; and item 5, if held for trading. Report holdings of CDs in Schedule RC, item 1.b, if not held for trading; and item 5, if held for trading.)

(3) All securities that meet the definition of an “equity security” in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), for example, common and perpetual preferred stock. (See also the instructions to Schedule RC-B, item 7, and Schedule RC-F, item 4.)

6.a **Other domestic debt securities.** Report in the appropriate columns the amortized cost and fair value of all other domestic debt securities not held for trading.

Other domestic debt securities include:

(1) Bonds, notes, debentures, equipment trust certificates, and commercial paper (except asset-backed commercial paper) issued by U.S.-chartered corporations and other U.S. issuers and not reportable elsewhere in Schedule RC-B.

(2) Preferred stock of U.S.-chartered corporations and business trusts that by its terms either must be redeemed by the issuing corporation or trust or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities issued by a single U.S. business trust that are subject to mandatory redemption.

(3) Detached U.S. Government security coupons and ex-coupon U.S. Government 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. Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

Exclude from other domestic debt securities investments in collateralized debt obligations for which the underlying collateral is a pool of trust preferred securities issued by U.S. business trusts (report as structured financial products in Schedule RC-B, item 5.b.(1), “Cash instruments”).

General Instructions for Part I (cont.)

When a bank acquires either (1) a portion of an entire loan that does not meet the definition of a participating interest (i.e., a nonqualifying loan participation) or (2) a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting, it should normally report the loan participation or participating interest in Schedule RC, item 4.b, “Loans and leases, net of unearned income.” The bank also should report the loan participation or participating interest in Schedule RC-C, part I, in the loan category appropriate to the underlying loan, e.g., as a “commercial and industrial loan” in item 4 or as a “loan secured by real estate” in item 1. See the Glossary entry for “transfers of financial assets” for further information.

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.

(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 4.b, “Other mortgage-backed securities,” 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 that meet the definition of a “loan secured by real estate.” See the Glossary entry for "loan secured by real estate" for the definition of this term. On the FFIEC 041, all banks should report in the appropriate subitems of column B a breakdown of these loans into nine 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 nine 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 at origination 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.

Part I. (cont.)

Item No. **Caption and Instructions**

1 (cont.) 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").

(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 item 9.a, "Loans to nondepository financial institutions," as appropriate).

(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 ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended by FASB Statement No. 166, "Accounting for Transfers of Financial Assets"), 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 the appropriate subitem of column B loans secured by real estate made to finance (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings. For purposes of 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.

Part I. (cont.)

Memoranda

Item No.	Caption and Instructions
2 (cont.)	When the rate on a loan with a floating rate has reached a contractual floor or ceiling level, the loan 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 loan or lease without regard to the loan's or lease's repayment schedule, if any.

Next repricing date is the date the interest the rate on a floating rate loan can next change in accordance with the terms of the contract (without regard to the loan's repayment schedule, if any, or expected prepayments) or the contractual maturity date of the loan, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities and next repricing dates of their loans and leases for time periods that closely approximate the maturity and repricing periods specified in Memorandum items 2.a through 2.c (e.g., 89 or 90 days rather than three months, 359 or 360 days rather than 12 months) may use these data to complete Memorandum items 2.a through 2.c.

For loans and leases with scheduled contractual payments, banks whose records or information systems provide repricing data that take into account these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of fixed rate loans and leases (and floating rate loans for purposes of Memorandum item 2.c) and the next repricing dates of floating rate loans.

Loan amounts should be reported net of unearned income to the extent that they have been reported net of unearned income in Schedule RC-C, part I, items 1 through 9. Leases must be reported net of unearned income.

Fixed rate loans and leases that are past due (with respect to principal or interest) and still accruing should be reported according to the time remaining to final contractual maturity without regard to delinquency status. Floating rate loans that are past due (with respect to principal or interest) and still accruing should be reported according to their next repricing date without regard to delinquency status.

Report all unplanned overdrafts as fixed rate loans with a remaining maturity of three months or less in Memorandum item 2.b.(1).

Report all leases, net of unearned income, as fixed rate instruments in Memorandum item 2.b according to the amount of time remaining to final contractual maturity without regard to repayment schedules.

Report fixed rate and floating rate loans made solely on a demand basis (i.e., without an alternate maturity date or without repayment terms) as having a remaining maturity or next repricing date of three months or less in Memorandum items 2.a.(1) and 2.b.(1),

Part I. (cont.)

Memoranda

Item No.	Caption and Instructions
2 (cont.)	as appropriate. In addition, report all fixed rate and floating rate loans made solely on a demand basis as having a remaining maturity of one year or less in Memorandum item 2.c.
	Fixed rate demand loans that have an alternate maturity date or repayment terms are to be reported in this Memorandum item according to the amount of time remaining to the alternate maturity date or final payment due date. Floating rate demand loans that have an alternate maturity date or repayment terms are to be reported according to their next repricing date in Memorandum items 2.a and 2.b, as appropriate. In addition, fixed rate and floating rate demand loans for which the amount of time remaining to the alternate maturity date or final payment due date is one year or less are to be reported in Memorandum item 2.c.
	Fixed rate “Credit cards” and “Other revolving credit plans" are considered to have a remaining maturity of over one year through three years and should be reported in Memorandum item 2.b.(3), regardless of the actual maturity experience or expectation. Floating rate "Credit cards” and “Other revolving credit plans" (e.g., where the rate varies, or can be varied, periodically) are to be reported in Memorandum item 2.b according to their next repricing date. Where the bank in its contract with the borrower simply reserves the right to change the interest rate on the "Credit card” or “Other revolving credit," the plan should be considered to have a fixed rate.
	Student loans whose interest rate is adjusted periodically by the U.S. Government by means of interest payments that include an amount of "additional interest" should be treated as floating rate loans and should be reported in Memorandum item 2.b according to their next repricing date.
	Fixed rate loans that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be reported in Memorandum item 2.a or 2.b, as appropriate, on the basis of the time remaining until the delivery date specified in the commitment. Floating rate loans that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be reported in Memorandum item 2.a or 2.b, as appropriate, based on the date the interest rates on the loans can next change or the delivery date specified in the commitment, whichever is earlier. Loans and leases that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be included in Memorandum item 2.c only if they have a remaining maturity of one year or less, i.e., without regard to the delivery date specified in the commitment.
2.a	**Closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) in the appropriate subitems according to their next repricing date. Exclude loans that are in nonaccrual status.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

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

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities of three months or less, and

- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with next repricing dates occurring in three months or less.

2.a.(2) **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and

- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with next repricing dates occurring in over three months through 12 months.

2.a.(3) **Over one year through three years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and

- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with next repricing dates occurring in over one year through three years.

2.a.(4) **Over three years through five years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and

- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with next repricing dates occurring in over three years through five years.

2.a.(5) **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and

- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with next repricing dates occurring in over five years through 15 years.

Part I. (cont.)

Memoranda

Item No. Caption and Instructions

2.a.(6) **Over 15 years.** Report the amount of:

- the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with next repricing dates occurring in over 15 years.

2.b **All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with a remaining maturity or next repricing date of.** Report the dollar amount of the bank's fixed rate loans and leases – *other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices)* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate loans -- *other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices)* -- in the appropriate subitems according to their next repricing date. Exclude loans that are in nonaccrual status.

2.b.(1) **Three months or less.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities of three months or less, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in three months or less.

2.b.(2) **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over three months through 12 months.

Part I. (cont.)

Memoranda

Item No. **Caption and Instructions**

2.b.(3) **Over one year through three years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over one year through three years.

2.b.(4) **Over three years through five years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over three years through five years.

2.b.(5) **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over five years through 15 years.

2.b.(6) **Over 15 years.** Report the amount of:

- the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and
- the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) – with next repricing dates occurring in over 15 years.

2.c **Loans and leases with a remaining maturity of one year or less.** Report all loans and leases with a remaining maturity of one year or less. Include both fixed rate and floating rate loans and leases. Loans and leases that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be included in

Part I. (cont.)

Memoranda

Item No.	Caption and Instructions
2.c (cont.)	Memorandum item 2.c only if they have a remaining maturity of one year or less, i.e., without regard to the delivery date specified in the commitment.

The fixed rate loans and leases that should be included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. The floating rate loans that should be included in this item will have been reported by next repricing date in Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2), above. However, these four Memorandum items may include floating rate loans with a remaining maturity of more than one year, but on which the interest rate can next change in one year or less; those loans should not be included in this Memorandum item 2.c.

3 **Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule RC-C, part I, items 4 and 9.** Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, that are reported in Schedule RC-C, part I, items 4, "Commercial and industrial loans," and 9, "Other loans" (column B on the FFIEC 041; column A on the FFIEC 031).

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all loans secured by real estate that are reported in Schedule RC-C, part I, item 1. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

4 **Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties.** Report the amount of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(a), column B, that have a floating or adjustable interest rate.

A floating or adjustable 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 to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination. For purposes of this item, even if the rate on a loan with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the loan is to be reported in this item as an adjustable rate loan.

Also include in this item amortizing fixed rate loans secured by first liens on 1-4 family residential properties that have original maturities of one year or less and require a balloon payment at maturity.

Item No.	Caption and Instructions
7-8	Not applicable.
9	**Other trading assets.** Report the total fair value of all trading assets that cannot properly be reported in items 1 through 6. Include certificates of deposit held for trading. Exclude revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (report in item 11 below).
10	Not applicable.
11	**Derivatives with a positive fair value.** Report 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 ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (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.")
12	**Total trading assets.** Report the sum of items 1 through 11. On the FFIEC 041, this item must equal Schedule RC, item 5, "Trading assets." On the FFIEC 031, the amount in column A for this item must equal Schedule RC, item 5, "Trading assets."

LIABILITIES

Item No.	Caption and Instructions
13.a	**Liability for short positions.** Report the total fair value of the reporting bank's liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "short position").
13.b	**Other trading liabilities.** Report the total fair value of all trading liabilities other than the reporting bank's liability for short positions. Exclude revaluation losses on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (report in item 14 below).
14	**Derivatives with a negative fair value.** Report the amount of revaluation losses (i.e., liabilities) 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 interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and item 11 above, as appropriate. (For further information, see the Glossary entry for "offsetting.")
15	**Total trading liabilities.** Report the sum of items 13.a, 13.b, and 14. On the FFIEC 041, this item must equal Schedule RC, item 15, "Trading liabilities." On the FFIEC 031, the amount in column A for this item must equal Schedule RC, item 15, "Trading liabilities."

Memoranda

Item No.	Caption and Instructions
1	**Unpaid principal balance of loans measured at fair value.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans held for trading reported in Schedule RC-D, item 6.
1.a	**Loans secured by real estate.** On the FFIEC 041, report in the appropriate subitem the total unpaid principal balance outstanding for all loans secured by real estate held for trading reported in Schedule RC-D, item 6. On the FFIEC 031, report the total unpaid principal balance outstanding for all loans secured by real estate held for trading reported in Schedule RC-D, item 6.a, for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.
1.a.(1)	**Construction, land development, and other land loans.** Report the total unpaid principal balance outstanding for all construction, land development, and other land loans held for trading reported in Schedule RC-D, item 6.a.(1).
1.a.(2)	**Secured by farmland.** Report the total unpaid principal balance outstanding for all loans secured by farmland held for trading reported in Schedule RC-D, item 6.a.(2).
1.a.(3)	**Secured by 1-4 family residential properties.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans secured by 1-4 family residential properties held for trading reported in Schedule RC-D, item 6.a.(3).
1.a.(3)(a)	**Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** Report the total unpaid principal balance outstanding for all revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit held for trading reported in Schedule RC-D, item 6.a.(3)(a).
1.a.(3)(b)	**Closed-end loans secured by 1-4 family residential properties.** Report in the appropriate subitem the total unpaid principal balance outstanding for all closed-end loans secured by 1-4 family residential properties held for trading reported in Schedule RC-D, item 6.a.(3)(b).
1.a.(3)(b)(1)	**Secured by first liens.** Report the total unpaid principal balance outstanding for all closed-end loans secured by first liens on 1-4 family residential properties held for trading reported in Schedule RC-D, item 6.a.(3)(b)(1).
1.a.(3)(b)(2)	**Secured by junior liens.** Report the total unpaid principal balance outstanding for all closed-end loans secured by junior liens on 1-4 family residential properties held for trading reported in Schedule RC-D, item 6.a.(3)(b)(2).
1.a.(4)	**Secured by multifamily (5 or more) residential properties.** Report the total unpaid principal balance outstanding for all loans secured by multifamily (5 or more) residential properties held for trading reported in Schedule RC-D, item 6.a.(4).
1.a.(5)	**Secured by nonfarm nonresidential properties.** Report the total unpaid principal balance outstanding for all loans secured by nonfarm nonresidential properties held for trading reported in Schedule RC-D, item 6.a.(5).
1.b	**Commercial and industrial loans.** Report the total unpaid principal balance outstanding for all commercial and industrial loans held for trading reported in Schedule RC-D, item 6.b.

Definitions (cont.)

(3) Credit items not yet posted to deposit accounts that are carried in suspense or similar nondeposit accounts and are material in amount. As described in the Glossary entry for "suspense accounts," the items included in such accounts should be reviewed and material amounts reported in the appropriate balance sheet accounts. NOTE: Regardless of whether deposits carried in suspense accounts have been reclassified as deposits and reported in Schedule RC-E, they must be reported as deposit liabilities in Schedule RC-O, items 1 and 4.

(4) Escrow funds.

(5) 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.

(6) Credit balances resulting from customers' overpayments of account balances on credit cards and other revolving credit plans.

(7) Funds received or held 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 drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).

(8) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.

(9) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.

(10) Refundable loan commitment fees received or held by the reporting bank prior to loan closing.

(11) Refundable stock subscription payments received or held by the reporting bank prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule RC-G, item 4, "All other liabilities.")

(12) Improperly executed repurchase agreement sweep accounts (repo sweeps). According to Section 360.8 of the FDIC's regulations, an "internal sweep account" is "an account held pursuant to a contract between an insured depository institution and its customer involving the pre-arranged, automated transfer of funds from a deposit account to . . . another account or investment vehicle located within the depository institution." When a repo sweep from a deposit account is improperly executed by an institution, the customer obtains neither an ownership interest in identified assets subject to a repurchase agreement nor a perfected security interest in the applicable assets. In this situation, the institution should report the swept funds as deposit liabilities, not as repurchase agreements, in the Reports of Condition and Income beginning July 1, 2009.

(13) The unpaid balance of money received or held by the reporting institution that the reporting institution promises to pay pursuant to an instruction received through the use of a card, or other payment code or access device, issued on a prepaid or prefunded basis.

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (e.g., stop payment, missing endorsement, post or stale date, or account closed), but which have been

Definitions (cont.)

charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule RC-F, item 6, "All other assets."

The Monetary Control Act of 1980 and the resulting revision to Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," established, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "deposits." NOTE: Money market deposit accounts (MMDAs) are regarded as savings deposits and are specifically excluded from the "transaction account" classification.

Summary of Transaction Account Classifications (See the Glossary entry for "deposits" for detailed definitions and further information.)

A. Always regarded as transaction accounts:

1. Demand deposits.
2. NOW accounts.
3. ATS accounts.
4. Accounts (other than savings deposits) from which payments may be made to third parties by means of an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.
5. Accounts (other than savings deposits) that permit third party payments through use of checks, drafts, negotiable instruments, or other similar instruments.

B. Deposits or accounts that are regarded as transaction accounts if the following specified conditions exist:

1. Accounts that otherwise meet the definition of savings deposits but that authorize or permit the depositor to exceed the transfer and withdrawal rules for a savings deposit.
2. Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after the date of deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days, unless the deposit or account meets the definition of a savings deposit. Any such deposit or account that meets the definition of a savings deposit shall be reported as a savings deposit, otherwise it shall be reported as a demand deposit, which is a transaction account.
3. The remaining balance of a time deposit from which a partial early withdrawal is made, unless the remaining balance either (a) is subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal (in which case the deposit or account continues to be reported as a time deposit) or (b) is placed in an account that meets the definition of a savings deposit (in which case the deposit or account shall be reported as a savings deposit). Otherwise, the deposit or account shall be reported as a demand deposit, which is a transaction account.

Memoranda

Item No.	Caption and Instructions
1.c (cont.)	The dollar amounts used as the basis for reporting fully insured brokered deposits in Memorandum items 1.c.(1) and 1.c.(2) reflect the deposit insurance limits in effect on the report date. At present, these limits are $250,000 for “retirement deposit accounts” and $250,000 for other deposit accounts.
1.c.(1)	**Brokered deposits of less than $100,000.** Report in this item brokered deposits with balances of less than $100,000. Also report in this item time deposits issued to deposit brokers in the form of certificates of deposit of $100,000 or more that have been participated out by the broker in shares with balances of less than $100,000. 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 this item only if their balances are less than $100,000.
1.c.(2)	**Brokered deposits of $100,000 through $250,000 and certain brokered retirement deposit accounts.** Report in this item those brokered deposits (including brokered retirement deposit accounts) with balances of $100,000 through $250,000. Also report in this item time deposits issued to deposit brokers in the form of certificates of deposit of more than $250,000 that have been participated out by the broker in shares with balances of $100,000 through $250,000. 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 this item only if their balances are $100,000 through $250,000 or if they have been issued by the bank in denominations of more than $250,000 and have been participated out by the broker in shares of $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 of less than $100,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances 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 of $100,000 through $250,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of $100,000 through $250,000 reported in Schedule RC-E, Memorandum item 1.c.(2) 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 through $250,000 that were reported in Schedule RC-E, Memorandum item 1.c.(2) above.

Memoranda

Item No.	Caption and Instructions

1.d.(3) **Brokered deposits of more than $250,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of more than $250,000 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 more than $250,000 that were reported in Schedule RC-E, Memorandum item 1.b above.

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 $450,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($200,000 in this example). The bank has pledged securities with a value of $300,000 to secure these deposits. Only the $200,000 uninsured amount of the political subdivision's $450,000 in deposits, given the currently applicable $250,000 deposit insurance limit, 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 $1,600,000 in public deposits under the program from four political subdivisions and $700,000 of this amount is uninsured, given the currently applicable $250,000 deposit insurance limit. 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."

Item No. **Caption and Instructions**

9 **All other off-balance sheet liabilities.** Report all significant types of off-balance sheet liabilities not covered in other items of this schedule. Exclude all items which are required to be reported as liabilities on the balance sheet of the Report of Condition (Schedule RC), contingent liabilities arising in connection with litigation in which the reporting bank is involved, commitments to purchase property being acquired for lease to others (report in Schedule RC-L, item 1.e, above), and signature and endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

Report only the aggregate amount of those types of "other off-balance sheet liabilities" that individually exceed 10 percent of the bank's total equity capital reported in Schedule RC, item 27.a. If the bank has no types of "other off-balance sheet liabilities" that individually exceed 10 percent of total equity capital, report a zero.

Disclose in items 9.a through 9.f each type of "other off-balance sheet liabilities" reportable in this item, and the dollar amount of the off-balance sheet liability, that individually exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a. For each type of off-balance sheet liability that exceeds this disclosure threshold for which a preprinted caption has not been provided, describe the liability with a clear but concise caption in items 9.d through 9.f. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as other off-balance sheet liabilities:

(1) Securities borrowed against collateral (other than cash), or on an uncollateralized basis, for such purposes as a pledge against deposit liabilities or delivery against short sales. Report borrowed securities that are fully collateralized by similar securities of equivalent value at market value at the time they are borrowed. Report other borrowed securities at market value as of the report date. (Report the amount of securities borrowed in Schedule RC-L, item 9.a, if this amount exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a.)

(2) Contracts for the purchase of when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) (and therefore not reported as forward contracts in Schedule RC-L, item 12.b, below), and accounted for on a settlement-date basis. (Report the amount of these commitments in Schedule RC-L, item 9.b, if this amount exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a.)

(3) Standby letters of credit issued by another depository institution (such as a correspondent bank), a Federal Home Loan Bank, or any other entity on behalf of the reporting bank, which is the account party on the letters of credit and therefore is obligated to reimburse the issuing entity for all payments made under the standby letters of credit. (Report the amount of these standby letters of credit in Schedule RC-L, item 9.c, if this amount exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a.)

(4) Financial guarantee insurance which insures the timely payment of principal and interest on bond issues.

Item No. **Caption and Instructions**

9 (cont.)

(5) Letters of indemnity other than those issued in connection with the replacement of lost or stolen or official checks.

(6) Shipside or dockside guarantees or similar guarantees relating to missing bills of lading or title documents and other document guarantees that facilitate the replacement of lost or stolen official checks.

10 **All other off-balance sheet assets.** Report to the extent feasible and practicable all significant types of off-balance sheet assets not covered in other items of this schedule. Exclude all items which are required to be reported as assets on the balance sheet of the Report of Condition (Schedule RC), contingent assets arising in connection with litigation in which the reporting bank is involved, and assets held in or administered by the reporting bank's trust department.

Report only the aggregate amount of those types of "other off-balance sheet assets" that individually exceed 10 percent of the bank's total equity capital reported in Schedule RC, item 27.a. If the bank has no types of "other off-balance sheet assets" that individually exceed 10 percent of total equity capital for which the reporting is feasible and practicable, report a zero.

Disclose in items 10.a through 10.e each type of "other off-balance sheet assets" reportable in this item, and dollar amount of the off-balance sheet asset, that individually exceeds 25 percent of the bank's total equity capital reported in Schedule RC, item 27.a. For each type of off-balance sheet asset that exceeds this disclosure threshold for which a preprinted caption has not been provided, describe the asset with a clear and concise caption in items 10.b through 10.e. These descriptions should not exceed 50 characters in length (including space between words).

Include as "other off-balance sheet assets" such items as:

(1) Contracts for the sale of when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended), (and therefore not reported as forward contracts in Schedule RC-L, item 12.b, below), and accounted for on a settlement-date basis. (Report the amount of these commitments in Schedule RC-L, item 10.a, if this amount exceeds 25 percent of the bank’s total equity capital reported in Schedule RC, item 27.a.)

(2) Internally developed intangible assets.

11 **Year-to-date merchant credit card sales volume.** Merchant processing is the settlement of credit card transactions for merchants. It is a separate and distinct business line from credit card issuing. Merchant processing activity involves obtaining authorization for credit card sales transactions, gathering sales information from the merchant, collecting funds from the card-issuing bank or business, and crediting the merchants' accounts for their sales.

An acquiring bank is a bank that initiates and maintains contractual agreements with merchants, agent banks, and third parties (e.g., independent sales organizations and member service providers) for the purpose of accepting and processing credit card transactions. An acquiring bank has liability for chargebacks for the merchants' sales activity.

Item No. **Caption and Instructions**

2 (cont.)

(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 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.

NOTE: Item 3 is applicable only to banks filing the FFIEC 031 report form.

3 **Total foreign deposits, including interest accrued and unpaid thereon (included in item 2 above).** Report on an unconsolidated single FDIC certificate number basis the total amount of foreign deposits (including International Banking Facility deposits), including interest accrued and unpaid on these deposits, as of the calendar quarter-end report date included in Schedule RC-O, item 2 above.

4 **Average consolidated total assets for the calendar quarter.** Report average consolidated total assets for the calendar quarter on a single FDIC certificate number basis.

Averaging methods – An institution that reported $1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average consolidated total assets in this item on a daily average basis. An institution that reported less than $1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report average consolidated total assets in this item on a weekly average basis, or it

Item No.	Caption and Instructions
4 (cont.)	may at any time opt permanently to report average consolidated total assets on a daily average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of $1 billion or more in this item for two consecutive quarters, it must permanently report average consolidated total assets using daily averaging beginning the next quarter.

Daily average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business for each day of the calendar quarter and dividing by the number of days in the calendar quarter (the number of days in a quarter ranges from 90 days to 92 days). For days that an institution is closed (e.g., Saturdays, Sundays, or holidays), the amount from the previous business day would be used. An institution is considered closed if there are no transactions posted to the general ledger as of that date.

Weekly average consolidated total assets should be calculated by adding the institution's consolidated total assets as of the close of business on each Wednesday during the calendar quarter and dividing by the number of Wednesdays in the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average consolidated total assets on a daily average basis. Daily average consolidated total assets for such an institution should be calculated by adding the institution's consolidated total assets as of the close of business for each day during the quarter since it became insured and operational, and dividing by the number of calendar days since it became insured and operational.

Measuring consolidated total assets – Consolidated total assets should be measured in accordance with the instructions for Schedule RC-K, item 9, average "Total assets," except as follows:

(1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution's investment in this subsidiary should be included in average consolidated total assets using the equity method of accounting.

(2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred during the calendar quarter, the reporting institution should calculate its average consolidated total assets by including the consolidated total assets of all entities that were merged or consolidated into the reporting institution as if the merger or consolidation occurred on the first day of the calendar quarter. Acceptable methods for including a merged or consolidated entity's consolidated total assets in this calculation for the days during the calendar quarter preceding the merger or consolidation date include using either (a) the acquisition date fair value of the merged or consolidated entity's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the merged or consolidated entity's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.

Item No.	Caption and Instructions
4 (cont.)	(3) If the reporting institution was acquired in a transaction that became effective during the calendar quarter and push down accounting was used to account for the acquisition, the reporting institution should calculate its average consolidated total assets as if the acquisition occurred on the first day of the calendar quarter. Acceptable methods for including the institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the acquisition date include using either (a) the acquisition date fair value of the reporting institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the reporting institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.
4.a	**Averaging method used.** Indicate the averaging method that the reporting institution used to report its average consolidated total assets in Schedule RC-O, item 4, above. For daily averaging, enter the number "1"; for weekly averaging, enter the number "2."
5	**Average tangible equity for the calendar quarter.** Report average tangible equity for the calendar quarter on an unconsolidated single FDIC certificate number basis. For purposes of this item, tangible equity is defined as Tier 1 capital as set forth in the banking agencies' regulatory capital standards and reported in Schedule RC-R, item 11.

Averaging methods – An institution that reported $1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average tangible equity on a monthly average basis. An institution that reported less than $1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report its quarter-end tangible equity rather than an average amount, or it may at any time opt permanently to report average tangible equity on a monthly average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of $1 billion or more in Schedule RC-O, item 4, for two consecutive quarters, it must permanently report average tangible equity using monthly averaging beginning the next quarter.

Monthly average tangible equity should be calculated by adding Tier 1 capital as of each month-end date during the calendar quarter and dividing by three. For example, monthly average tangible equity for June 30, 2011, would be the sum of Tier 1 capital as of April 30, May 31, and June 30, 2011, divided by three. However, institutions required or electing to report average tangible equity on a monthly average basis normally are not required to perform monthly loan loss provision or deferred tax calculations in accordance with generally accepted accounting principles for the first two months of a quarter. Accordingly, such institutions may use one third of the amount of the provision for loan and lease losses and deferred tax expense (benefit) reported for the calendar quarter for purposes of estimating the retained earnings component of Tier 1 capital in each of the first two months of the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average tangible equity on a monthly average basis. Monthly average tangible equity for such an institution should be calculated by adding the institution's Tier 1 capital as of each month-end date during the quarter since it became insured and operational, and dividing by the number of month-end dates since it became insured and operational.

Item No.	Caption and Instructions
5 (cont.)	An institution that becomes newly insured and begins operating during the calendar quarter should report average tangible equity on a monthly average basis. Monthly average tangible equity for such an institution should be calculated by adding the institution's Tier 1 capital as of each month-end date during the quarter since it became insured and operational, and dividing by the number of month-end dates since it became insured and operational.

<u>Measuring tangible equity</u> – Tangible equity should be measured in accordance with the instructions for Schedule RC-R, item 11, "Tier 1 capital," except as follows:

(1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution should measure its equity capital and its Tier 1 capital by accounting for this subsidiary using the equity method of accounting.

(2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred after the end of the first month of the calendar quarter and it reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the merger or consolidation occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the merger or consolidation date would be to use the amount of Tier 1 capital for the month-end date immediately following the merger or consolidation date as the amount of Tier 1 capital for the month-end date or dates preceding the merger or consolidation date.

(3) If the reporting institution was acquired in a transaction that became effective after the end of the first month of the calendar quarter, push down accounting was used to account for the acquisition, and the institution reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the acquisition occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the acquisition date would be to use the amount of Tier 1 capital for the month-end date immediately following the acquisition date as the amount of Tier 1 capital for the month-end date or dates preceding the acquisition date.

6 **<u>Holdings of long-term unsecured debt issued by other FDIC-insured depository institutions.</u>** Report on an unconsolidated single FDIC certificate number basis the balance sheet amount of the reporting institution's holdings of long-term unsecured debt issued by other FDIC-insured depository institutions. Long-term unsecured debt includes senior unsecured debt, subordinated debt, and limited-life preferred stock with a remaining maturity of at least one year that has been issued by another depository institution. Any debt for which the reporting institution has the option to redeem the debt within the next 12 months is not considered long-term and may be excluded from this item.

Depending on the form of the debt and the intent for which it is held, holdings of long-term unsecured debt issued by other insured depository institutions are included in Schedule RC-B, item 6.a, "Other domestic debt securities"; Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks"; Schedule RC-D, item 5.b, "All other debt securities"; and Schedule RC-D, item 6.d, "Other loans." For an institution that does not complete Schedule RC-D – Trading Assets and Liabilities, long-term unsecured debt issued by other insured depository institutions that is held for trading is included in Schedule RC, item 5, "Trading assets."

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1.d.(2) **Number of retirement deposit accounts of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis 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), including related interest accrued and unpaid.**

Schedule RC-O, Memorandum item 2, is to be completed on an unconsolidated single FDIC certificate number basis by banks with $1 billion or more in total assets.

Report on an unconsolidated single FDIC certificate number basis 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 of $250,000 for "retirement deposit accounts" (as defined in Schedule RC-O, Memorandum item 1) and $250,000 for other deposit accounts. The reporting of this uninsured deposit information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

The estimated amount of uninsured deposits reported in this item should be based on the bank's deposits included in Schedule RC-O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits)." In addition to the uninsured portion of deposits in "domestic offices" reported in Schedule RC, item 13.a, the estimate of uninsured deposits should take into account all other items included in Schedule RC-O, item 1 less item 2, including, but not limited to:

- Interest accrued and unpaid on deposits in domestic offices;
- Deposits in insured branches in Puerto Rico and U.S. territories and possessions (including interest accrued and unpaid on these deposits);
- Deposits of consolidated subsidiaries in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions (including interest accrued and unpaid on these deposits); and
- Deposit liabilities that have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles.

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

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2 (cont.) 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 more than $250,000 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 more than $250,000 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 included in Schedule RC-O, item 2, 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.

(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.

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2 (cont.) (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 $250,000 insurance limit. 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?** If the reporting institution is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting institution as part of the parent institution's Call Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.

4 Not applicable.

5 **Noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than $250,000.**

Schedule RC-O, Memorandum items 5.a and 5.b, below, for the amount and number of noninterest-bearing transaction accounts of more than $250,000 are to be completed by all FDIC-insured depository institutions. Memorandum items 5.a and 5.b are to be reported as of the quarter-end report date, not as daily averages for the quarter.

As defined in Section 11(a)(1)(B) of the Federal Deposit Insurance Act, as added by Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and as subsequently amended, a “noninterest-bearing transaction account” is:

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5 (cont.)	(1) A deposit or an account (in a domestic office or an insured branch in Puerto Rico or a U.S. territory or possession):

(a) "with respect to which interest is neither accrued nor paid;"
(b) "on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and"
(c) "on which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal; and"

(2) "a trust account established by an attorney or law firm on behalf of a client, commonly known as an 'Interest on Lawyers Trust Account', or a functionally equivalent account, as determined by the Corporation."

Thus, the term "noninterest-bearing transaction account" includes all demand deposits, including certified checks and official checks (such as cashiers' checks and money orders) drawn on the reporting institution, on which the institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. However, pursuant to Section 627 of the Dodd-Frank Act, as of July 21, 2011, institutions are no longer restricted from paying interest on demand deposit accounts. If an institution modifies the terms of its demand deposit account agreement on or after July 21, 2011, so that the account may earn interest, the account will no longer satisfy the definition of a noninterest-bearing transaction account and should no longer be reported in Memorandum items 5.a and 5.b.

Even if checks may be drawn on the account, a "noninterest-bearing transaction account" does not include, for example, any transaction account that may earn interest, such as a negotiable order of withdrawal (NOW) account, or a money market deposit account (MMDA) as defined in Federal Reserve Regulation D.

Account features such as the waiver of fees or the provision of fee-reducing credits do not prevent an account from qualifying as a noninterest-bearing transaction account as long as the account otherwise satisfies the definition of a noninterest-bearing transaction account.

In determining whether funds are in a noninterest-bearing transaction account for purposes of reporting in Memorandum items 5.a and 5.b, the FDIC will apply its normal rules and procedures under Section 360.8 of the FDIC's regulations for determining account balances at a failed insured depository institution. Under these procedures, funds may be swept or transferred from a noninterest-bearing transaction account to another type of deposit account or product that is not a noninterest-bearing transaction account. Except as described in the following sentence, unless the funds are in a noninterest-bearing transaction account after the completion of a sweep under Section 360.8, the funds in the resulting account or product should not be reported in Memorandum items 5.a and 5.b. However, in the case of funds swept from a noninterest-bearing transaction account to a noninterest-bearing savings account as defined in Federal Reserve Regulation D, the FDIC will treat the swept funds as being in a noninterest-bearing transaction account. If the sum of the swept funds in the noninterest-bearing savings account plus any amount remaining in the related noninterest-bearing transaction account is more than $250,000, this sum should be reported in

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Item No.	Caption and Instruction
5 (cont.)	Memorandum item 5.a and the swept funds and the related noninterest-bearing transaction account should be reported as one account in Memorandum item 5.b. Include public funds held in "noninterest-bearing transaction accounts" of more than $250,000 whether or not they are collateralized with pledged securities or other pledged assets. Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of noninterest-bearing transaction accounts (as defined above and in the FDIC's regulations implementing Section 343) with a balance on the report date of more than $250,000. An institution may exclude noninterest-bearing transaction accounts with a balance of more than $250,000 if the entire balance in the account is fully insured under the FDIC's regular deposit insurance rules, such as joint account relationship rules or "pass-through" insurance coverage rules. In noninterest-bearing transaction accounts with a balance of more than $250,000 where the entire balance is not fully insured under the FDIC's regular deposit insurance rules, an institution may exclude any amounts over $250,000 that are otherwise insured under the regular deposit insurance rules. These amounts may be excluded to the extent that they can be determined by the institution and fully supported in the institution's workpapers for this report. An institution is not required to make a determination of amounts otherwise insured but may do so at its option.
5.a	**Amount of noninterest-bearing transaction accounts of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5, above) with a balance on the report date of more than $250,000. This amount should represent the total of the balances of the noninterest-bearing transaction accounts enumerated in Call Report Schedule RC-O, Memorandum item 5.b, below.
5.b	**Number of noninterest-bearing transaction accounts of more than $250,000.** Report on an unconsolidated single FDIC certificate number basis the total number of noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5, above) with a balance on the report date of more than $250,000.

General Instructions for Schedule RC-O, Memorandum items 6 through 17

Memorandum items 6 through 17 are applicable only to large institutions and/or highly complex institutions as defined below. Amounts reported in Memorandum items 6 through 9, 14, and 15 will not be made available to the public on an individual institution basis. Large institutions and highly complex institutions should complete Memorandum items 6 through 17, as appropriate, on a fully consolidated basis. Thus, when a large institution or highly complex institution owns another FDIC-insured institution as a subsidiary, it should complete Memorandum items 6 through 17, as appropriate, on a fully consolidated basis.

According to Section 327.8(f) of the FDIC's regulations, a large institution is an FDIC-insured bank or savings association that reported total assets of $10 billion or more as of December 31, 2006, that does not meet the definition of a highly complex institution. After December 31, 2006, if a bank or savings association not previously classified as a large institution reports total assets of $10 billion or more for four consecutive quarters, the bank or savings association will be classified as a large institution beginning the following quarter. In the Consolidated Reports of Condition and Income, an FDIC-insured depository institution's total assets is reported in Schedule RC, item 12.

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General Instructions for Schedule RC-O, Memorandum items 6 through 17 (cont.)

According to Section 327.8(g) of the FDIC's regulations, a highly complex institution is an FDIC-insured bank or savings association (excluding a credit card bank[1]) that:

(1) Has had $50 billion or more in total assets for at least four consecutive quarters that either is controlled by a U.S. parent holding company that has had $500 billion or more in total assets for four consecutive quarters, or is controlled by one or more intermediate U.S. parent holding companies that are controlled by a U.S. holding company that has had $500 billion or more in total assets for four consecutive quarters; or

(2) Is a processing bank or trust company that has had $10 billion or more in total assets for at least four consecutive quarters. According to Section 327.8(s) of the FDIC's regulations, a processing bank or trust company is "an institution whose last three years' non-lending interest income, fiduciary revenues, and investment banking fees, combined, exceed 50 percent of total revenues (and its last three years fiduciary revenues are non-zero), and whose total fiduciary assets total $500 billion or more."

If, after December 31, 2010, a bank or savings association classified as a highly complex institution falls below $50 billion in total assets for four consecutive quarters, or its parent company or companies fall below $500 billion in total assets for four consecutive quarters, or a processing bank or trust company falls below $10 billion in total assets for four consecutive quarters, the FDIC will reclassify the bank or savings association as a large institution or a small institution, as appropriate, beginning the quarter after the fourth consecutive quarter.

Transition Guidance for Reporting "Subprime Consumer Loans" and "Leveraged Loans and Securities" as Defined for Assessment Purposes Only in FDIC Regulations[2] – For loans originated or purchased prior to April 1, 2013, and for securities where the underlying loans were originated predominantly prior to April 1, 2013, for which the reporting institution does not have the information necessary to determine subprime consumer or leveraged status in accordance with the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions, the institution may use its existing internal methodology for identifying subprime consumer or leveraged loans and securities as the basis for reporting these assets for deposit insurance assessment purposes in Schedule RC-O, Memorandum items 8 and 9. Institutions that do not have an existing methodology in place to identify subprime consumer or leveraged loans and securities (because they are not required to report on these exposures to their primary federal regulator for examination or other supervisory purposes or did not measure and monitor loans and securities with these characteristics for internal risk management purposes) may, as an alternative to applying the definitions in the FDIC's assessment regulations to pre-April 1, 2013, loans and securities, apply existing guidance provided by their primary federal regulator, the agencies' 2001 Expanded Guidance for Subprime Lending Programs,[3] or the February 2008 Comptroller's Handbook on

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[1] As defined in Section 327.8(t) of the FDIC's regulation, a credit card bank is "a bank for which credit card receivables plus securitized receivables exceed 50 percent of assets plus securitized receivables."

[2] The definitions for subprime consumer and leveraged loans included in these Instructions are essentially the same as the definitions for subprime consumer and leveraged loans included in the FDIC's assessment regulations (12 CFR Part 327, Subpart A, Appendix C, as amended in February 2011, http://www.fdic.gov/regulations/laws/federal/2011/11FinalFeb25.pdf). However, to assist institutions in properly identifying subprime consumer and leveraged loans for reporting in Schedule RC-O and deposit insurance pricing purposes, certain clarifications to the definitions in the assessment regulations have been included in these instructions to facilitate the identification of such loans for assessment reporting purposes.

[3] http://www.fdic.gov/news/news/press/2001/pr0901a.html.

Item No.	Caption and Instructions		
12 (cont.)	(A6)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of one year or less	______x 0% =______
	(A7)	Qualifying subordinated debt and intermediate-term preferred stock (sum of discounted amounts of lines (A1) through (A6))	______
	(A8)	Tier 1 capital (from Schedule RC-R, item 11)	______
	(A9)	Multiplied by 50 percent	x 50%
	(A10)	Limit for qualifying subordinated debt and intermediate-term preferred stock (line (A8) multiplied by 50 percent)	______
	(A11)	Portion of qualifying subordinated debt and intermediate-term preferred stock includible in Tier 2 capital (lesser of lines (A7) and (A10))	______

The entire amount of qualifying other limited-life capital instruments, such as long-term preferred stock with an original maturity of 20 years or more, that remains after discounting is includible in Tier 2 capital. This portion is calculated as follows:

(B1)	Amount of other limited-life capital instruments with a remaining maturity of more than five years	______x 100% =______
(B2)	Amount of other limited-life capital instruments with a remaining maturity of more than four years, but less than five years	______x 80% =______
(B3)	Amount of other limited-life capital instruments with a remaining maturity of more than three years, but less than four years	______x 60% =______
(B4)	Amount of other limited-life capital instruments with a remaining maturity of more than two year, but less than three years	______x 40% =______
(B5)	Amount of other limited-life capital instruments with a remaining maturity of more than one year, but less than two years	______x 20% =______
(B6)	Amount of other limited-life capital instruments with a remaining maturity of one year or less	______x 0% =______
(B7)	Portion of qualifying other limited-life capital instruments (sum of discounted amounts of lines (B1) through (B6))	______

Report the sum of the amounts from lines (A11) and (B7) above in Schedule RC-R, item 12.

13 **Cumulative perpetual preferred stock includible in Tier 2 capital.** Report the amount of outstanding cumulative perpetual preferred stock, including any amounts received in excess of its par or stated value, that is included in Schedule RC, item 23. Also include perpetual preferred stock issues that were excluded from Tier 1 capital such as noncumulative perpetual preferred where the dividend is reset periodically based, in whole or in part, upon the bank's current credit standing (including, but not limited to, auction rate, money market, and remarketable preferred stock).

Item No. **Caption and Instructions**

14 **Allowance for loan and lease losses includible in Tier 2 capital.** Report the portion of the bank's allowance for loan and lease losses that is includible in Tier 2 capital. (None of the bank's allocated transfer risk reserve, if any, is includible in Tier 2 capital.) The amount reported in this item cannot exceed 1.25 percent of the bank's *gross* risk-weighted assets. For risk-based capital purposes, the allowance for loan and lease losses equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less Schedule RI-B, part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above," plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

Gross risk-weighted assets is reported in Schedule RC-R, item 59. If the bank has any low level exposure transactions or residual interests and chooses to use the "direct reduction method" for reporting these transactions in Schedule RC-R, refer to the discussion of this subject in the instructions for Schedule RC-R, item 50, "Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low level exposure rule and residual interests subject to a dollar-for-dollar capital requirement," for guidance on determining the limit on the allowance for loan and lease losses for Tier 2 capital purposes.

15 **Unrealized gains on available-for-sale equity securities includible in Tier 2 capital.** Report the pretax net unrealized holding gain (i.e., the excess of fair value as reported in Schedule RC-B, item 7, column D, over historical cost as reported in Schedule RC-B, item 7, column C), if any, on available-for-sale equity securities that is includible in Tier 2 capital subject to the limits specified by the capital guidelines of the reporting bank's primary federal supervisory authority. The amount reported in this item cannot exceed 45 percent of the bank's pretax net unrealized holding gain on available-for-sale equity securities with readily determinable fair values.

16 **Other Tier 2 capital components.** Report the amount of any items that qualify for inclusion in Tier 2 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority that are not included in Schedule RC-R, items 12 through 15, above. Include mandatory convertible debt, i.e., equity contract notes, which is a form of subordinated debt that obligates the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal.

17 **Tier 2 capital.** Report the sum of Schedule RC-R, items 12 through 16.

18 **Allowable Tier 2 capital.** Report the amount of the bank's allowable Tier 2 capital. The maximum amount of Tier 2 capital that is allowable in a bank’s qualifying total capital is 100 percent of Tier 1 capital. The amount reported in this item must be the lesser of Schedule RC-R, item 11, “Tier 1 capital," and item 17, "Tier 2 capital," if item 11 is a positive number. If Schedule RC-R, item 11, is a negative number, report a zero in this item.

19 **Tier 3 capital allocated for market risk.** Under the revised market risk capital rules that took effect on January 1, 2013, Tier 3 capital has been eliminated. Institutions subject to these rules should report zero in this item.

Risk-Weighted Assets (cont.)

in a securitization or structured finance program (hereafter referred to collectively as a securitization) is computed by multiplying the face amount of the position by the risk weight appropriate for the external credit rating of the position. The risk weights for long-term and short-term external ratings are as follows:

Long-Term Rating Category	Examples	Risk Weight
Highest or second highest investment grade	AAA or AA	20%
Third highest investment grade	A	50%
Lowest investment grade	BBB	100%
One category below investment grade	BB	200%
More than one category below investment grade, or unrated	B or unrated	Not eligible for ratings-based approach

Short-Term Rating Category	Examples	Risk Weight
Highest investment grade	A-1, P-1	20%
Second highest investment grade	A-2, P-2	50%
Lowest investment grade	A-3, P-3	100%
Below investment grade, or unrated	B or unrated	Not eligible for ratings-based approach

Under the ratings-based approach, a position in a securitization that is a "traded position," as defined in the risk-based capital guidelines, must receive at least one external rating. If a traded position receives more than one external ratings, the lowest rating will apply. For a position in a securitization that is not a traded position to be eligible for the ratings-based approach, the position must receive at least two publicly available external ratings that are based on the same criteria used to rate traded positions. The lowest external rating will determine the risk weight category for the position.

In addition, a position (other than a residual interest) in a securitization or structured finance program that is not externally rated may use the credit rating for the position under one of three alternative standards to determine the risk weight for the position. These alternatives are internal risk ratings for direct credit substitutes (but not purchased credit-enhancing interest-only strips) supporting asset-backed commercial paper programs and program ratings and credit assessment computer programs for credit enhancements (but not residual interests) supporting structured finance programs. Under these alternatives, a position receiving an investment grade rating is assigned a 100% risk weight and a position receiving a rating one category below investment grade is assigned a 200% risk weight.

Banks That are Subject to the Market Risk Capital Rules – The banking agencies' risk-based capital standards require all banks with significant market risk to measure their market risk exposure and hold sufficient capital to protect against the risk of loss attributable to this exposure. In general, a bank is subject to the market risk capital rules if its consolidated trading activity, defined as the sum of trading assets and liabilities as reported in its Call Report for the previous quarter, equals: (1) 10 percent or more of the bank's total assets as reported in its Call Report for the previous quarter, or (2) $1 billion or more. However, the primary federal supervisory authority may exempt or include a bank if necessary or appropriate for safe and sound banking practices.

A bank that is subject to the market risk capital rules must hold capital to support its exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates, and commodity prices and its exposure to specific risk associated with certain debt and equity positions.

A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule RC–D, that is held for any of the following reasons:

Risk-Weighted Assets (cont.)

(1) For the purpose of short-term resale;
(2) With the intent of benefiting from actual or expected short-term price movements;
(3) To lock in arbitrage profits; or
(4) To hedge another covered position.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the bank is able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does not include:

(1) An intangible asset (including any servicing asset);
(2) A hedge of a trading position that is outside the scope of the bank's hedging strategy (required by the market risk capital rules);
(3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
(4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the risk-based capital rules for credit risk;
(5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
(6) A position held with the intent to securitize; or
(7) A direct real estate holding.

Covered positions generally should not be risk-weighted as part of the bank's gross risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all over-the-counter (OTC) derivatives continue to have a counterparty credit risk capital charge. Those positions are included in both gross risk-weighted assets for credit risk and the bank's covered positions for market risk.

A bank subject to the market risk capital rules must maintain an overall minimum 8.0 percent ratio of total qualifying capital (the sum of Tier 1 capital and Tier 2 capital, net of all deductions) to the sum of risk-weighted assets and market risk equivalent assets. Banks should refer to the capital standards of their primary federal supervisory authority for specific instructions on the calculation of the measure for market risk.

Balance Sheet Asset Categories

Assets Sold with Recourse and Purchased Credit-Enhancing Interest-Only Strips – When an on-balance sheet asset that is a position in an asset securitization or structured finance program qualifies for the ratings-based approach, the asset should be reported in the appropriate asset category in Schedule RC-R (items 34 to 42) and risk-weighted 20%, 50%, 100%, or 200% according to its rating. (See the paragraph below for further information on assets subject to a 200% risk weight.)

Otherwise, in an asset sale with recourse in which a bank has retained on-balance sheet assets that act as credit enhancements (including retained credit-enhancing interest-only strips) that do not qualify for the ratings-based approach, these assets should be reported in column B, "Items Not Subject to Risk-Weighting," of the appropriate Schedule RC-R asset category (items 34 to 42). Similarly, purchased credit-enhancing interest-only strips should be reported in column B. Depending on the nature of the individual recourse transactions, the risk-weighting of these transactions will take place in Schedule RC-R, item 49, "Retained recourse on small business obligations sold with recourse," item 50, "Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low

Balance Sheet Asset Categories (cont.)

level exposure rule and residual interests subject to a dollar-for-dollar capital requirement," or item 51, "All other financial assets sold with recourse." Purchased credit-enhancing interest-only strips are to be risk-weighted in Schedule RC-R, item 50. However, exclude disallowed credit-enhancing interest-only strips that have been deducted from Tier 1 capital and assets from Schedule RC-R, items 49, 50, and 51.

Assets Subject to a 200% Risk Weight – Asset-backed and mortgage-backed securities and other on-balance sheet positions in asset securitizations and structured finance programs that are rated one category below investment grade (e.g., BB) by a rating agency are subject to a 200% risk weight. Because Schedule RC-R does not have a column for the 200% risk weight, assets in this risk weight category should be reported in the following manner in Schedule RC-R:

- If a 200% risk-weighted asset is reported on the balance sheet (Schedule RC) at amortized cost, e.g., in "Held-to-maturity securities," report (1) the asset's amortized cost multiplied by 2 in column F–100% risk weight, and (2) the asset's amortized cost as a negative number in column B.

- If a 200% risk-weighted asset is reported on the balance sheet (Schedule RC) like an "Available-for-sale debt security," i.e., at fair value with unrealized gains (losses) reported in "Other comprehensive income," report (1) the difference between the asset's fair value and amortized cost in column B as a positive number if fair value exceeds cost or as a negative number if cost exceeds fair value, (2) the asset's amortized cost multiplied by 2 in column F–100% risk weight, and (3) the asset's amortized cost as a negative number in column B.

- If a 200% risk-weighted asset is reported on the balance sheet (Schedule RC) like a "Trading asset," i.e., at fair value with unrealized gains (losses) included in current earnings, report (1) the asset's fair value multiplied by 2 in column F–100% risk weight, and (2) the asset's fair value as a negative number in column B.

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Balance Sheet Asset Categories (cont.)

Allocated Transfer Risk Reserve (ATRR) – If the reporting bank is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule RC-R, item 61. The ATRR is not eligible for inclusion in either Tier 1 or Tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule RC, item 4.c., "Allowance for loan and lease losses," and separately disclosed in Schedule RI-B, part II, Memorandum item 1. However, if the bank must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule RC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Items Not Subject to Risk-Weighting," of the corresponding asset category in Schedule RC-R, items 34 through 38, 41, and 42. The amount to be risk-weighted for this asset in column C, D, E, or F, as appropriate, would be its net carrying value plus the ATRR. For example, a bank has a held-to-maturity security issued by a foreign commercial company against which it has established an ATRR of $20. The security, net of the ATRR, is included in Schedule RC, item 2.a, "Held-to-maturity securities," at $80. The security should be included in Schedule RC-R, item 35, column A, at $80. The bank should include $-20 in Schedule RC-R, item 35, column B, and $100 in item 35, column F.

Item No. Caption and Instructions

34 **Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule RC, sum of items 1.a and 1.b.

- *In column C–0% risk weight*, include the amount of currency and coin reported in Schedule RC, item 1.a; any balances due from Federal Reserve Banks reported in Schedule RC, item 1.b; any balances due from central banks in other OECD countries reported in Schedule RC, items 1.a and 1.b; and the insured portion of deposits in FDIC-insured depository institutions reported in Schedule RC, items 1.a and 1.b.

- *In column F–100% risk weight*, include balances due from non-OECD depository institutions with remaining maturities of over one year, all non-local currency claims on non-OECD central banks, and local currency claims on non-OECD central banks that exceed the local currency liability held by the bank.

- *In column D–20% risk weight*, include all other amounts that are not reported in column C or F.

If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in column C the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank. This treatment differs from that required in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," which treats pass-through reserve balances held by a bank's correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.

If the reporting bank is a participant in an excess balance account at a Federal Reserve Bank, report in column C the bank’s balance in this account.

Item No.	Caption and Instructions
34 (cont.)	If the reporting bank accounts for any holdings of certificates of deposit (CDs) like available-for-sale debt securities, report in column A the fair value of such CDs and include in column B the difference between the fair value and amortized cost of these CDs. When fair value exceeds amortized cost, report the difference as a positive number in column B. When amortized cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in column B. Risk weight the amortized cost of these CDs in columns C, D, or F, as appropriate
35	**Held-to-maturity securities.** Report in column A the amortized cost of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a.

- *In column B*, include as a negative number the amortized cost of those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-B, item 4.a.(3), column A, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies"; item 4.b.(3), column A, "All other residential MBS"; item 4.c.(1)(b), column A, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column A, "All other commercial MBS"; item 5.a, column A, "Asset-backed securities"; and items 5.b.(1) through (3), column A, "Structured financial products," that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach.

- *In column C–0% risk weight*, include the amounts reported in Schedule RC-B, column A, for item 1, "U.S. Treasury securities," item 2.a, Securities "Issued by U.S. Government agencies," and item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA." Also include the portions of Schedule RC-B, item 4.b.(1), column A, Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," and items 4.c.(1)(a) and (2)(a), column A, "Commercial MBS," that represent the amortized cost of GNMA securities.

- *In column D–20% risk weight*, include the amounts reported in Schedule RC-B, column A, for item 2.b, Securities "Issued by U.S. Government-sponsored agencies," and item 4.a.(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC." Include the portion of Schedule RC-B, item 3, column A, "Securities issued by states and political subdivisions in the U.S.," that represents the amortized cost of general obligation securities, and the portions of Schedule RC-B, item 4.b.(1), column A, Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," and items 4.c.(1)(a) and (2)(a), column A, "Commercial MBS," that represent the amortized cost of FHLMC and FNMA securities (excluding principal-only strips, which must be assigned a 100 percent risk weight). Also include the portion of Schedule RC-B, item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," that represents the amortized cost of senior interests in such securities (excluding principal-only strips, which must be assigned a 100 percent risk weight). Also include the portions of Schedule RC-B, item 4.a.(3), column A, "Other [residential mortgage] pass-through securities," item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," item 4.b.(3), column A, "All other residential MBS"; item 4.c.(1)(b), column A, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column A, "All other commercial MBS"; item 5.a, column A, "Asset-backed securities"; and items 5.b.(1) through (3), column A, "Structured financial products," that represents the amortized cost of securities 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 (excluding principal-only strips, which must be assigned a 100 percent risk weight).

Item No. **Caption and Instructions**

51 (cont.) For those recourse arrangements that must be included in this item that are not eligible for the ratings-based approach, report *in column A* the outstanding principal balance of the loans or other financial assets that were sold with recourse, minus the amount of any recourse liability account associated with these transactions that is included in Schedule RC-G, item 4, "Other" liabilities. For those recourse arrangements that must be included in this item that act as credit enhancements for asset-backed or mortgage-backed securities and to which the ratings-based approach applies, report *in column A*:

(1) the maximum contractual remaining amount of the bank's recourse exposures that are subject to a risk weight of 100% or less, minus the amount of any recourse liability account associated with these exposures that is included in Schedule RC-G, item 4, and

(2) two times the maximum contractual remaining amount of the bank's recourse exposures that are subject to a 200% risk weight, minus the amount of any recourse liability account associated with these exposures that is included in Schedule RC-G, item 4.

- *In column B*, report 100 percent of the amount reported in column A.

- *In column C—0% risk weight*, include the credit equivalent amount of financial assets sold with recourse (not eligible for the ratings-based approach) that, if they were carried as assets on the balance sheet, would meet the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.

- *In column D—20% risk weight*, include the credit equivalent amount of financial assets sold with recourse (not eligible for the ratings-based approach) that, if they were carried as assets on the balance sheet, would meet the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above. Also include in column D the credit equivalent amount of those recourse arrangements to which the ratings-based approach applies that are rated in the highest or second highest investment grade category, 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 the credit equivalent amount of financial assets sold with recourse (not eligible for the ratings-based approach) that, if they were carried as assets on the balance sheet, would meet the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above. Also include in column E the credit equivalent amount of those recourse arrangements to which the ratings-based approach applies 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.

- *In column F—100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

52 **All other off-balance sheet liabilities.** Report in column A the notional amount of all other off-balance sheet liabilities reported in Schedule RC-L, item 9, that are covered by the risk based capital guidelines. Also include in column A the notional amount of written option contracts that act as financial guarantees, which have been reported as derivatives in Schedule RC-L, item 12, but are treated as direct credit substitutes rather than derivatives for

Item No. **Caption and Instructions**

52 (cont.) risk-based capital purposes. Also include in column A the amount of those credit derivatives reported in Schedule RC-L, item 7, that – under the supervisory guidance issued by the bank's primary federal supervisory authority – are covered by the risk-based capital standards, but have not been included in any of the preceding items in the Derivatives and Off-Balance Sheet Items section of Schedule RC-R. However, exclude from column A the amount of credit derivatives classified as trading that are subject to the market risk capital guidelines (report in Schedule RC-R, item 54) and credit derivatives purchased by the bank that are recognized as guarantees of an asset or off-balance sheet exposure under the risk based capital guidelines, i.e., credit derivatives on which the bank is the beneficiary (report the guaranteed asset or exposure in Schedule RC-R in the appropriate balance sheet or off-balance sheet category – e.g., item 39, "Loans and leases, net of unearned income" – and in the risk weight category applicable to the derivative counterparty – e.g., column D, 20 percent – rather than the risk weight category applicable to the obligor of the guaranteed asset). Also exclude from column A the notional amount of standby letters of credit issued by another depository institution, a Federal Home Loan Bank, or any other entity on behalf of the reporting bank that are reported in Schedule RC-L, item 9, because these letters of credit are not covered by the risk-based capital guidelines.

- *In column B*, report 100 percent of the notional amount reported in column A.
- *In column C–0% risk weight,* include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.
- *In column D–20% risk weight,* include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.
- *In column E–50% risk weight,* include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.
- *In column F–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

53 **Unused commitments:**

53.a **With an original maturity exceeding one year.** Report in column A the unused portion of commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions as reflected in Schedule RC-L, item 1, that have an original maturity exceeding one year and are subject to the risk-based capital guidelines. Under the risk-based capital guidelines, the unused portion of commitments (facilities) with an original maturity of one year or less (other than eligible asset-backed commercial paper liquidity facilities) or which are unconditionally cancelable (without cause) at any time by the bank, provided a separate credit decision is made before each drawing, have a zero percent conversion factor. The unused portion of such commitments should be excluded from this item and from item 53.b. "Original maturity" is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the bank (1) is scheduled to (and as a normal practice actually does)

Item No.	Caption and Instructions

53.b (cont.) Under the risk-based capital guidelines, the unused portion of commitments (facilities) with an original maturity of one year or less (other than eligible ACBP liquidity facilities) or which are unconditionally cancelable (without cause) at any time by the bank, provided a separate credit decision is made before each drawing, have a zero percent conversion factor. The unused portion of such commitments should be excluded from this item.

- *In column B*, report 10 percent of the amount of unused commitments reported in column A.
- *In column C–0% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.
- *In column D–20% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.
- *In column E–50% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.
- *In column F–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

54 **Derivative contracts.** Report in column B the credit equivalent amount of derivative contracts covered by the risk-based capital guidelines. Under these guidelines, the maximum risk weight to be applied to the credit equivalent amount of any derivative contract is 50 percent. Include credit derivative contracts held for trading purposes and subject to the market risk capital guidelines. However, exclude all other credit derivative contracts, which, if covered by the risk-based capital standards in accordance with the supervisory guidance issued by the bank's primary federal supervisory authority, should be reported in one of the preceding items in the Derivatives and Off-Balance Sheet Items section of Schedule RC-R.

The credit equivalent amount of a derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Memorandum item 1) plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any). The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart. The notional principal amounts of the reporting bank's derivatives that are subject to the risk-based capital requirements are reported in Schedule RC-R, Memorandum items 2.a through 2.g.(2).

Item No. **Caption and Instructions**

54 (cont.)

Remaining maturity	Interest rate contracts	Foreign exchange and gold contracts	Equity contracts	Precious metals contracts (except gold)	Other commodity contracts
One year or less	0.0%	1.0%	6.0%	7.0%	10.0%
More than one year through five years	0.5%	5.0%	8.0%	7.0%	12.0%
More than five years	1.5%	7.5%	10.0%	8.0%	15.0%

Under the banking agencies' risk-based capital standards and for purposes of Schedule RC-R, the existence of a legally enforceable bilateral netting agreement between the reporting bank and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule RC-R, Memorandum item 1, and the risk-based capital standards issued by the reporting bank's primary federal supervisory authority.

- *In column C–0% risk weight,* include the credit equivalent amount of derivative contracts. with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.

- *In column D–20% risk weight,* include the credit equivalent amount of derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, items 34 through 42, above.

- *In column E–50% risk weight,* include the portion of the credit equivalent amount reported in column B that is not included in columns C and D.

Totals

55 **Total assets, derivatives, and off-balance sheet items by risk weight category.** Report the sum of items 43 through 54 for each column (columns C through F).

56 **Risk weight factor.**

57 **Risk-weighted assets by risk weight category.** For each of columns C through F, multiply the amount in item 55 by the risk weight factor specified for that column in item 56.

NOTE: Item 58 is applicable only to banks that are subject to the market risk capital rules.

58 **Market risk equivalent assets.** Report the amount of the bank's market risk equivalent assets. For further background information, banks should refer to the discussion of "Banks That are Subject to the Market Risk Capital Rules" in the Risk-Weighted Assets section of these instructions and the capital standards of their primary federal supervisory authority for specific instructions on the calculation of the measure for market risk.

A bank's measure for market risk for its covered positions is the sum of its value-at-risk (VAR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A bank's market risk equivalent assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

Item No. **Caption and Instructions**

58 (cont.) A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule RC–D, that is held for any of the following reasons:

(1) For the purpose of short-term resale;
(2) With the intent of benefiting from actual or expected short-term price movements;
(3) To lock in arbitrage profits; or
(4) To hedge another covered position.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the bank is able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does not include:

(1) An intangible asset (including any servicing asset);
(2) A hedge of a trading position that is outside the scope of the bank's hedging strategy (required by the market risk capital rules);
(3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
(4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the risk-based capital rules for credit risk;
(5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
(6) A position held with the intent to securitize; or
(7) A direct real estate holding.

59 **Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.** Report the sum of item 57, columns C through F, and item 58.

60 **LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the bank's allowance for loan and lease losses exceeds 1.25 percent of the bank's ***gross*** risk-weighted assets. The amount to be reported in this item equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less Schedule RI-B, part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above," plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures," less Schedule RC-R, item 14, "Allowance for loan and lease losses includible in Tier 2 capital."

61 **LESS: Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) 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. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is reported in Schedule RI-B, part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

62 **Total risk-weighted assets.** Report the amount derived by subtracting items 60 and 61 from item 59.

Memoranda

Item No. Caption and Instructions

1 **Current credit exposure across all derivative contracts covered by the risk-based capital standards.** Report the total current credit exposure amount for all interest rate, foreign exchange, commodity, and equity derivative contracts covered by the risk-based capital standards after considering applicable legally enforceable bilateral netting agreements. Banks that are subject to the market risk capital guidelines should exclude all covered positions subject to these guidelines, except for foreign exchange derivatives that are outside of the trading account and all over-the-counter (OTC) derivatives. Foreign exchange derivatives that are outside of the trading account and all OTC derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the bank is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a covered position under the market risk rule or (b) not defined as a covered position under the market risk rule and is not recognized as a guarantee for risk-based capital purposes.

The following types of derivative contracts are not covered by the risk-based capital standards:

(1) interest rate, foreign exchange, equity, commodity and other derivative contracts traded on exchanges that require daily payment of variation margin,

(2) foreign exchange contracts with an original maturity of fourteen calendar days or less, and

(3) all written option contracts except for those that are, in substance, financial guarantees.

Purchased options held by the reporting bank that are traded on an exchange are covered by the risk-based capital standards unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

If a written option contract acts as a financial guarantee, then it will be treated as a direct credit substitute for risk-based capital purposes and the notional amount of the option should be included in Schedule RC-R, item 52, column A, as an "other off-balance sheet liability." An example of such a contract occurs when the reporting bank writes a put option to a second bank which has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second bank, the reporting bank would be required by the second bank to take the loan onto its books.

Current credit exposure (sometimes referred to as the replacement cost) is the fair value of a contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero. Current credit exposure should be derived as follows: Determine whether a legally enforceable bilateral netting agreement is in place between the reporting bank and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are

Bankers Acceptances (cont.):

The following description covers the treatment in the Report of Condition of (1) acceptances that have been executed by the reporting bank, that is, those drafts that have been drawn on and accepted by it; (2) "participations" in acceptances, that is, "participations" in the accepting bank's obligation to put the holder of the acceptance in funds at maturity, or participations in the accepting bank's risk of loss in the event of default by the account party; and (3) acceptances owned by the reporting bank, that is, those acceptances – whether executed by the reporting bank or by others – that the bank has discounted or purchased.

(1) Acceptances executed by the reporting bank – With the exceptions described below, the accepting bank must report on its balance sheet the full amount of the acceptance in both (1) the liability item, "Other liabilities" (Schedule RC, item 20), reflecting the accepting bank's obligation to put the holder of the acceptance in funds at maturity, and (2) the asset item, "Other assets" (Schedule RC, item 11), reflecting the account party's liability to put the accepting bank in funds at or before maturity. The acceptance liability and acceptance asset must also be reported in both Schedule RC-G, item 4, “All other liabilities,” and Schedule RC-F, item 6, “All other assets,” respectively.

Exceptions to the mandatory reporting by the accepting bank of the full amount of all outstanding drafts accepted by the reporting bank in both “Other liabilities” (Schedule RC, item 20) and “Other assets” (Schedule RC, item 11) on the balance sheet of the Consolidated Report of Condition occur in the following situations:

(a) One exception occurs in situations where the accepting bank acquires – through initial discounting or subsequent purchase – and holds its own acceptance (i.e., a draft that it has itself accepted). In this case, the reporting bank's own acceptances that are held by it should not be reported in the ”Other liabilities” and “Other assets” items noted above. The bank's holdings of its own acceptances should be reported in "Loans and leases held for sale" (Schedule RC, item 4.a), "Loans and leases, net of unearned income" (Schedule RC, item 4.b), or "Trading assets" (Schedule RC, item 5), as appropriate.

(b) Another exception occurs in situations where the account party anticipates its liability to the reporting bank on an acceptance outstanding by making a payment to the bank that reduces the customer's liability in advance of the maturity of the acceptance. In this case, the reporting bank should decrease ”Other assets” (Schedule RC, item 11) by the amount of such prepayment; the prepayment will not affect the bank’s “Other liabilities” (Schedule RC, item 20), which would continue to reflect the full amount of the acceptance until the bank has repaid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting bank before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 11 of Schedule RC but should be reflected in the bank's deposit liabilities.

In all situations other than these two exceptions just described, the accepting bank must report the full amount of its acceptances in “Other liabilities” (Schedule RC, item 20) and in ”Other assets” (Schedule RC, item 11). There are no other circumstances in which the accepting bank can report as a balance sheet liability anything less than the full amount of the obligation to put the holder of the acceptance in funds at maturity. Moreover, there are no circumstances in which the reporting bank can net its acceptance assets against its acceptance liabilities.

NOTE: The amount of a reporting member (both national and state) bank's acceptances that are subject to statutory limitations on eligible acceptances as set forth in federal statute 12 USC 372 and in Federal Reserve regulation 12 CFR Part 250 may differ from the required reporting of

Bankers Acceptances (cont.):

acceptances on the balance sheet of the Consolidated Report of Condition, as described above. These differences are mainly attributable to ineligible acceptances, to participations in the reporting bank's acceptances conveyed to others, to participations acquired by the reporting bank in other banks' acceptances, and to the effect of the consolidation of subsidiaries in the Report of Condition.

(2) "Participations" in acceptances – The general requirement for the accepting bank to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the accepting bank enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity or in the risk of loss in the event of default on the part of the account party.[1] In any such sharing arrangement or participation agreement -- regardless of its form or its contract provisions, regardless of the terminology (e.g., "funded," "risk," "unconditional," or "contingent") used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer's liability or in the accepting bank's obligation or in the risk of default by the account party, and regardless of the system of debits and credits used by the accepting bank to reflect the participation arrangement -- the existence of the participation or other agreement does not reduce the accepting bank's obligation to honor the full amount of the acceptance at maturity nor change the requirement for the accepting bank to report the full amount of the acceptance in the liability and asset items described above.

The existence of such participations is not to be recorded on the balance sheet (Schedule RC) of the accepting bank that conveys shares in its obligation to put the holder of the acceptance in funds or shares in its risk of loss in the event of default on the part of the account party, and similarly is not to be recorded on the balance sheets (Schedule RC) of the other banks that are party to, or acquire, such participations. However, in such cases of agreements to participate, the nonaccepting bank acquiring the participation will report the participation in Schedule RC-R, item 47, "Risk participations in bankers acceptances acquired by the reporting institution." This same reporting treatment applies to a bank that acquires a participation in an acceptance of another (accepting) bank and subsequently conveys the participation to others and to a bank that acquires such a participation. Moreover, the bank that both acquires and conveys a participation in another bank's acceptance must report the amount of the participation in the acceptance participation item in Schedule RC-R.

(3) Acceptances owned by the reporting bank – The treatment of acceptances owned or held by the reporting bank (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances are held for trading, for sale, or in portfolio and upon whether the acceptances held have been accepted by the reporting bank or by other banks.

All acceptances held for trading by the reporting bank (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 5, "Trading assets." Banks that must complete Schedule RC-D, Trading Assets and Liabilities, should report other banks' acceptances held for trading in item 6.d, "Other loans," and its own acceptances held for trading according to the account party of the draft, generally in item 6.b, "Commercial and industrial loans," or item 6.d, "Other loans," as appropriate.

The reporting bank's holdings of acceptances other than those held for trading (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 4.a, "Loans and leases held for sale," or in item 4.b, "Loans and leases, net of unearned income," as appropriate, and in Schedule RC-C, part I, "Loans and Lease financing receivables."

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[1] This discussion does not deal with participations in holdings of bankers acceptances, which are reportable as loans. Such participations are treated like any participations in loans as described in the Glossary entry for "transfers of financial assets."

<u>Business Combinations:</u> The accounting and reporting standards for business combinations are set forth in ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"). ASC Topic 805 requires that all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, must be accounted for using the acquisition method. The use of the pooling-of-interests method to account for business combinations is prohibited. ASC Topic 805 applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to the formation of a joint venture, the acquisition of assets that do not constitute a business, or a combination between entities under common control. Except for some business combinations between two or more mutual institutions, business combinations for which the acquisition date was before the beginning of the first annual reporting period beginning on or after December 15, 2008, were accounted for using the purchase method as specified in former FASB Statement No. 141, “Business Combinations,” which has been superseded by ASC Topic 805.

<u>Acquisition method</u> – Under the acquisition method, the acquirer in a business combination shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, “Fair Value Measurements”). The acquisition date is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree, i.e., the closing date. ASC Topic 805 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values and the acquirer may not recognize a separate valuation allowance (e.g., allowance for loan and lease losses) for the contractual cash flows that are deemed to be uncollectible at that date. The consideration transferred in a business combination shall be calculated as the sum of the acquisition-date fair values of the assets (including any cash) transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Acquisition-related costs are costs the acquirer incurs to effect a business combination such as finder’s fees; advisory, legal, accounting, valuation, and other professional or consulting fees; and general administrative costs. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services received. The cost to register and issue debt or equity securities shall be recognized in accordance with other applicable generally accepted accounting principles.

ASC Topic 805 provides guidance for recognizing particular assets acquired and liabilities assumed. Acquired assets may be tangible (such as securities or fixed assets) or intangible (as discussed in the following paragraph). An acquiring entity must not recognize the goodwill, if any, or the deferred income taxes recorded by an acquired entity before its acquisition. However, a deferred tax liability or asset must be recognized for differences between the assigned values and the tax bases of the recognized assets acquired and liabilities assumed in a business combination in accordance with ASC Topic 740, Income Taxes (formerly FASB Statement No. 109, "Accounting for Income Taxes," and FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”). (For further information, see the Glossary entry for "income taxes.")

Under ASC Topic 805, an intangible asset must be recognized as an asset separately from goodwill if it arises from contractual or other legal rights (regardless of transferability or separability). Otherwise, an intangible asset must be recognized as an asset separately from goodwill only if it is separable, that is, it is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged either individually or together with a related contract, identifiable asset, or liability. Examples of intangible assets that must be recognized as an asset separately from goodwill are core deposit intangibles, purchased credit card relationships, servicing assets, favorable leasehold rights, trademarks, trade names, internet domain names, and noncompetition agreements. These intangible assets must be reported in Schedule RC, item 10.b, "Other intangible assets," and in Schedule RC-M, item 2.

Business Combinations (cont.):

In general, the excess of the sum of the consideration transferred in a business combination plus the fair value of any noncontrolling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with ASC Topic 805 must be recognized as goodwill, which is reported in Schedule RC, item 10.a. An acquired intangible asset that does not meet the criteria described in the preceding paragraph must be included in the amount recognized as goodwill. After initial recognition, goodwill must be accounted for in accordance with ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets") and the Glossary entry for "goodwill."

In contrast, if the total acquisition-date amount of the identifiable net assets acquired exceeds the consideration transferred plus the fair value of any noncontrolling interest in the acquiree (i.e., a bargain purchase), the acquirer shall reassess whether it has correctly identified all of the assets acquired and all the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. If that excess remains after the review, the acquirer shall recognize that excess in earnings as a gain attributable to the acquirer on the acquisition date and report the amount in Schedule RI, item 5.l, "Other noninterest income."

Under the acquisition method, the historical equity capital balances of the acquired business are *not* to be carried forward to the balance sheet of the combined bank. The operating results of the acquired bank or business are to be included in the income and expenses of the reporting bank <u>only</u> from the acquisition date.

<u>Push down accounting</u> – Push down accounting is the establishment of a new accounting basis for a bank in its separate financial statements as a result of it becoming substantially wholly owned via a purchase transaction or a series of purchase transactions. Under push down accounting, when a bank becomes substantially wholly owned, yet retains its separate corporate existence, the bank's identifiable assets, liabilities, and any noncontrolling interests are restated to their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820. If the ownership interests in the bank were acquired in a series of purchase transactions, the previously held equity interest in the bank by the parent is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in the parent's earnings. These values, including any goodwill, are reflected in the separate financial statements of the acquired bank as well as in any consolidated financial statements of the bank's parent.

Push down accounting is <u>required</u> for purposes of the Reports of Condition and Income if a bank's voting stock becomes at least 95 percent owned, directly or indirectly, by an investor (which may be a holding company) or a group of investors working collaboratively, and the bank does not have outstanding publicly traded debt or preferred stock that may impact the investor's or group of investors' ability to control the form of ownership. Push down accounting also is <u>required</u> if the bank's separate financial statements are presented on a push down basis in reports filed with the Securities and Exchange Commission. Push down accounting may also be used when a bank's voting stock becomes at least 80 percent, but less than 95 percent, owned by an investor or a group of investors working collaboratively. When determining whether a bank has become substantially wholly owned, it is appropriate to aggregate the holdings of those investors who both "mutually promote" the acquisition and "collaborate" on the subsequent control of the acquired bank (the collaborative group).

In all cases, the bank's primary federal supervisory authority reserves the right to determine whether or not a bank must use push down accounting for purposes of the Reports of Condition and Income.

Capital Contributions of Cash and Notes Receivable: An institution may receive cash or a note receivable as a contribution to its equity capital. The transaction may be a sale of capital stock or a contribution to paid-in capital (surplus), both of which are referred to hereafter as capital contributions. The accounting for capital contributions in the form of notes receivable is set forth in ASC Subtopic 505-10, Equity – Overall (formerly EITF Issue No. 85-1, "Classifying Notes Received for Capital Stock") and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). This Glossary entry does not address other forms of capital contributions, for example, nonmonetary contributions to equity capital such as a building.

A capital contribution of cash should be recorded in an institution's financial statements and Consolidated Reports of Condition and Income when received. Therefore, a capital contribution of cash prior to a quarter-end report date should be reported as an increase in equity capital in the institution's reports for that quarter (in Schedule RI-A, item 5 or 11, as appropriate). A contribution of cash after quarter-end should not be reflected as an increase in the equity capital of an earlier reporting period.

When an institution receives a note receivable rather than cash as a capital contribution, ASC Subtopic 505-10 states that it is generally not appropriate to report the note as an asset. As a consequence, the predominant practice is to offset the note and the capital contribution in the equity capital section of the balance sheet, i.e., the note receivable is reported as a reduction of equity capital. In this situation, the capital stock issued or the contribution to paid-in capital should be reported in Schedule RC, item 23, 24, or 25, as appropriate, and the note receivable should be reported as a deduction from equity capital in Schedule RC, item 26.c, "Other equity capital components." No net increase in equity capital should be reported in Schedule RI-A, Changes in Bank Equity Capital. In addition, when a note receivable is offset in the equity capital section of the balance sheet, accrued interest receivable on the note also should be offset in equity (and reported as a deduction from equity capital in Schedule RC, item 26.c), consistent with the guidance in ASC Subtopic 505-10. Because a nonreciprocal transfer from an owner or another party to an institution does not typically result in the recognition of income or expense, the accrual of interest on a note receivable that has been reported as a deduction from equity capital should be reported as additional paid-in capital rather than interest income.

However, ASC Subtopic 505-10 provides that an institution may record a note received as a capital contribution as an asset, rather than a reduction of equity capital, only if the note is collected in cash "before the financial statements are issued." The note receivable must also satisfy the existence criteria described below, along with any applicable laws and regulations.[1] When these conditions are met, the note receivable should be reported separately from an institution's other loans and receivables in Schedule RC-F, item 6, "All other assets," and individually itemized and described in accordance with the instructions for item 6, if appropriate.

For purposes of these reports, the financial statements are considered issued at the earliest of the following dates:

(1) The submission deadline for the Consolidated Reports of Condition and Income (30 calendar days after the quarter-end report date, except for an institution that has more than one foreign office, other than a "shell" branch or an International Banking Facility, for which the deadline is 35 calendar days after quarter-end);
(2) Any other public financial statement filing deadline to which the institution or its parent holding company is subject; or
(3) The actual filing date of the institution's public financial reports, including the filing of its Consolidated Reports of Condition and Income or a public securities filing by the institution or its parent holding company.

[1] For example, for national banks, 12 U.S.C. § 57 and 12 CFR § 5.46.

Capital Contributions of Cash and Notes Receivable (cont.):

To be reported as an asset, rather than a reduction of equity capital, as of a quarter-end report date, a note received as a capital contribution (that is collected in cash as described above) must meet the definition of an asset under generally accepted accounting principles by satisfying all of the following existence criteria:

(1) There must be written documentation providing evidence that the note was contributed to the institution prior to the quarter-end report date by those with authority to make such a capital contribution on behalf of the issuer of the note (e.g., if the contribution is by the institution's parent holding company, those in authority would be the holding company's board of directors or its chief executive officer or chief financial officer);
(2) The note must be a legally binding obligation of the issuer to fund a fixed and stated dollar amount by a specified date; and
(3) The note must be executed and enforceable before quarter-end.

Although an institution's parent holding company may have a general intent to, or may have entered into a capital maintenance agreement with the institution that calls for it to, maintain the institution's capital at a specified level, this general intent or agreement alone would not constitute evidence that a note receivable existed at quarter-end. Furthermore, if a note receivable for a capital contribution obligates the note issuer to pay an amount that is variable or otherwise not specifically stated, the institution must offset the note and equity capital. Similarly, an obligor's issuance of several notes having fixed face amounts, taken together, would be considered a single note receivable having a variable payment amount, which would require all the notes to be offset in equity capital as of the quarter-end report date.

Capitalization of Interest Costs: Interest costs associated with the construction of a building shall, if material, be capitalized as part of the cost of the building. Such interest costs include both the actual interest incurred when the construction funds are borrowed and the interest costs imputed to internal financing of a construction project.

The interest rate utilized to capitalize interest on internally financed projects in a reporting period shall be the rate(s) applicable to the bank's borrowings outstanding during the period. For this purpose, a bank's borrowings include interest-bearing deposits and other interest-bearing liabilities.

The interest capitalized shall not exceed the total amount of interest cost incurred by the bank during the reporting period.

For further information, see ASC Subtopic 835-20, Interest – Capitalization of Interest (formerly FASB Statement No. 34, "Capitalization of Interest Costs," as amended).

Carrybacks and Carryforwards: See "income taxes."

Cash Management Arrangements: A cash management arrangement is a group of related transaction accounts of a single type maintained in the same right and capacity by a customer (a single legal entity), whereby the customer and the financial institution understand that payments from one account will be honored so long as a net credit balance exists in the group of related transaction accounts taken as a whole. Such accounts function as, and will be regarded for reporting and deposit insurance assessment purposes as, one account rather than separate accounts, provided adequate documentation of the arrangement is maintained as discussed below. (Note: For reporting and deposit insurance assessment purposes, transaction accounts of affiliates and subsidiaries of a parent company that are separate legal entities may not be offset because accounts of separate legal entities are not permitted within a bona fide cash management arrangement.)

Deferred Compensation Agreements (cont.):

Deferred compensation liabilities should be reported on the balance sheet in Schedule RC, item 20, “Other liabilities,” and in Schedule RC-G, item 4, “All other liabilities.” If this amount is greater than $25,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4, it should be reported in Schedule RC-G, item 4.b. The annual compensation expense (service component and interest component) related to deferred compensation agreements should be reported in the income statement in Schedule RI, item 7.a, "Salaries and employee benefits."

See also "bank-owned life insurance."

Deferred Income Taxes: See "income taxes."

Defined Benefit Postretirement Plans: The accounting and reporting standards for defined benefit postretirement plans, such as pension plans and health care plans, are set forth in ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 87, “Employers’ Accounting for Pensions”; FASB Statement No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions”; and FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”). ASC Topic 715 requires an institution that sponsors a single-employer defined benefit postretirement plan to recognize the funded status of each such plan on its balance sheet. The funded status of a benefit plan is measured as of the end of an institution’s fiscal year as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. An overfunded plan is recognized as an asset, which should be reported in Schedule RC-F, item 6, “All other assets,” while an underfunded plan is recognized as a liability, which should be reported in Schedule RC-G, item 4, “All other liabilities.”

An institution should measure the net period benefit cost of a defined benefit plan for a reporting period in accordance with ASC Subtopic 715-30 (formerly FASB Statement No. 87) for pension plans and ASC Subtopic 715-60 (formerly FASB Statement No. 106) for other postretirement benefit plans. This cost should be reported in Schedule RI, item 7.a, “Salaries and employee benefits.” However, an institution must recognize certain gains and losses and prior service costs or credits that arise on a defined benefit plan during each reporting period, net of tax, as a component of other comprehensive income (Schedule RI-A, item 10) and, hence, accumulated other comprehensive income (AOCI) (Schedule RC, item 26.b). Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of a plan’s net periodic benefit cost.

For further information on accounting for defined benefit postretirement plans, institutions should refer to ASC Topic 715.

Impact on Regulatory Capital – Institutions should reverse the effects on AOCI of ASC Subtopic 715-20 (formerly FASB Statement No. 158) for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize for regulatory capital purposes the effects on AOCI of the application of ASC Subtopic 715-20. The instructions for Schedule RC-R, Regulatory Capital, items 4, 26, and 42, provide guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

Demand Deposits: See "deposits."

Depository Institutions in the U.S.: Depository institutions in the U.S. consist of:

(1) U.S. branches and agencies of foreign banks;

(2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,
- (a) national banks,
- (b) state-chartered commercial banks,
- (c) trust companies that perform a commercial banking business,
- (d) industrial banks,
- (e) private or unincorporated banks,
- (f) Edge and Agreement corporations, and
- (g) International Banking Facilities (IBFs) of U.S. banks; and

Derivative Contracts (cont.):

accounted for separately from the host contract. For further information, see ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives (formerly Derivatives Implementation Group Issue No. B40, “Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets”).

Except in limited circumstances, interest-only and principal-only strips and beneficial interests in securitized assets that were recognized prior to the effective date (or early adoption date) of ASC Subtopic 815-15 are not subject to evaluation for embedded derivatives under ASC Topic 815.

Recognition of Derivatives and Measurement of Derivatives and Hedged Items

A bank should recognize all of its derivative instruments on its balance sheet as either assets or liabilities at fair value. As defined in ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, “Fair Value Measurements”), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For further information, see the Glossary entry for “fair value.”

The accounting for changes in the fair value (that is, gains and losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. Either all or a proportion of a derivative may be designated as a hedging instrument. The proportion must be expressed as a percentage of the entire derivative. Gains and losses on derivative instruments are accounted for as follows:

(1) No hedging designation – The gain or loss on a derivative instrument not designated as a hedging instrument, including all derivatives held for trading purposes, is recognized currently in earnings.

Derivative Contracts (cont.):

(2) Fair value hedge – For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment, which is referred to as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the risk being hedged should be recognized currently in earnings.

(3) Cash flow hedge – For a derivative designated as hedging the exposure to variable cash flows of an existing recognized asset or liability or a forecasted transaction, which is referred to as a cash flow hedge, the effective portion of the gain or loss on the derivative should initially be reported outside of earnings as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, (i.e., the ineffective portion of the gain or loss and any component of the gain or loss excluded from the assessment of hedge effectiveness) should be recognized currently in earnings.

(4) Foreign currency hedge – For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported outside of earnings in other comprehensive income as part of the cumulative translation adjustment. For a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security, the accounting for a fair value hedge should be applied. Similarly, for a derivative designated as a hedge of the foreign currency exposure of a foreign-currency denominated forecasted transaction, the accounting for a cash flow hedge should be applied.

To qualify for hedge accounting, the risk being hedged must represent an exposure to an institution's earnings. In general, if the hedged item is a financial asset or liability, the designated risk being hedged can be (1) all risks, i.e., the risk of changes in the overall fair value of the hedged item or the risk of overall changes in the hedged cash flows; (2) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the benchmark interest rate;[1] (3) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in foreign exchange rates; or (4) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the obligor's creditworthiness. For held-to-maturity securities, only credit risk, foreign exchange risk, or both may be hedged.

Designated hedging instruments and hedged items qualify for fair value or cash flow hedge accounting if all of the criteria specified in ASC Topic 815 are met. These criteria include:

(1) At inception of the hedge, there is formal documentation of the hedging relationship and the institution's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. There must be a reasonable basis for how the institution plans to assess the hedging instrument's effectiveness.

(2) Both at inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value or offsetting cash flows attributable to the hedged risk during the period that the hedge is designated or the term of the hedge. An assessment of effectiveness is required whenever financial statements or earnings are reported, and at least every three months. All assessments of effectiveness shall be consistent with the risk management strategy documented for that particular hedging relationship.

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[1] The benchmark interest rate is a widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. In theory, this should be a risk-free rate. In the U.S., interest rates on U.S. Treasury securities and the LIBOR swap rate are considered benchmark interest rates.

<u>Foreign Debt Exchange Transactions:</u> Foreign debt exchange transactions generally fall into three categories: (1) loan swaps, (2) debt/equity swaps, and (3) debt-for-development swaps. These transactions are to be reported in the Reports of Condition and Income in accordance with generally accepted accounting principles as summarized below. The accounting pronouncements mentioned below should be consulted for more detailed reporting guidance in these areas.

Generally accepted accounting principles require that these transactions be reported at their fair value. There is a significant amount of precedent in the accounting for exchange transactions to consider both the fair value of the consideration given up as well as the fair value of the assets received in arriving at the most informed valuation, especially if the value of the consideration given up is not readily determinable or may not be a good indicator of the value received. It is the responsibility of management to make the valuation considering all of the circumstances. Such valuations are subject to examiner review.

Among the factors to consider in determining fair values for foreign debt exchange transactions are:

(1) Similar transactions for cash;

(2) Estimated cash flows from the debt or equity instruments or other assets received;

(3) Market values, if any, of similar instruments; and

(4) Currency restrictions, if any, affecting payments on or sales of the debt or equity instruments, local currency, or other assets received, including where appropriate those affecting the repatriation of capital.

Losses arise from swap transactions when the fair value determined for the transaction is less than the recorded investment in the sovereign debt and other consideration paid, if any. Such losses should generally be charged to the allowance for loan and lease losses (or allocated transfer risk reserve, if appropriate) and must include any discounts from official exchange rates that are imposed by sovereign obligors as transaction fees. All other fees and transaction costs involved in such transactions must be charged to expense as incurred.

Loss recoveries or even gains might be indicated in a swap transaction as a result of the valuation process. However, due to the subjective nature of the valuation process, such loss recoveries or gains ordinarily should not be recorded until the debt or equity instruments, local currency, or other assets received in the exchange transaction are realized in unrestricted cash or cash equivalents.

<u>Loan swaps</u> – Foreign loan swaps, or debt/debt swaps, involve the exchange of one foreign loan for another. This type of transaction represents an exchange of monetary assets that must be reported at current fair value. Normally, when monetary assets are exchanged, with or without additional cash payments, and the parties have no remaining obligations to each other, the earnings process is complete.

<u>Debt/equity swaps</u> – The reporting treatment for this type of transaction is presented in ASC Subtopic 942-310, Financial Services-Depository and Lending – Receivables (formerly AICPA Practice Bulletin No. 4, "Accounting for Foreign Debt/Equity Swaps").

A foreign debt/equity swap represents an exchange of monetary for nonmonetary assets that must be measured at fair value. This type of swap is typically accomplished when holders of U.S. dollar-denominated sovereign debt agree to convert that debt into approved local equity investments. The holders are generally credited with local currency at the official exchange rate. A discount from the official exchange rate is often imposed as a transaction fee. The local currency is generally not

Foreign Debt Exchange Transactions (cont.):

available to the holders for any purposes other than approved equity investments. Restrictions may be placed on dividends on the equity investments and capital usually cannot be repatriated for several years.

In arriving at the fair value of the transaction, both the secondary market price of the debt given up and the fair value of the equity investment or assets received should be considered.

Debt-for-development swaps – In this type of exchange, sovereign debt held by a bank is generally purchased by a nonprofit organization or contributed to the nonprofit the nonprofit organization. When the sovereign debt is purchased by or donated to a nonprofit organization, the organization may enter into an agreement with the debtor country to cancel the debt in return for the country's commitment to provide local currency or other assets for use in connection with specific projects or programs in that country. Alternatively, a bank may exchange the sovereign debt with the country and receive local currency. In this alternative, the local currency will be donated or sold to the nonprofit organization for use in connection with specific projects or programs in that country.

These transactions, including amounts charged to expense as donations, must be reported at their fair values in accordance with generally accepted accounting principles applicable to foreign debt exchange transactions. This includes appropriate consideration of the market value of the instruments involved in the transaction and the fair value of any assets received, taking into account any restrictions that would limit the use of the assets. In debt-for-development swaps where a bank receives local currency in exchange for the sovereign loan it held and the local currency has no restrictions on its use and is freely convertible, it is generally appropriate for fair value to be determined by valuing the local currency received at its fair market exchange value.

Foreign Governments and Official Institutions: Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of these reports, other government-owned enterprises are not included.

Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Foreign Office: For purposes of these reports, a foreign office of the reporting bank is a branch or consolidated subsidiary located in a foreign country; an Edge or Agreement subsidiary, including both its U.S. and its foreign offices; or an IBF. In addition, if the reporting bank is chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary located in Puerto Rico or a U.S. territory or possession is a foreign office. Branches on U.S. military facilities wherever located are treated as domestic offices, not foreign offices.

Forward Contracts: See "derivative contracts."

Functional Currency: See "foreign currency transactions and translation."

Futures Contracts: See "derivative contracts."

<u>Goodwill:</u> According to ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"), goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. See "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.

<u>Subsequent Measurement of Goodwill</u> – Goodwill should not be amortized, but must be tested for impairment at the reporting unit level at least annually, as described below. Any impairment losses recognized on goodwill during the year-to-date reporting period should be reported in Schedule RI, item 7.c.(1), "Goodwill impairment losses," except those impairment losses associated with discontinued operations, which should be reported on a net-of-tax basis in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes." Goodwill, net of any impairment losses, should be reported on the balance sheet in Schedule RC, item 10.a.

<u>Goodwill Impairment Testing</u> – ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets") provides guidance for testing and reporting goodwill impairment losses, a summary of which follows. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Because the fair value of goodwill can be measured only as a residual and cannot be measured directly, ASC Subtopic 350-20 includes a methodology for estimating the implied fair value of goodwill for impairment measurement purposes.

Whether or not the reporting institution is a subsidiary of a holding company or other company, the institution's goodwill must be tested for impairment using the institution's reporting units. Goodwill should be assigned to reporting units in accordance with ASC Subtopic 350-20. The institution itself may be a reporting unit.

Goodwill of a reporting unit must be tested for impairment annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include a significant adverse change in the business climate, unanticipated competition, a loss of key personnel, and a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of. In addition, goodwill must be tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

When testing the goodwill of a reporting unit for impairment, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Subtopic 350-20. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). However, an institution may choose to bypass the qualitative assessment option for any reporting unit in any period and proceed directly to performing the two-step quantitative goodwill impairment test described below.

<u>Qualitative Assessment</u> – If an institution performs a qualitative assessment and, after considering all relevant events and circumstances, determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step quantitative goodwill impairment test. In other words, if it is more likely than not that the fair value of a reporting unit is greater than its carrying amount; an institution would not have to quantitatively test the unit's goodwill for impairment.

However, if the institution instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the two-step quantitative goodwill impairment test described below.

Goodwill (cont.):

ASC Subtopic 350-20 includes examples of events and circumstances that an institution should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Because the examples are not all-inclusive, other relevant events and circumstances also must be considered.

Quantitative Impairment Test –

- Step 1: The first step of the goodwill impairment test compares the fair value of a reporting unit[1] with its carrying amount, including goodwill. If the carrying amount of a reporting unit is greater than zero[2] and its fair value exceeds its carrying amount, the reporting unit's goodwill is considered not impaired and the second step of the impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any.

- Step 2: The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill[3] with the carrying amount of that goodwill. If the implied fair value of the reporting unit's goodwill exceeds the carrying amount of that goodwill, the goodwill is considered not impaired. In contrast, if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in earnings in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

After an impairment loss is recognized on a reporting unit's goodwill, the adjusted carrying amount of that goodwill (i.e., the carrying amount of the goodwill before recognizing the impairment loss less the amount of the impairment loss) shall be its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is completed.

Disposal of a Reporting Unit – When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit must be included in the carrying amount of the reporting unit when determining the gain or loss on disposal. When a portion of a reporting unit that constitutes a business is to be disposed of, goodwill associated with that business must be included in the carrying amount of the business in determining the gain or loss on disposal. Otherwise, an institution may not remove goodwill from its balance sheet, for example, by "selling" or "dividending" this asset to its parent holding company or another affiliate.

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[1] The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date.

[2] An institution should refer ASC Subtopic 350-20 for guidance on applying the quantitative impairment test if the carrying amount of a reporting unit is zero or negative.

[3] The implied fair value of goodwill should be determined in the same manner as the amount of goodwill recognized in a business combination is determined. That is, an institution must assign the fair value of a reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

<u>Income Taxes (cont.):</u>

<u>Purchase business combinations</u> -- In purchase business combinations (as described in the Glossary entry for "business combinations"), banks shall recognize as a temporary difference the difference between the tax basis of acquired assets or liabilities and the amount of the purchase price allocated to the acquired assets and liabilities (with certain exceptions specified in ASC Topic 740). As a result, the acquired asset or liability shall be recorded gross and a deferred tax asset or liability shall be recorded for any resulting temporary difference.

In a purchase business combination, a deferred tax asset shall generally be recognized at the date of acquisition for deductible temporary differences and net operating loss and tax credit carryforwards of either company in the transaction, net of an appropriate valuation allowance. The determination of the valuation allowance should consider any provisions in the tax law that may restrict the use of an acquired company's carryforwards.

Subsequent recognition (i.e., by elimination of the valuation allowance) of the benefit of deductible temporary differences and net operating loss or tax credit carryforwards not recognized at the acquisition date will depend on the source of the benefit. If the valuation allowance relates to deductible temporary differences and carryforwards of the acquiring company established before the acquisition, then subsequent recognition is reported as a reduction of income tax expense. If the benefit is related to the acquired company's deductible temporary differences and carryforwards, then the benefit is subsequently recognized by first reducing any goodwill related to the acquisition, then by reducing all other noncurrent intangible assets related to the acquisition, and finally, by reducing income tax expense.

<u>Alternative Minimum Tax</u> – Any taxes a bank must pay in accordance with the alternative minimum tax (AMT) shall be included in the bank's current tax expense. Amounts of AMT paid can be carried forward in certain instances to reduce the bank's regular tax liability in future years. The bank may record a deferred tax asset for the amount of the AMT credit carryforward, which shall then be evaluated in the same manner as other deferred tax assets to determine whether a valuation allowance is needed.

<u>Other tax effects</u> – A bank may have transactions or items that are reportable in Schedule RI-A of the Report of Income such as "Restatements due to corrections of material accounting errors and changes in accounting principles," and, on the FFIEC 031 only, "Foreign currency translation adjustments" that are included in “Other comprehensive income.” These transactions or other items will enter into the determination of taxable income in some year (not necessarily the current year), but are not included in the pretax income reflected in Schedule RI of the Report of Income. They shall be reported in Schedule RI-A net of related income tax effects. These effects may increase or decrease the bank's total tax liability calculated on its tax returns for the current year or may be deferred to one or more future periods.

For further information, see ASC Topic 740.

Income Taxes (cont.):
The following table has been included to aid banks in calculating their "applicable income taxes" for purposes of the Reports of Condition and Income. The table includes the tax rates in effect for the years presented.

FEDERAL INCOME TAX RATES APPLICABLE TO BANKS

Year	First $25,000	Second $25,000	Third $25,000	Fourth $25,000	Over $100,000	Capital Gains	Alternative Minimum Tax
1993-2013	15%	15%	25%	34%	[1]	Regular tax rates	20%

Intangible Assets: See "business combinations" and the instruction to Report of Condition Schedule RC-M, item 2.

Interest-Bearing Account: See "deposits."

Interest Capitalization: See "capitalization of interest costs."

Interest Rate Swaps: See "derivative contracts."

Internal-Use Computer Software: Guidance on the accounting and reporting for the costs of internal-use computer software is set forth in ASC Subtopic 350-40, Intangibles-Goodwill and Other – Internal-Use Software (formerly AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 350-40.

Internal-use computer software is software that meets both of the following characteristics:

(1) The software is acquired, internally developed, or modified solely to meet the bank's internal needs; and

(2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

ASC Subtopic 350-40 identifies three stages of development for internal-use software: the preliminary project stage, the application development stage, and the post-implementation/operation stage. The processes that occur during the preliminary project stage of software development are the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives. The application development stage involves the design of the chosen path (including software configuration and software interfaces), coding, installation of software to hardware, and testing (including the parallel processing phase). Generally, training and application maintenance occur during the post-implementation/operation stage. Upgrades of and enhancements to existing internal-use software, i.e., modifications to software that result in additional functionality, also go through the three aforementioned stages of development.

[1] A 39% tax rate applies to taxable income from $100,001 to $335,000; a 34% tax rate applies to taxable income from $335,001 to $10,000,000; a tax rate of 35% applies to taxable income from $10,000,001 to $15,000,000; a tax rate of 38% applies to taxable income from $15,000,001 to $18,333,333; and a 35% tax rate applies to taxable income over $18,333,333.