CALL REPORT

INSTRUCTION BOOK UPDATE

SEPTEMBER 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.

Remove Pages	**Insert Pages**
11 – 12 (6-13)	11 – 12 (9-13)
RI-C-1 – RI-C-2 (3-13)	RI-C-1 – RI-C-2 (9-13)
RC-C-19 – RC-C-20 (6-13)	RC-C-19 – RC-C-20 (9-13)
RC-O-5 – RC-O-8 (6-12, 3-13)	RC-O-5 – RC-O-8 (9-13)
RC-O-21 – RC-O-24 (6-13)	RC-O-21 – RC-O-24a (9-13)
RC-O-31 – RC-O-35 (6-13)	RC-O-31 – RC-O-35 (9-13)
RC-P-5 – RC-P-6 (9-12)	RC-P-5 – RC-P-6 (9-13)
RC-Q-1 – RC-Q-4 (9-09, 3-11)	RC-Q-1 – RC-Q-4 (9-13)
RC-R-22a – RC-R-22b (6-12)	RC-R-22a – RC-R-22b (9-13)
A-11 – A-12b (3-12, 3-13)	A-11 – A-12b (9-13)
A-45 – A-46 (9-09)	A-45 – A-46 (9-13)
A-78a (9-10)	A-78a (9-13)

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

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

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

PUBLICATION REQUIREMENTS FOR THE REPORT OF CONDITION

There are no federal requirements for a bank to publish the balance sheet of the Report of Condition in a newspaper. However, state-chartered banks should consult with their state banking authorities concerning the applicability of any state publication requirements.

RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the Call Report submitted by each reporting bank, including the optional narrative statement at the end of the Report of Condition, are available to the public from the federal bank supervisory agencies with the exception of any amounts reported in Schedule RI-E, item 2.g, “FDIC deposit insurance assessments,” for report dates beginning June 30, 2009; Schedule RC-O, Memorandum items 6 through 9, 14, and 15, for certain assessment-related data for report dates beginning June 30, 2011; Schedule RC-O, Memorandum item 18, for two-year probability of default data for 1-4 family residential mortgage loans and consumer loans and leases for report dates beginning June 30, 2013; and Schedule RC-P, items 7.a and 7.b, for representation and warranty reserves for 1-4 family residential mortgages sold made to specified parties for report dates beginning June 30, 2012.

In addition, the amount reported in Schedule RC-F, item 6.f, “Prepaid deposit insurance assessments,” for report dates from December 31, 2009, through March 31, 2013, will not be publicly disclosed on an individual bank basis. Information reported in Schedule RC-T, Fiduciary and Related Services, on the components of fiduciary and related services income (but not “Total gross fiduciary and related services income”) and on fiduciary settlements, surcharges, and losses (Memorandum item 4), will not be publicly disclosed on an individual bank basis for periods prior to March 31, 2009. Data reported in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, in column A, "Past due 30 through 89 days and still accruing," and in all of Memorandum item 1, "Restructured loans and leases included in Schedule RC-N above," will not be publicly disclosed on an individual bank basis for periods prior to March 31, 2001.

All publicly available individual institution data are posted on the FFIEC’s Central Data Repository (CDR) Public Data Distribution Web site (https://cdr.ffiec.gov/public/) as soon as the data have been submitted, placed in an accepted status, and prepared for publication in the CDR.

APPLICABILITY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

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

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

The Call Report instructions contain certain specific reporting guidance that falls within the range of acceptable practice under GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of GAAP may be issued. Current Call Report instructions providing such specific reporting guidance include the nonaccrual rules in the Glossary entry for "Nonaccrual Status," the treatment of impaired collateral dependent loans in the Glossary entry for "Loan Impairment," the Glossary entry for the "Allowance for Loan and Lease Losses" which references the 2006 Interagency Policy Statement on this subject, the separate entity method of accounting for income taxes of bank subsidiaries of holding companies in the Glossary entry for "Income Taxes," the push down accounting rules in the Glossary entry for "Business Combinations," and the treatment of property dividends in the Glossary entry for "Dividends."

Certain provisions of AICPA Statement of Position (SOP) No. 92-3, “Accounting for Foreclosed Assets,” have been incorporated into the Glossary entry for “Foreclosed Assets,” which banks must follow for Call Report purposes, even though SOP 92-3 was rescinded subsequent to the issuance of ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”). The application of these provisions of SOP 92-3 represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in Section 37(a) of the Federal Deposit Insurance Act.

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

ACCRUAL BASIS REPORTING

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

All banks *must* report the following on an accrual basis:

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

All banks shall establish and maintain an allowance for loan and lease losses at a level that is appropriate to cover estimated credit losses associated with its held-for-investment loan and lease portfolio. Accounting for loan and lease losses is discussed in more detail in the Glossary entries for "allowance for loan and lease losses" and “loan impairment.”

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." Thus, the recorded investment amounts reported in columns A, C, and E of Schedule RI-C must be 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

[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. Report in column D any unallocated portion of the allowance for loan and lease losses for loans collectively evaluated for impairment. Also include in column C the recorded investment in any loans held for investment not individually determined to be impaired that do not have a balance in the allowance for loan and lease losses attributable to them.

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.

Part I. (cont.)

Item No. Caption and Instructions

9 (cont.) All other loans include all loans and discounts (other than loans to nondepository financial institutions and loans for purchasing or carrying securities) that cannot properly be reported in one of the preceding items in Schedule RC-C, part I, such as:

(1) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions, which are to be reported in Schedule RC-C, part I, item 2; overdrafts of foreign governments and official institutions, which are to be reported in Schedule RC-C, part I, item 7; and overdrafts of states and political subdivisions in the U.S., which are to be reported in Schedule RC-C, part I, item 8).

(2) Loans (other than those that meet the definition of a “loan secured by real estate”) to nonprofit organizations (e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations) except those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization (which are to be reported in Schedule RC-C, part I, item 4).

(3) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those that meet the definition of a “loan secured by real estate.”

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

9.a **Loans to nondepository financial institutions.** Report in column B all loans to nondepository financial institutions (on the FFIEC 031, in domestic offices) as described above.

NOTE: Item 9.b is not applicable to banks filing the FFIEC 031 report forms.

9.b **Other loans.** On the FFIEC 041, report in column B other loans as described above.

NOTE: Items 9.b.(1) and 9.b.(2) are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million in total assets.

9.b.(1) **Loans for purchasing or carrying securities.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in column B) all loans for purchasing or carrying securities (on the FFIEC 031, in domestic offices) as described above.

9.b.(2) **All other loans.** Report (on the FFIEC 041, in column A; on the FFIEC 031, in column B) all other loans (on the FFIEC 031, in domestic offices) as described above.

10 **Lease financing receivables (net of unearned income).** Report all outstanding balances relating to direct financing and leveraged leases on property acquired by the bank for leasing purposes. On the FFIEC 041, all banks should report the total amount of these leases in column B, and banks with $300 million or more in total assets should also report in the

Part I. (cont.)

Item No.	**Caption and Instructions**
10 (cont.)	appropriate subitems of column A a breakdown of these leases between leases to individuals for household, family, and other personal expenditures and all other leases. On the FFIEC 031, all banks should report the total amount of these leases in domestic offices in column B and a breakdown of these leases for the fully consolidated bank between leases to individuals for household, family, and other personal expenditures and all other leases. These balances should include the estimated residual value of leased property and must be net of unearned income. For further discussion of leases where the bank is the lessor, refer to the Glossary entry for "lease accounting." Include all leases to states and political subdivisions in the U.S. in this item.

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

10.a	**Leases to individuals for household, family, and other personal expenditures.** Report in column A all outstanding balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to individuals for household, family, and other personal expenditures (i.e., consumer leases). For further information on extending credit to individuals for consumer purposes, refer to the instructions for Schedule RC-C, part I, item 6.d, “Other consumer loans.”
10.b	**All other leases.** Report in column A all outstanding balances relating to all other direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to lessees other than for household, family, and other personal expenditure purposes.
11	**LESS: Any unearned income on loans reflected in items 1-9 above.** To the extent possible, the preferred treatment is to report the specific loan categories net of both unearned income and net unamortized loan fees. A reporting bank should enter (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) unearned income and net unamortized loan fees only to the extent that these amounts are included in (i.e., not deducted from) the various loan items of this schedule (Schedule RC-C, part I, items 1 through 9). If a bank reports each loan item of this schedule net of both unearned income and net unamortized loan fees, enter a zero in this item. Do not include net unamortized direct loan origination costs in this item; such costs must be added to the related loan balances reported in Schedule RC-C, part I, items 1 through 9. In addition, do not include unearned income on lease financing receivables in this item. Leases should be reported net of unearned income in Schedule RC-C, part I, item 10.
12	**Total loans and leases, net of unearned income.** On the FFIEC 041, report in column B the sum of items 1.a.(1) through 10, column B, less the item 11, column B. On the FFIEC 031, for large institutions and highly complex institutions – as defined for assessment purposes – with foreign offices, report in column A the sum of items 1.a.(1) through 10.b, column A, less item 11, column A; report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B. On the FFIEC 031, for all other institutions with foreign offices, report in column A the sum of item 1 and items 2.a.(1) through 10.b, column A, less item 11, column A; report in column B the sum of items 1.a.(1) through 10, column B, less item 11, column B. The amount reported for this item (on the FFIEC 041, in column B; on the FFIEC 031, in column A) must equal Schedule RC, item 4.a plus item 4.b.

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 daily or 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.

Measuring tangible equity – 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 **Holdings of long-term unsecured debt issued by other FDIC-insured depository institutions.** 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."

Exclude holdings of long-term unsecured debt issued by bank and thrift holding companies.

Item No.	Caption and Instructions
7	**Unsecured "Other borrowings" with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's unsecured "Other borrowings" (as defined for Schedule RC-M, item 5.b) in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate "Other borrowings" that are unsecured. In general, "Other borrowings" are unsecured if the bank (or a consolidated subsidiary) has not pledged securities, loans, or other assets as collateral for the borrowing. The sum of Schedule RC-O, items 7.a through 7.d, must be less than or equal to Schedule RC-M, items 5.b.(1)(a) through (d) minus item 10.b.
7.a	**One year or less.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of one year or less. Include unsecured "Other borrowings" with a remaining maturity of over one year for which the holder has the option to redeem the debt instrument within one year of the report date. Except for such optionally redeemable borrowings, the unsecured "Other borrowings" that should be included in this item will also have been reported in Schedule RC-M, item 5.b.(2), "Other borrowings with a remaining maturity of one year or less."
7.b	**Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over one year through three years.
7.c	**Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over three years through five years.
7.d	**Over five years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over five years.
8	**Subordinated notes and debentures with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's subordinated notes and debentures (as defined for Schedule RC, item 19, and in the Glossary entry for "subordinated notes and debentures") in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate subordinated notes and debentures. The sum of Schedule RC-O, items 8.a through 8.d, must be less than or equal to Schedule RC, item 19, "Subordinated notes and debentures."
8.a	**One year or less.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of one year or less. Include subordinated notes and debentures with a remaining maturity of over one year for which the holder has the option to redeem the subordinated debt within one year of the report date.

Item No.	Caption and Instructions
8.b	**Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over one year through three years.
8.c	**Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over three years through five years.
8.d	**Over five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over five years.
9	**Reciprocal brokered deposits.** Report on an unconsolidated single FDIC certificate number basis the amount of reciprocal deposits included in the amount of brokered deposits (in domestic offices) reported in Schedule RC-E, (part I,) Memorandum item 1.b, "Total brokered deposits." As defined in Section 327.8(s) of the FDIC's regulations, "reciprocal deposits" are "[d]eposits that an insured depository institution receives through a deposit placement network on a reciprocal basis, such that: (1) for any deposit received, the institution (as agent for depositors) places the same amount with other insured depository institutions through the network; and (2) each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members."

NOTE: Item 9.a is to be completed on a fully consolidated basis by institutions that own another insured depository institution.

Item No.	Caption and Instructions
9.a	**Fully consolidated reciprocal brokered deposits.** Report on a fully consolidated basis the amount of reciprocal deposits (as defined in Schedule RC-O, item 9, above) included in the amount of brokered deposits (in domestic offices) reported in Schedule RC-E, (part I,) Memorandum item 1.b, "Total brokered deposits."
10	**Banker's bank certification: Does the reporting institution meet both the statutory definition of a banker's bank and the business conduct test set forth in FDIC regulations?** If the reporting institution meets both of these criteria on an unconsolidated single FDIC certificate number basis, it is a qualifying banker's bank and should answer "Yes" to item 10 and complete items 10.a and 10.b. If the reporting institution does not meet both of these criteria, it should answer "No" to item 10 and it should not complete items 10.a and 10.b. The definition of "banker's bank" is set forth in 12 U.S.C. 24, which states that a banker's bank is an FDIC-insured bank where the stock of the bank or its parent holding company "is owned exclusively (except to the extent directors' qualifying shares are required by law) by depository institutions or depository institution holding companies (as defined in section 1813 of this title)" and the bank or its parent holding "company and all subsidiaries thereof are engaged exclusively in providing services to or for other depository institutions, their holding companies, and the officers, directors, and employees of such institutions and companies, and in providing correspondent banking services at the request of other depository institutions or their holding companies." A bank that would otherwise meet the definition of a banker's bank, but has received funds from federal capital infusion programs (such as the Troubled Assets Relief Program and the Small Business Lending Fund), has stock owned by the FDIC as a result of bank failures, or has non-bank-owned stock resulting from equity compensation programs, is not excluded from the definition of a banker's bank for purposes of Schedule RC-O, item 10, provided the bank also meets the business conduct test.

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General Instructions for Schedule RC-O, Memorandum items 6 through 18 (cont.)

NOTE: Because certain information on coverage under FDIC loss-sharing agreements is reported elsewhere in the Consolidated Reports of Condition and Income, the treatment of FDIC loss-sharing agreements varies in Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, 13, 16, and 18.

Higher-risk Securitizations – For purposes of Schedule RC-O, Memorandum items 7.b, 8.b, and 9.b, higher-risk securitizations are securitizations where more than 50 percent of the assets backing the securitization meet the criteria for "nontraditional 1-4 family residential mortgage loans," "higher-risk consumer loans," or "higher-risk commercial and industrial loans and securities" as those terms are defined in the instructions for Schedule RC-O, Memorandum items 7.a, 8.a, and 9.a, and in Appendix C to Subpart A to Part 327 of the FDIC's regulations.

Item No. Caption and Instructions

NOTE: Memorandum items 6 through 12 are to be completed on a fully consolidated basis by "large institutions" and "highly complex institutions."

6 **Criticized and classified items.** Criticized and classified items should be reported on a consolidated basis and include all on- and off-balance sheet items an institution or its primary federal regulator has graded Special Mention or worse (Substandard, Doubtful, or Loss). Such items include, but are not limited to, retail items adversely classified under the agencies' Uniform Retail Credit Classification and Account Management Policy,[1] securities, funded and unfunded loans,[2] other real estate owned, other assets, and marked-to-market counterparty positions (less credit valuation adjustments for these counterparty positions).[3] Criticized and classified items exclude loans and securities reported as trading assets, and the amount recoverable on an on- or off-balance sheet item from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.

For purposes of the criticized and classified items definition, Loss items include any items graded Loss that have not yet been written off against the allowance for loan and lease losses (or another valuation allowance) or charged directly to earnings, as appropriate. However, because an item should be written off or charged off in the period in which the item is deemed Loss, the amount reported in Memorandum item 6.d, below, generally should be zero.

A marked-to-market counterparty position is equal to the sum of the net marked-to-market derivative exposures for each counterparty. The net marked-to-market derivative exposure equals the sum of all positive marked-to-market exposures net of legally enforceable netting provisions and net of all collateral held under a legally enforceable Credit Support Annex plus any exposure where excess collateral has been posted to the counterparty. For purposes of this item, a marked-to-market counterparty position less any credit valuation adjustment can never be less than zero.

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[1] http://www.fdic.gov/news/news/financial/2000/fil0040a.pdf.
[2] The amount of the unfunded loan that should be reported as criticized or classified should equal the amount that the borrower is entitled to draw upon as of the reporting date, i.e., the unused commitment as defined in the instructions for Schedule RC-L, item 1.
[3] An institution that has not previously measured its marked-to-market counterparty positions net of any applicable credit valuation adjustments for purposes of reporting criticized and classified items internally and to its primary federal regulator may report these positions in this same manner in Schedule RC-O, Memorandum item 6, particularly if the institution concludes that updating its reporting systems to net these adjustments would impose an undue burden on the institution.

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Item No.	Caption and Instructions

6.a **Special mention.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Special Mention.

6.b **Substandard.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Substandard.

6.c **Doubtful.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Doubtful.

6.d **Loss.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Loss.

7 **"Nontraditional 1-4 family residential mortgage loans" as defined for assessment purposes only in FDIC regulations.** Report in the appropriate subitem on a fully consolidated basis the balance sheet amount of nontraditional 1-4 family residential mortgage loans and securitizations of such mortgage loans.

7.a **Nontraditional 1-4 family residential mortgage loans.** Report on a fully consolidated basis the balance sheet amount of nontraditional 1-4 family residential mortgage loans, as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC's regulations. Nontraditional 1-4 family residential mortgage loans include all 1-4 family residential loan products (as defined for Schedule RC-C, part I, item 1.c) that allow the borrower to defer repayment of principal or interest and includes all interest-only products, teaser rate mortgages, and negative amortizing mortgages, with the exception of home equity lines of credit and reverse mortgages. Nontraditional 1-4 family residential mortgage loans do not include loans reported as trading assets in Schedule RC, item 5; conventional fully amortizing adjustable rate mortgage loans that do not have a teaser rate; business-purpose loans secured by one or more 1-4 family residential properties; and interest-only residential construction loans, but include conventional fully amortizing adjustable rate mortgage loans that have a teaser rate.

A teaser-rate mortgage loan is defined for assessment purposes as a mortgage with a discounted initial rate. A discounted initial rate is an effective interest rate at the time of origination or refinancing that is less than the rate the bank is willing to accept for an otherwise similar extension of credit with comparable risk. A mortgage loan is no longer considered a nontraditional 1-4 family residential mortgage loan once the teaser rate has expired, or in the case of an escalating interest rate, once the rate is no longer discounted and the borrower is making full principal and interest payments (has not been granted any principal and interest concessions). Nontraditional 1-4 family residential mortgage loans can be reclassified as traditional loans once they become fully amortizing loans, provided they no longer have a teaser rate.

The amount to be reported in this item for nontraditional 1-4 family residential mortgage loans should include 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"), provided they meet the characteristics of nontraditional 1-4 family residential mortgage loans as described above.

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Item No.	Caption and Instructions
7.a (cont.)	The amount to be reported in this item should exclude the maximum amount recoverable on nontraditional 1-4 family residential mortgage loans under guarantee or insurance provisions from the U.S. government, including the maximum amount recoverable under FDIC loss-sharing agreements.
7.b	**Securitizations of nontraditional 1-4 family residential mortgage loans.** Report on a fully consolidated basis the balance sheet amount of higher-risk securitizations where more than 50 percent of the assets backing the securitization meet the criteria for nontraditional 1-4 family residential mortgage loans (as defined for Schedule RC-O, Memorandum item 7.a, above), with the exception of those securities reported as trading assets in Schedule RC, item 5. For securitizations issued before April 1, 2013, the amount to be reported in this item should include those securitizations where more than 50 percent of the assets backing the securitization meet one or more of the criteria for nontraditional 1-4 family residential mortgage loans, with the exception of those securities reported as trading assets in Schedule RC, item 5. Alternatively, an institution may apply the definitions in Appendix C to Subpart A to Part 327 of the FDIC's regulations to all of its securitizations. For securitizations issued on or after April 1, 2013, the amount to be reported in this item should include those securitizations (with the exception of those securities reported as trading assets in Schedule RC, item 5) where more than 50 percent of the assets backing the securitization meet either the criteria for nontraditional 1-4 family residential mortgage loans or the criteria for higher-risk consumer loans (as defined for Schedule RC-O, Memorandum item 8.a, below), and the amount of nontraditional 1-4 family residential mortgage loans exceeds the amount of higher-risk consumer loans.
8	**"Higher-risk consumer loans" as defined for assessment purposes only in FDIC regulations.** Report in the appropriate subitem on a fully consolidated basis the balance sheet amount of higher-risk consumer loans and securitizations of such higher-risk consumer loans.
8.a	**Higher-risk consumer loans.** Report on a fully consolidated basis the balance sheet amount of higher-risk consumer loans, as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC's regulations, but excluding higher-risk consumer loans that have been reported as nontraditional 1-4 family residential mortgage loans in Schedule RC-O, Memorandum item 7.a, above. For assessment purposes, higher-risk consumer loans are loans secured by 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c) and loans and leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, items 6 and 10.a) where, as of origination, or, if the loan has been refinanced, as of refinance, the probability of default (PD) within two years is greater than 20 percent, excluding loans that meet the definition of a nontraditional 1-4 family residential mortgage loan (as defined for Schedule RC-O, Memorandum item 7.a, above). The PD must be calculated in accordance with the requirements of Appendix C to Subpart A to Part 327 of the FDIC's regulations. The amount to be reported in this item for higher-risk consumer loans should include unscoreable consumer loans (excluding loans that meet the definition of a nontraditional 1-4 family residential mortgage loan as defined for Schedule RC-O, Memorandum item 7.a, above) that meet the "de minimis approach" described in Appendix C to Subpart A to Part 327

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Item No.	**Caption and Instructions**
8.a (cont.)	of the FDIC's regulations. Under the "de minimis approach," if the total outstanding balance of unscoreable consumer loans of a particular product type reported in column M of Schedule RC-O, Memorandum item 18, exceeds 5 percent of the total outstanding balance for that product type (including both foreign and domestic loans) reported in column N of Schedule RC-O, Memorandum item 18, the excess amount of unscoreable loans for that product type (i.e., the amount over 5 percent) shall be reported as higher-risk consumer loans in this item. The amount to be reported in this item for higher-risk consumer loans also should include 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"), provided they meet the characteristics of higher-risk consumer loans described above. The amount to be reported in this item should exclude: (1) Consumer loans reported as trading assets in Schedule RC, item 5. (2) The maximum amounts recoverable on higher-risk consumer loans under guarantee or insurance provisions from the U.S. government, including the maximum amount recoverable under FDIC loss-sharing agreements. (3) Loans fully secured by cash collateral (provided the requirements regarding loans fully secured by cash collateral that are detailed in Appendix C to Subpart A to Part 327 are met). (4) Business-purpose loans secured by one or more 1-4 family residential properties.
8.b	**Securitizations of higher-risk consumer loans.** Report on a fully consolidated basis the balance sheet amount of higher-risk securitizations issued on or after April 1, 2013, where more than 50 percent of the assets backing the securitization meet the criteria for higher-risk consumer loans (as defined for Schedule RC-O, Memorandum item 8.a, above), with the exception of those securities reported as trading assets in Schedule RC, item 5. Securitizations of higher-risk consumer loans also include securitizations (other than those securities reported as trading assets in Schedule RC, item 5) issued on or after April 1, 2013, where more than 50 percent of the assets backing the securitization meet either the criteria for higher-risk consumer loans or the criteria for nontraditional 1-4 family residential mortgage loans (as defined for Schedule RC-O, Memorandum item 7.a, above) and the amount of higher-risk consumer loans exceeds the amount of nontraditional 1-4 family residential mortgage loans.

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Item No.	Caption and Instructions
8.b (cont.)	For securitizations issued before April 1, 2013, that contain consumer loans, the reporting institution must either: (1) Report the securitizations using the definition of subprime loans contained in the FDIC's final rule on assessments and large bank pricing, 76 Fed. Reg. 10672 (February 25, 2011), or (2) Report the securitizations if more than 50 percent of the assets backing the securitization were identified as subprime loans by the institution's then existing internal methodology for identifying loans as subprime loans.[1] Alternatively, an institution may apply the definitions in Appendix C to Subpart A to Part 327 of the FDIC's regulations to all of its securitizations.

[1] Institutions that did not have an existing methodology in place to identify subprime consumer loans and securities (because they were 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 loans backing securitizations issued before April 1, 2013, apply then existing guidance provided by their primary federal regulator or the agencies' 2001 Expanded Guidance for Subprime Lending Programs to determine whether more than 50 percent of the assets backing the securitization are subprime consumer loans, thus requiring that the securitization be reported as a securitization of higher-risk consumer loans in Schedule RC-O, Memorandum item 8.b.

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Item No. **Caption and Instructions**

NOTE: Memorandum item 16 is to be completed on a fully consolidated basis by "large institutions" and "highly complex institutions."

16 **Portion of loans restructured in troubled debt restructurings that are in compliance with their modified terms and are guaranteed or insured by the U.S. government (including the FDIC).** Report on a fully consolidated basis the portion of loans restructured in troubled debt restructurings that are in compliance with their modified terms (included in Schedule RC-C, part I, Memorandum item 1) that is guaranteed or insured by the U.S. government, its agencies, or its government-sponsored agencies, including restructured loans guaranteed under FDIC loss-sharing agreements.

Exclude restructured loans guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations as well as restructured loans collateralized by securities issued by the U.S. government, including its agencies and its government-sponsored agencies.

NOTE: Memorandum item 17 is to be completed on a fully consolidated basis by "large institutions" and "highly complex institutions" that own another insured depository institution.

17 **Selected fully consolidated data for deposit insurance assessment purposes:**

17.a **Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on a fully consolidated basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. Refer to the instructions for Schedule RC-O, item 1, for a description of gross total deposit liabilities.

17.b **Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits).** Report on a fully consolidated basis the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains records that will readily permit verification of the correctness of its reporting of exclusions. Refer to the instructions for Schedule RC-O, item 2, for a description of allowable exclusions.

17.c **Unsecured "Other borrowings" with a remaining maturity of one year or less.** Report on a fully consolidated basis the amount of the institution's "Other borrowings" (as defined for Schedule RC-M, item 5.b) that are unsecured and have a remaining maturity of one year or less. Refer to the instructions for Schedule RC-O, items 7 and 7.a, for further guidance on reporting unsecured "Other borrowings" with a remaining maturity of one year or less.

17.d **Estimated amount of uninsured deposits (in domestic offices of the institution and in insured branches in Puerto Rico and U.S. territories and possessions), including related interest accrued and unpaid.** Report on a fully consolidated basis the estimated amount of the institution'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. Refer to the instructions for Schedule RC-O, Memorandum item 2, for further guidance on reporting the estimated amount of uninsured deposits.

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Item No. Caption and Instructions

NOTE: Memorandum item 18 is to be completed on a fully consolidated basis by “large institutions” and “highly complex institutions.”

18 **Outstanding balance of 1-4 family residential mortgage loans, consumer loans, and consumer leases by two-year probability of default.** Report on a fully consolidated basis the balance sheet amount of all consumer loans, as defined for assessment purposes below, segmented by nine product types and 12 two-year probability of default (PD) bands. This information is intended to supplement the amount of higher-risk consumer loans reported in Schedule RC-O, Memorandum items 7.a and 8.a, above, and should include all consumer loans, as defined for assessment purposes, regardless of whether they have a two-year PD of more than 20 percent. Institutions must calculate the PD for each consumer loan in accordance with the requirements set forth in Appendix C to Subpart A to Part 327 of the FDIC’s regulations. When determining the PD band to which a consumer loan should be assigned, institutions must round the PD of the loan to the nearest hundredth of a percentage point (e.g., round a PD of 5.6789 percent to 5.68 percent).

Amounts reported in Memorandum item 18 will not be made available to the public on an individual institution basis.

For assessment purposes, consumer loans are defined as loans secured by 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c) and loans and leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, items 6 and 10.a). However, when completing Memorandum item 18, exclude:

(1) Consumer loans reported as trading assets in Schedule RC, item 5;

(2) The maximum amounts recoverable on consumer loans from the U.S. government under guarantee or insurance provisions, including the maximum amount recoverable under FDIC loss-sharing agreements; and

(3) Consumer loans fully secured by cash collateral, provided the requirements regarding loans fully secured by cash collateral that are detailed in Appendix C to Subpart A to Part 327 of the FDIC’s regulations are met.

(4) All securitizations.

(5) Business-purpose loans secured by one or more 1-4 family residential properties.

The amounts to be reported in Memorandum item 18 should include 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”).

The total amount reported in Memorandum item 18.j, column N, may be less than the balance sheet amount of consumer loans reported in Schedule RC-C, part I, due to the exclusions noted above as well as the reporting exceptions detailed in Appendix C to Subpart A to Part 327 of the FDIC’s regulations.

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Item No. Caption and Instructions

18 (cont.) Column Instructions

Columns A through L, Two-Year Probability of Default: Report each consumer loan by product type in the appropriate two-year PD band column based on the two-year PD assigned to the loan in accordance with the requirements in Appendix C to Subpart A to Part 327 of the FDIC's regulations, unless the loan is unscoreable.

Column M, Unscoreable: Report in column M the total amount of unscoreable loans by product type. Unscoreable loans are defined for assessment purposes as consumer loans where the available information about the borrower is insufficient to determine a credit score and, consequently, the loan cannot be assigned a two-year PD in accordance with the requirements in Appendix C to Subpart A to Part 327 of the FDIC's regulations. An institution may not develop two-year PD estimates for unscoreable loans based on internal data. If, after the origination or refinance of an unscoreable loan, the loan becomes scoreable, an institution must reclassify the loan using a two-year PD estimated in accordance with the requirements in Appendix C to Subpart A to Part 327 of the FDIC's regulations. An unscoreable loan must be reviewed at least annually to determine if a credit score has become available. Include in Schedule RC-O, Memorandum item 8.a, "Higher-risk consumer loans," the amount of unscoreable loans for each product type reported in column M (excluding "Nontraditional 1-4 family residential mortgage loans" reported in Memorandum item 18.a) that exceeds 5 percent of the total outstanding balance for that product type reported in column N.

Column N, Total: Report in column N the total amount of scoreable and unscoreable consumer loans by product type, i.e., the sum of columns A through M for each product type.

Column O, PDs Were Derived Using: Report in column O for each product type the method or methods used to assign PDs to the consumer loans within that product type. If the total reported in column N for a product type is zero, enter a 0 (zero) in column O for that product type. For each product type for which a nonzero dollar amount is reported in column N, enter a 1 in column O if the PDs assigned to the loans were derived using a credit score-to-default rate mapping provided by a third party vendor; enter a 2 in column O if the PDs assigned to the loans were derived using an internally developed mapping approach; and enter a 3 in column O if third party and internal mapping were applied to derive the PDs for different segments of loans within the product type.

18.a **"Nontraditional 1-4 family residential mortgage loans" as defined for assessment purposes only in FDIC regulations.** For "nontraditional 1-4 family residential mortgage loans," as defined for assessment purposes in Schedule RC-O, Memorandum item 7.a, above, report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.a, column N, should be less than or equal to the amount reported in Schedule RC-O, Memorandum item 7.a.

18.b **Closed-end loans secured by first liens on 1-4 family residential properties.** For closed-end loans secured by first liens on 1-4 family residential properties, as defined for Schedule RC-C, part I, item 1.c.(2)(a) (but excluding first liens reported as "nontraditional 1-4 family residential mortgage loans" in Memorandum item 18.a, above), report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this

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Item No. **Caption and Instructions**

18.b (cont.) product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.b, column N, should be less than or equal to:

- The amount reported in Schedule RC-C, part I, item 1.c.(2)(a), column A, less the amount reported in Schedule RC-O, Memorandum item 13.c, on the FFIEC 031;
- The amount reported in Schedule RC-C, part I, item 1.c.(2)(a), column B, less the amount reported in Schedule RC-C, Memorandum item 13.c, on the FFIEC 041.

18.c **Closed-end loans secured by junior liens on 1-4 family residential properties.** For closed-end loans secured by junior liens on 1-4 family residential properties, as defined for Schedule RC-C, part I, item 1.c.(2)(b) (but excluding junior liens reported as "nontraditional 1-4 family residential mortgage loans" in Memorandum item 18.a, above), report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.c, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 1.c.(2)(b), column A, on the FFIEC 031; Schedule RC-C, part I, item 1.c.(2)(b), column B, on the FFIEC 041.

18.d **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.** For revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit, as defined for Schedule RC-C, part I, item 1.c.(1), report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.d, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 1.c.(1), column A, on the FFIEC 031; Schedule RC-C, part I, item 1.c.(1), column B, on the FFIEC 041.

18.e **Credit cards.** For credit cards to individuals for household, family, and other personal expenditures, as defined for Schedule RC-C, part I, item 6.a, report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.e, column N, should be less than or equal to

- The amount reported in Schedule RC-C, part I, item 6.a, column A, less the amount reported in Schedule RC-O, Memorandum item 13.f, on the FFIEC 031;
- The amount reported in Schedule RC-C, part I, item 6.a, column B, less the amount reported in Schedule RC-O, Memorandum item 13.f, on the FFIEC 041.

18.f **Automobile loans.** For automobile loans to individuals for household, family, and other personal expenditures, as defined for Schedule RC-C, part I, item 6.c, report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The amount reported in Memorandum item 18.f, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 6.c, column A on the FFIEC 031; Schedule RC-C, part I, item 6.c, column B, on the FFIEC 041.

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Item No.	**Caption and Instructions**
18.g	**Student loans.** For student loans included in Schedule RC-C, part I, item 6.d, "Other consumer loans," report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type.
18.h	**Other consumer loans and revolving credit plans other than credit cards.** For revolving credit plans other than credit cards to individuals for household, family, and other personal expenditures and other consumer loans, as defined for Schedule RC-C, part I, items 6.b and 6.d, respectively (but excluding student loans), report in the appropriate column the amount of such loans to which a two-year PD has been assigned, the amount of unscoreable loans within this product type, the total amount of loans in this product type, and the method(s) used to assign PDs to the loans in this product type. The sum of the amounts reported in Memorandum items 18.g and 18.h, column N, should be less than or equal to the sum of the amounts reported in Schedule RC-C, part I, items 6.b and 6.d, column A, on the FFIEC 031; Schedule RC-C, part I, items 6.b and 6.d, column B, on the FFIEC 041.
18.i	**Consumer leases.** For leases to individuals for household, family, and other personal expenditures, as defined for Schedule RC-C, part I, item 10.a, report in the appropriate column the amount of such leases to which a two-year PD has been assigned, the amount of unscoreable leases within this product type, the total amount of leases in this product type, and the method(s) used to assign PDs to the leases in this product type. The amount reported in Memorandum item 18.i, column N, should be less than or equal to the amount reported in Schedule RC-C, part I, item 10.a, column A.
18.j	**Total.** For each of columns A through N, report the sum of Memorandum items 18.a through 18.i. Memorandum item 18.j, column N, must equal the sum of columns A through M for Memorandum item 18.j.

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Item No. **Caption and Instructions**

6 **Repurchases and indemnifications of 1-4 family residential mortgage loans *during the quarter.*** As a result of its 1–4 family residential mortgage banking activities, a bank may be obligated to repurchase mortgage loans that it has sold or otherwise indemnify the loan purchaser against loss because of borrower defaults, loan defects, other breaches of representations and warranties, or for other reasons. Report in the appropriate subitem all 1-4 family residential mortgage loans previously sold by the bank or a consolidated subsidiary subject to an obligation to repurchase or indemnify that have been repurchased or indemnified during the calendar quarter ending on the report date. Do not reduce this amount by any third-party indemnifications or reimbursements that the bank has received.

The following paragraphs specify the scope of the repurchases and indemnifications that are subject to reporting in the appropriate subitem. The amount to be reported in items 6.a and 6.b is the total principal amount outstanding on the loans that have been repurchased or indemnified during the calendar quarter ending on the report date. The amount to be reported in item 6.c.(1) is the total amount of open-end commitments under revolving, open-end lines of credit that have been repurchased or indemnified during the calendar quarter ending on the report date. The amount to be reported in item 6.c.(2) is the total principal amount funded under the open-end commitments that have been repurchased or indemnified during the calendar quarter ending on the report date.

Repurchased 1-4 family residential mortgage loans include loans that the bank (or a consolidated subsidiary) had sold but subsequently repurchased under repurchase obligation provisions of the sales agreement because of a delinquency, noncompliance with the sellers' representations and warranties, fraud or misrepresentation, or any other contractual requirement. Exclude 1-4 family residential mortgage loans that have been repurchased solely at the discretion of the bank (such as delinquent mortgage loans backing GNMA mortgage-backed securities), i.e., where the sales agreement contains a repurchase option (which may be conditional), but not a repurchase obligation.

Indemnifications of 1-4 family residential mortgage loans are limited to reimbursements to loan purchasers or other third parties for credit losses on loans that the bank (or a consolidated subsidiary) has sold. Include reimbursements made on loans where the bank has agreed with the purchaser or other third party not to repurchase the loan as required under the sales agreement, but rather to guarantee that no credit loss is sustained. Indemnifications also include loans for which payments have been made by the bank (or a consolidated subsidiary) to purchasers or other third parties as reimbursements for deficiency balances arising from sales of real estate collateral (whether or not foreclosed) on loans that the bank (or a consolidated subsidiary) has sold. Exclude indemnification arrangements that are limited to reimbursements of legal fees or administrative costs.

6.a **Closed-end first liens.** Report the total principal amount outstanding as of the date of repurchase or the date of indemnification, as appropriate, of closed-end first lien 1-4 family residential mortgage loans previously sold by the bank or a consolidated subsidiary that have been repurchased or indemnified during the calendar quarter ending on the report date.

6.b **Closed-end junior liens.** Report the total principal amount outstanding as of the date of repurchase or the date of indemnification, as appropriate, of closed-end junior lien 1-4 family residential mortgage loans previously sold by the bank or a consolidated subsidiary that have been repurchased or indemnified during the calendar quarter ending on the report date.

Item No.	Caption and Instructions

6.c **Open-end loans extended under lines of credit:**

6.c.(1) **Total commitment under the lines of credit.** Report the total amount of open-end commitments under revolving, open-end lines of credit secured by 1-4 family residential properties as of the date of repurchase or the date of indemnification, as appropriate, that have been repurchased or indemnified during the calendar quarter ending on the report date.

6.c.(2) **Principal amount funded under the lines of credit.** Report the total principal amount funded under open-end commitments associated with the revolving, open-end lines of credit secured by 1-4 family residential properties reported in item 6.c.(1) above as of the date of repurchase or the date of indemnification, as appropriate, that have been repurchased or indemnified during the calendar quarter ending on the report date.

7 **Representation and warranty reserves for 1-4 family residential mortgage loans sold.** When an institution sells or securitizes mortgage loans, it typically makes certain representations and warranties to the investors or other purchasers of the loans at the time of the sale and to any financial guarantors or mortgage insurers of the loans sold. The specific representations and warranties may relate to the ownership of the loan, the validity of the lien securing the loan, and the loan's compliance with specified underwriting standards. Under ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5, "Accounting for Contingencies"), an institution is required to accrue loss contingencies relating to the representations and warranties made in connection with its mortgage securitization activities and mortgage loan sales when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

Report in the appropriate subitem the amount of representation and warranty reserves included in Schedule RC-G, item 4, "All other liabilities," that the institution maintains for 1-4 family residential mortgage loans sold, including those mortgage loans transferred in securitizations accounted for as sales.

Amounts reported in Schedule RC-P, items 7.a and 7.b, will not be made available to the public on an individual institution basis. Amounts reported in Schedule RC-P, item 7.c, will be publicly available.

7.a **For representations and warranties made to U.S. Government agencies and Government-sponsored agencies.** Report the amount of reserves that the institution maintains for representations and warranties made to U.S. Government agencies and Government-sponsored agencies in connection with sales of 1-4 family residential mortgage loans, including mortgage loans transferred in securitizations accounted for as sales.

U.S. Government agencies and Government-sponsored agencies include, but are not limited to, such agencies as the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA).

7.b **For representations and warranties made to other parties.** Report the amount of reserves that the institution maintains for representations and warranties made to parties other than U.S. Government agencies and Government-sponsored agencies in connection with sales of 1-4 family residential mortgage loans, including mortgage loans transferred in securitizations accounted for as sales.

7.c **Total representation and warranty reserves.** Report the sum of items 7.a and 7.b.

SCHEDULE RC-Q – ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

General Instructions

Schedule RC-Q is to be completed by institutions that:

(1) Had total assets of $500 million or more as of the beginning of their fiscal year; or
(2) Had total assets of less than $500 million as of the beginning of their fiscal year and either:
   (a) 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
   (b) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

Institutions should report in Schedule RC-Q all assets and liabilities that are measured at fair value in the financial statements on a recurring basis. Exclude from Schedule RC-Q those assets and liabilities that are measured at fair value on a nonrecurring basis. Recurring fair value measurements of assets or liabilities are those fair value measurements that applicable accounting standards and these instructions require or permit in the balance sheet at the end of each reporting period. In contrast, nonrecurring fair value measurements of assets or liabilities are those fair value measurements that applicable accounting standards and these instructions require or permit in the balance sheet in particular circumstances (for example, when an institution subsequently measures foreclosed real estate at the lower of cost or fair value less estimated costs to sell).

Column Instructions

Column A, Total Fair Value Reported on Schedule RC

Report in Column A the total fair value, as defined by ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, “Fair Value Measurements”), of those assets and liabilities reported on Schedule RC, Balance Sheet, that the bank reports at fair value on a recurring basis.

Columns B through E, Fair Value Measurements and Netting Adjustments

For items reported in Column A, report in Columns C, D, and E the fair value amounts which fall in their entirety in Levels 1, 2, and 3, respectively. The level in the fair value hierarchy within which a fair value measurement in its entirety falls should be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, for example, if the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column D or Column E based on the lowest level measurement input with the most significance to the fair value of the asset or liability in its entirety as described in ASC Topic 820. For assets and liabilities that the bank has netted under legally enforceable master netting agreements in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts,” and FASB Interpretation No. 41, “Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements”), report the gross amounts in Columns C, D, and E and the related netting adjustment in Column B. For more information on Level 1, 2, and 3 measurement inputs, see the Glossary entry for “fair value.”

Item Instructions

For each item in Schedule RC-Q, the sum of columns C, D, and E less column B must equal column A.

Item No. **Caption and Instructions**

1 **Available-for-sale securities.** Report in the appropriate column the total fair value of available-for-sale debt and equity securities as reported in Schedule RC, item 2.b; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

2 **Federal funds sold and securities purchased under agreements to resell.** Report in the appropriate column the total fair value of those federal funds sold and securities purchased under agreements to resell reported in Schedule RC, items 3.a and 3.b, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

3 **Loans and leases held for sale.** Report in the appropriate column the total fair value of those loans held for sale reported in Schedule RC-C, part I, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Loans held for sale that the bank has elected to report under the fair value option are included in Schedule RC-C, part I, and Schedule RC, item 4.a. Exclude loans held for sale that are reported at the lower of cost or fair value in Schedule RC, item 4.a, and loans that have been reported as trading assets in Schedule RC, item 5. Leases are generally not eligible for the fair value option.

4 **Loans and leases held for investment.** Report in the appropriate column the total fair value of those loans held for investment reported in Schedule RC-C, part I, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Loans held for investment that the bank has elected to report under the fair value option are included in Schedule RC-C, part I, and Schedule RC, item 4.b. Leases are generally not eligible for the fair value option.

5 **Trading assets:**

5.a **Derivative assets.** Report in the appropriate column the total fair value of derivative assets held for trading purposes as reported in Schedule RC, item 5; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

5.b **Other trading assets.** Report in the appropriate column the total fair value of all trading assets, except for derivatives, as reported in Schedule RC, item 5; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs, including the fair values of loans that have been reported as trading assets; and any netting adjustments.

5.b.(1) **Nontrading securities at fair value with changes in fair value reported in current earnings.** Report in the appropriate column the total fair value of those securities the bank has elected to report under the fair value option that is included in Schedule RC-Q, item 5.b above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Securities that the bank has elected to report at fair value under the fair value option are reported as trading securities pursuant to ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”) even though management did not acquire the securities principally for the purpose of trading.

Item No. **Caption and Instructions**

6 **All other assets.** Report in the appropriate column the total fair value of all other assets that are required to be measured at fair value on a recurring basis or that the institution has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 1 through 5 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Include derivative assets held for purposes other than trading, interest-only strips receivable (not in the form of a security) held for purposes other than trading, servicing assets measured at fair value under a fair value option, and other categories of assets measured at fair value on the balance sheet on a recurring basis under applicable accounting standards and these instructions. Exclude servicing assets initially measured at fair value, but subsequently measured using the amortization method, and other real estate owned (which are subject to fair value measurement on a nonrecurring basis).

7 **Total assets measured at fair value on a recurring basis.** Report the sum of items 1 through 5.b plus item 6.

8 **Deposits.** Report in the appropriate column the total fair value of those deposits reported in Schedule RC, items 13.a and 13.b, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Deposits withdrawable on demand (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.

9 **Federal funds purchased and securities sold under agreements to repurchase.** Report in the appropriate column the total fair value of those federal funds purchased and securities sold under agreements to repurchase reported in Schedule RC, items 14.a and 14.b, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

10 **Trading liabilities:**

10.a **Derivative liabilities.** Report in the appropriate column the total fair value of derivative liabilities held for trading purposes as reported in Schedule RC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

10.b **Other trading liabilities.** Report in the appropriate column the total fair value of trading liabilities, except for derivatives, as reported in Schedule RC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

11 **Other borrowed money.** Report in the appropriate column the total fair value of those Federal Home Loan Bank advances and other borrowings reported in Schedule RC, item 16, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

12 **Subordinated notes and debentures.** Report in the appropriate column the total fair value of those subordinated notes and debentures (including mandatory convertible debt) reported in Schedule RC, item 19, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Memoranda

Item No. Caption and Instructions

13 **All other liabilities.** Report in the appropriate column the total fair value of all other liabilities that are required to be measured at fair value on a recurring basis or that the institution has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 8 through 12 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Include derivative liabilities held for purposes other than trading, servicing liabilities measured at fair value under a fair value option, and other categories of liabilities measured at fair value on the balance sheet on a recurring basis under applicable accounting standards and these instructions. Exclude servicing liabilities initially measured at fair value, but subsequently measured using the amortization method (which are subject to fair value measurement on a nonrecurring basis).

14 **Total liabilities measured at fair value on a recurring basis.** Report the sum of items 8 through 13.

Memoranda

Item No. Caption and Instructions

1 **All other assets.** Disclose in Memorandum items 1.a through 1.f each component of all other assets, and the dollar amount of such component, that is greater than $25,000 and exceeds 25 percent of the amount reported in Schedule RC-Q, item 6, column A. For each component of all other assets that exceeds this disclosure threshold for which a preprinted caption has not been provided in Memorandum items 1.a and 1.b, describe the component with a clear but concise caption in Memorandum items 1.c through 1.f. These descriptions should not exceed 50 characters in length (including spacing between words).

Preprinted captions have been provided for the following categories of all other assets:

- Memorandum item 1.a, “Mortgage servicing assets,” and
- Memorandum item 1.b, “Nontrading derivative assets.”

2 **All other liabilities.** Disclose in Memorandum items 2.a through 2.f each component of all other liabilities, and the dollar amount of such component, that is greater than $25,000 and exceeds 25 percent of the amount reported in Schedule RC-Q, item 13, column A. For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in Memorandum items 2.a and 2.b, describe the component with a clear but concise caption in Memorandum items 2.c through 2.f. These descriptions should not exceed 50 characters in length (including spacing between words).

Preprinted captions have been provided for the following categories of all other liabilities:

- Memorandum item 2.a, “Loan commitments (not accounted for as derivatives),” and
- Memorandum item 2.b, “Nontrading derivative liabilities.”

Item No. **Caption and Instructions**

41 (cont.) If the bank is subject to the market risk capital rules, include in column B the fair value of all trading assets that are covered positions as defined in Schedule RC-R, item 58. The bank will report its market risk equivalent assets for these positions in Schedule RC-R, item 58.

For all trading assets that do not meet the definition of a covered position and for banks not subject to the market risk capital rules:

- *In column B*, if the bank completes Schedule RC-D, include the fair value of derivative contracts that are reported as assets in Schedule RC-D, item 11 (column A on the FFIEC 031). If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of derivative contracts that are assets.

  Also include *in column B* as a negative number the fair value of those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-D, item 4, "Mortgage-backed securities," (column A on the FFIEC 031), and item 5, "Other debt securities," (column A on the FFIEC 031), that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of mortgage-backed securities, asset-backed securities, and 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,* if the bank completes Schedule RC-D, include amount reported in Schedule RC-D, item 1, "U.S. Treasury securities," (column A on the FFIEC 031); the portion of the amount reported in Schedule RC-D, item 2, (column A on the FFIEC 031) that represents the fair value of securities issued by U.S. Government agencies; and the portion of the amounts reported in Schedule RC-D, item 4, (column A on the FFIEC 031) that represents the fair value of mortgage-backed securities guaranteed by GNMA. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of these types of securities.

- *In column D–20% risk weight*, if the bank completes Schedule RC-D, include the portion of the amount reported in Schedule RC-D, item 2, (column A on the FFIEC 031) that represents the fair value of securities issued by U.S. Government-sponsored agencies; the portion of the amount reported in Schedule RC-D, item 3, (column A on the FFIEC 031) that represents the fair value of general obligations issued by states and political subdivisions in the U.S.; the portion of the amount reported in Schedule RC-D, item 4, (column A on the FFIEC 031) that represents the fair value of mortgage-backed securities issued by FNMA and FHLMC (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight); and the portion of the amount reported in Schedule RC-D, item 9, "Other trading assets," (column A on the FFIEC 031) that represents the fair value of certificates of deposit and bankers acceptances (excluding the fair of any long-term claims on non-OECD banks). Also include the fair value of those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-D, item 4, "Mortgage-backed securities," (column A on the FFIEC 031), and item 5, "Other debt securities," (column A on the FFIEC 031), 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 interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of these types of trading assets.

Item No.	**Caption and Instructions**

41 (cont.)

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

- *In column F–100% risk weight*, include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns B through E. However, for those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC, item 5, that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach, include in column F the fair value of these securities multiplied by 2.

42 **All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets"; item 7, "Other real estate owned"; item 8, "Investments in unconsolidated subsidiaries and associated companies"; item 9, "Direct and indirect investments in real estate ventures"; item 10.a, "Goodwill"; item 10.b, "Other intangible assets;" and item 11, "Other assets."

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

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158)), the institution should adjust the asset amount reported in column A of this item for any amounts included in Schedule RC, item 26.b, "Accumulated other comprehensive income" (AOCI), affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, item 4) is to reverse the effects on AOCI of applying ASC Subtopic 715-20 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of

Business Combinations: 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.

Acquisition method – 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 only from the acquisition date.

Push down accounting – Push down accounting is the establishment of a new accounting basis for an institution 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 an institution becomes substantially wholly owned, yet retains its separate corporate existence, the institution'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 institution were acquired in a series of purchase transactions, the previously held equity interest in the institution 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 institution as well as in any consolidated financial statements of the institution's parent. However, any bargain purchase gain recognized by (or otherwise attributable to) the institution’s acquirer when applying the acquisition method should not be pushed down to nor reported in the acquired institution’s income statement (Schedule RI). The effect of any bargain purchase gain recognized by (or otherwise attributable to) the acquirer should be reflected in the acquisition-date measurement of the acquired institution’s surplus (additional paid-in capital) account, not in the acquired institution’s income statement.

Push down accounting is required for purposes of the Reports of Condition and Income if an institution'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 institution 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 required if the institution'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 an institution'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 an institution 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 institution (the collaborative group).

Business Combinations (cont.):

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

When push down accounting is used by an institution in the preparation of its Reports of Condition and Income, both of the following conditions should be met:

(1) An arm's-length purchase acquisition or series of purchase transactions resulting in the institution becoming substantially wholly owned (at least 80 percent) must have occurred, and

(2) The push down adjusting entries must eliminate the retained earnings account (therefore, the entire retained earnings of the institution before it became substantially wholly owned will not be available for the payment of dividends after it became substantially wholly owned).

When recording the push down adjusting entries, the institution's common stock account should reflect the par value of its issued common shares. In addition, its surplus (additional paid-in capital) account should represent the difference between the restated amount of the institution's net assets (i.e., its assets less its liabilities) and the sum of the par value of its issued common shares and the amount of any perpetual preferred stock outstanding.

In the Reports of Condition and Income for the remainder of the year in which an institution applies push down accounting after becoming substantially wholly owned, the institution shall report the initial increase or decrease in its equity capital that results from the application of push down accounting in item 7, "Changes incident to business combinations, net," of Schedule RI-A, Changes in Bank Equity Capital. In addition, when push down accounting is used, no income or expense for the period of the calendar year prior to the date the institution became substantially wholly owned should be included in subsequent Reports of Income.

For further information, see ASC Subtopic 805-50, Business Combinations – Related Issues (formerly EITF Topic D-97, *Push-Down Accounting*).

Pooling-of-interests method – Under the pooling-of-interests method, the assets, liabilities, and capital of the bank and the business being acquired are added together on a line-by-line basis without any adjustments for fair value. The historical cost-based amount (cost adjusted for amortization of premiums and discounts or depreciation) of each asset, liability, and capital account of the acquiring bank is added to the corresponding account of the business being acquired to arrive at the balance sheet for the combined bank. However, the capital stock outstanding of the combined bank must be equal to the number of shares issued and outstanding (including the shares issued in connection with the acquisition) multiplied by par or stated value.

If the sum of the capital stock accounts of the entities being combined does not equal this amount (and it rarely, if ever, will), adjustment is required. If the sum of the capital stock accounts is less than the number of shares outstanding of the combined bank multiplied by par or stated value, "Surplus," Schedule RC, item 25, must be debited for the amount of the difference and "Common stock," Schedule RC, item 24, is credited. If the surplus account is insufficient to absorb such an adjustment, the remainder must be debited to "Retained earnings," Schedule RC, item 26.a. If the sum of the capital stock accounts is more than the amount of the outstanding stock of the combined bank, "Surplus" must be credited and "Common stock" debited.

Any adjustments necessary to conform the accounting methods of the acquired entity to those of the reporting bank must be made, net of related tax effects, to "Retained earnings."

For the year in which a pooling of interests occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the companies had combined at the beginning of the year. The portion of the adjustment necessary to conform the accounting methods applicable to the current period must also be allocated to income and expenses for the period.

Business Combinations (cont.):

Reorganization – A combination of two or more entities or businesses involving related parties, i.e., entities under common control, is considered a reorganization and not a business combination. For example, two subsidiary banks of a bank holding company may combine into one bank, which is a change in legal organization but not a change in the entity. The assets and liabilities transferred in the combination are accounted for at historical cost in a manner similar to that described above under "pooling-of-interests method." For the year in which a reorganization occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the entities had combined at the beginning of the year.

A bank holding company's investment in a bank or other business that was acquired in a business combination accounted for under the acquisition method may differ from the book value of the net assets in that bank's or business's financial statements because push down accounting was not applied. This situation will generally exist with respect to acquisitions that occurred prior to the September 30, 1989, effective date of the push down accounting instructions set forth above in this Glossary entry.

A bank holding company may transfer its ownership interest in an acquired bank or other business to another one of its subsidiary banks subsequent to its acquisition of the bank or other business. When this occurs, the financial statements of the surviving bank must be adjusted, as set forth in ASC Subtopic 852-10, Reorganizations – Overall (formerly EITF Issue No. 90-5, "Exchanges of Ownership Interests between Entities under Common Control") to reflect the assets and liabilities of the acquired bank or other business at the historical cost included in the holding company's financial statements. The necessity and extent of such adjustments should be determined in consultation with the bank's primary federal supervisory authority.

For further information on the accounting for business combinations, see ASC Topic 805.

Call Option: See "derivative contracts."

Income Taxes (cont.):

resulting credit balance shall be included in "Other liabilities" and reported in Schedule RC-G, item 2. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction (e.g., federal taxes) and also report a net deferred tax credit, or liability, for another tax jurisdiction (e.g., state taxes).

Interim period applicable income taxes – When preparing its year-to-date Report of Income as of the end of March, June, and September ("interim periods"), a bank generally should determine its best estimate of its effective annual tax rate for the full year, including both current and deferred portions and considering all tax jurisdictions (e.g., federal, state and local). To arrive at its estimated effective annual tax rate, a bank should divide its estimated total applicable income taxes (current and deferred) for the year by its estimated pretax income for the year (excluding extraordinary items). This rate would then be applied to the year-to-date pretax income to determine the year-to-date applicable income taxes at the interim date.

Intraperiod allocation of income taxes – When the Report of Income for a period includes "Extraordinary items and other adjustments" that are reportable in Schedule RI, item 11, the total amount of the applicable income taxes for the year to date shall be allocated in Schedule RI between item 9, "Applicable income taxes (on item 8)," and item 11, "Extraordinary items and other adjustments, net of income taxes."

The applicable income taxes on operating income (item 9) shall be the amount that the total applicable income taxes on pretax income, including both current and deferred taxes (calculated as described above), would have been for the period had "Extraordinary items and other adjustments" been zero.

The difference between item 9, "Applicable income taxes (on item 8)," and the total amount of the applicable taxes shall then be reflected in item 11 as applicable income taxes on extraordinary items and other adjustments.

Tax calculations by tax jurisdiction – Separate calculations of income taxes, both current and deferred amounts, are required for each tax jurisdiction. However, if the tax laws of the state and local jurisdictions do not significantly differ from federal income tax laws, then the calculation of deferred income tax expense can be made in the aggregate. The bank would calculate both current and deferred tax expense considering the combination of federal, state and local income tax rates. The rate used should consider whether amounts paid in one jurisdiction are deductible in another jurisdiction. For example, since state and local taxes are deductible for federal purposes, the aggregate combined rate would generally be (1) the federal tax rate plus (2) the state and local tax rates minus (3) the federal tax effect of the deductibility of the state and local taxes at the federal tax rate.

Income taxes of a bank subsidiary of a holding company – A bank should generally report income tax amounts in its Reports of Condition and Income as if it were a separate entity. A bank's separate entity taxes include taxes of subsidiaries of the bank that are included with the bank in a consolidated tax return. In other words, when a bank has subsidiaries of its own, the bank and its consolidated subsidiaries are treated as one separate taxpayer for purposes of computing the bank's applicable income taxes. This treatment is also applied in determining net deferred tax asset limitations for regulatory capital purposes.

During profitable periods, a bank subsidiary of a holding company that files a consolidated tax return should record current tax expense for the amount that would be due on a separate entity basis. Certain adjustments resulting from the consolidated status may, however, be made to the separate entity calculation as long as these adjustments are made on a consistent and equitable basis. For example, the consolidated group's single surtax exemption may be allocated among the holding

Income Taxes (cont.):

company affiliates if such an allocation is equitable and applied consistently. Such allocations should be reflected in the bank's applicable income taxes, rather than as "Other transactions with parent holding company" in Schedule RI-A, Changes in Bank Equity Capital.

In addition, bank subsidiaries should first compute their taxes on a separate entity basis without considering the alternative minimum tax (AMT). The AMT should be determined on a consolidated basis, and if it exceeds the regular tax on a consolidated basis, the holding company should allocate that excess to its affiliates on an equitable and consistent basis. The allocation method must be based upon the portion of tax preferences, adjustments, and other items causing the AMT to be applicable at the consolidated level that are generated by the parent holding company and each bank and nonbank subsidiary. In no case should amounts be allocated to bank subsidiaries that have not generated any tax preference or positive tax adjustment items. Furthermore, the AMT allocated to banks within the consolidated group should not exceed the consolidated AMT in any year.

In future years when a consolidated AMT credit carryforward is utilized, the credit must be reallocated to the subsidiary banks. The allocation should be done on an equitable and consistent basis based upon the amount of AMT giving rise to the credit that had been previously allocated. In addition, the amount of AMT credit reallocated to affiliates within the consolidated group should not exceed the consolidated AMT credit in any year. All AMT allocations should be reflected in the bank's applicable income taxes, rather than as "Other transactions with parent holding company" in Schedule RI-A, Changes in Bank Equity Capital.

Similarly, bank subsidiaries incurring a loss should record an income tax benefit and receive an equitable refund from their parent, if appropriate. The refund should be based on the amount they would have received on a separate entity basis, adjusted for statutory tax considerations, and shall be made on a timely basis.

An exception to this rule is made when the bank, on a separate entity basis, would not be entitled to a current refund because it has exhausted benefits available through carryback on a separate entity basis, yet the holding company can utilize the bank's tax loss to reduce the consolidated liability for the current year. In this situation, realization of the tax benefit is assured. Accordingly, the bank may recognize a current tax benefit in the year in which the operating loss occurs, provided the holding company reimburses the bank on a timely basis for the amount of benefit recognized. Any such tax benefits recognized in the loss year should be reflected in the bank's applicable income taxes and not as an extraordinary item. If timely reimbursement is not made, the bank cannot recognize the tax benefit in the current year. Rather, the tax loss becomes a net operating loss carryforward for the bank.

A parent holding company shall not adopt an arbitrary tax allocation policy within its consolidated group if it results in a significantly different amount of subsidiary bank applicable income taxes than would have been provided on a separate entity basis. If a holding company forgives payment by the subsidiary of all or a significant portion of the current portion of the applicable income taxes computed in the manner discussed above, such forgiveness should be treated as a capital contribution and reported in Schedule RI-A, item 11, "Other transactions with stockholders (including a parent holding company)," and in Schedule RI-E, item 5.

Further, if the subsidiary bank pays an amount greater than its separate entity current tax liability (calculated as previously discussed), the excess should be reported as a cash dividend to the holding company in Schedule RI-A, item 9. Payment by the bank of its deferred tax liability, in addition to its current tax liability, is considered an excessive payment of taxes. As a result, the deferred portion should likewise be reported as a cash dividend. Failure to pay the subsidiary bank an equitable refund attributable to the bank's net operating loss should also be considered a cash dividend paid by the bank to the parent holding company.

<u>Trading Account:</u> Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes.

For purposes of the Reports of Condition and Income, all securities within the scope of ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of these reports, banks may classify assets (other than securities within the scope of ASC Topic 320 for which a fair value option is elected) and liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

All trading assets should be segregated from a bank's other assets and reported in Schedule RC, item 5, "Trading assets." In addition, banks that reported average trading assets (Schedule RC-K, item 7) of $2 million or more in any of the four preceding calendar quarters should detail the types of assets and liabilities in the trading account in Schedule RC-D, Trading Assets and Liabilities, and the levels within the fair value measurement hierarchy in which the trading assets and liabilities fall in

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