

SCHEDULE RC-R – REGULATORY CAPITAL

General Instructions for Schedule RC-R

The instructions for Schedule RC-R should be read in conjunction with the regulatory capital rules issued by the primary federal supervisory authority of the reporting bank or saving association (collectively, banks): for national banks and federal savings associations, [12 CFR Part 3](#); for state member banks, [12 CFR Part 217](#); and for state nonmember banks and state savings associations, [12 CFR Part 324](#).

Part I. Regulatory Capital Components and Ratios

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Schedule RC-R, Part I. Regulatory Capital Components and Ratios

General Instructions for Schedule RC-R, Part I.

Unless otherwise indicated, references to Schedule RC-R item numbers in the instructions for Schedule RC-R, Part I, are to items in Part I, not to items in Part II of Schedule RC-R.

Transition Provisions: Transition provisions apply to the minimum regulatory capital ratios, the capital conservation buffer, the regulatory capital adjustments and deductions, and non-qualifying capital instruments. For example, transition provisions for the regulatory capital adjustments and deductions specify that certain items that were deducted from tier 1 capital previously will be deducted from common equity tier 1 capital under the regulatory capital rules, with the amount of the deduction changing each calendar year until the transition period ends. For some regulatory capital deductions and adjustments, the non-deducted portion of the item is either risk-weighted for the remainder of the transition period or deducted from additional tier 1 capital, as described in the instructions for the applicable items below.

Advanced approaches institutions:¹ Advanced approaches institutions may use the amounts reported in Schedule RC-R, Part I, to complete the FFIEC 101, Schedule A, as applicable. As described in the General Instructions for the FFIEC 101, an institution must begin reporting on the FFIEC 101, Schedule A, except for a few specific line items, at the end of the quarter after the quarter in which the institution triggers one of the threshold criteria for applying the advanced approaches rule or elects to use the advanced approaches rule (an opt-in institution),² and it must begin reporting data on the remaining schedules of the FFIEC 101 at the end of the first quarter in which it has begun its parallel run period.

Advanced approaches institutions must continue to file Schedule RC-R, Regulatory Capital, as well as the FFIEC 101.

An institution that is subject to the advanced approaches rule remains subject to the rule unless its primary federal supervisor determines in writing that application of the rule is not appropriate in light of the institution's asset size, level of complexity, risk profile, or scope of operations.

¹ An advanced approaches institution as defined in the federal supervisor's regulatory capital rules (i) has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to \$250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to \$10 billion or more (excluding exposures held by an insurance underwriting subsidiary), as calculated in accordance with FFIEC 009; (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets. As described in section 121 of the regulatory capital rules, an institution must adopt a written implementation plan no later than 6 months after the institution meets the criteria above and work with its primary federal supervisor on implementing the parallel run process.

² An institution is deemed to have elected to use the advanced approaches rule on the date that its primary federal supervisor receives from the institution a board-approved implementation plan pursuant to section 121(b)(2) of the regulatory capital rules. After that date, in addition to being required to report on the FFIEC 101, Schedule A, the institution may no longer apply the AOCI opt-out election in section 22(b)(2) of the regulatory capital rules and it becomes subject to the supplementary leverage ratio in section 10(c)(4) of the rules and its associated transition provisions.

Item Instructions for Schedule RC-R, Part I.**Item No. Caption and Instructions****Common Equity Tier 1 Capital**

- 1** **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24, 25, and 26.c, as follows:
- (1) **Common stock:** Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.
 - (2) **Related surplus:** Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.
 - (3) **Treasury stock, unearned ESOP shares, and any other contra-equity components:** Report the amount of contra-equity components reported in Schedule RC, item 26.c. Because contra-equity components reduce equity capital, the amount reported in Schedule RC, item 26.c, is a negative amount.
- 2** **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.
- 3** **Accumulated other comprehensive income (AOCI).** For institutions that have made the AOCI opt-out election in item 3.a below, report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule RC, item 26.b. For institutions that have not made or cannot make the AOCI opt-out election in item 3.a below, report the amount of AOCI as reported under U.S. GAAP included in Schedule RC, item 26.b, subject to the transition provisions described in section (ii) of the instructions for item 3.a below.
- 3.a** **AOCI opt-out election.**

(i) All institutions, except advanced approaches institutions

An institution that is not an advanced approaches institution may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, items 9.a through 9.e. That is, such an institution may opt out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in item 3.a. There are no transition provisions applicable to reporting Schedule RC-R, item 3, if an institution makes an AOCI opt-out election.

Each institution (except an advanced approaches institution) in existence as of March 31, 2015, made its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, the institution must make its AOCI opt-out election on the institution's first Call Report. After an institution initially makes its AOCI opt-out election, the institution must report its election in each quarterly Call Report thereafter. Each of the institution's depository institution subsidiaries, if any, must elect the

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

3.a same option as the institution. With prior notice to its primary federal supervisor, an
(cont.) institution resulting from a merger, acquisition, or purchase transaction may make a new
AOCI opt-out election, as described in section 22(b)(2) of the regulatory capital rules.

(ii) Institutions that do not make an AOCI opt-out election and all advanced approaches institutions:

An institution that does not make an AOCI opt-out election and enters “0” for “No” in item 3.a and all advanced approaches institutions are subject to the AOCI-related adjustment in Schedule RC-R, item 9.f. In addition, through the December 31, 2017, report date, advanced approaches institutions and all other institutions that report “No” in item 3.a must report Schedule RC-R, item 3, subject to the following transition provisions:

Transition provisions: Report AOCI adjusted for the transition AOCI adjustment amount in Schedule RC-R, item 3, as described below. AOCI components must be reported net of deferred tax effects, as reported under GAAP:

- (i) Determine the aggregate amount of the following items:
 - (1) Net unrealized gains on available-for-sale securities that are preferred stock classified as an equity security under GAAP and available-for-sale equity exposures, plus
 - (2) Net unrealized gains (losses) on available-for-sale securities that are not preferred stock classified as an equity security under GAAP or available-for-sale equity exposures (i.e., available-for-sale debt securities reported in Schedule RC-B, items 1 through 6, columns C and D) and net unrealized gains (losses) on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations), plus
 - (3) Any amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans (excluding, at the reporting institution’s option, the portion relating to pension assets deducted in Schedule RC-R, item 10.b.(2)), plus
 - (4) Accumulated net gains (losses) on cash flow hedges related to items that are reported on the balance sheet at fair value included in AOCI, plus
 - (5) Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.
- (ii) Multiply the amount calculated in step (i) by the appropriate percentage in Table 1 below. This amount is the calendar-year transition AOCI adjustment amount.
- (iii) Report in Schedule RC-R, item 3, the amount of AOCI reported in Schedule RC, item 26.b, minus the calendar-year transition AOCI adjustment amount calculated in step (ii). If the amount in step (ii) is negative, the result of step (ii) will be added to the amount from Schedule RC, item 26.b, since subtracting a negative number is equivalent to adding a number in step (iii).

Table 1 – Percentage of the transition AOCI adjustment amount to be applied to common equity tier 1 capital

Transition period	Percentage of the transition AOCI adjustment amount to be applied to common equity tier 1 capital
Calendar year 2015	60
Calendar year 2016	40
Calendar year 2017	20
Calendar year 2018 and thereafter	0

Part I. (cont.)**Item No. Caption and Instructions****4 Common equity tier 1 minority interest includable in common equity tier 1 capital.**

Report the aggregate amount of common equity tier 1 minority interest, calculated as described below and in section 21 of the regulatory capital rules. Common equity tier 1 minority interest is the portion of common equity tier 1 capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a bank may only include common equity tier 1 minority interest if: (a) the subsidiary is a depository institution or a foreign bank; and (b) the capital instruments issued by the subsidiary meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital instruments). In general, the minority interest limitation applies only if a subsidiary has a surplus common equity tier 1 capital (that is, in excess of the subsidiary's minimum capital requirements and the applicable capital conservation buffer).

Example and a worksheet calculation: For each consolidated subsidiary that is a depository institution or a foreign bank, calculate common equity tier 1 minority interest includable at the reporting institution's level as follows:

Assumptions:

- For this example, assume that risk-weighted assets of the consolidated subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary (\$1,000);
- The subsidiary's common equity tier 1 capital is \$80;
- The subsidiary's common equity tier 1 minority interest (that is, owned by minority shareholders) is \$24.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary depository institution. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Determine the lower of (1) or (2), and multiply that amount by 7.0%. ³	$\$1,000 \times 7\% = \70
(4)	Determine the dollar amount of the subsidiary's common equity tier 1 capital (assumed \$80 in this example). If this amount is less than step (3), include common equity tier 1 minority interest (assumed to be \$24 in this example) in Schedule RC-R, item 4. Otherwise, continue to step (5).	\$80
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus common equity tier 1 capital of the subsidiary."	$\$80 - \$70 = \$10$
(6)	Determine the percent of the subsidiary's common equity tier 1 capital owned by third parties (the minority shareholders).	$\$24/\$80 = 30\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus common equity tier 1 minority interest of the subsidiary," subject to the transition provisions below.	$30\% \times \$10 = \3
(8)	Subtract the amount in step (7) from the subsidiary's common equity tier 1 minority interest.	$\$24 - \$3 = \$21$
(9)	This is the "common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, item 4, for this subsidiary.	\$21

³ The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this percentage to account for all the applicable buffers.

Part I. (cont.)**Item No. Caption and Instructions****4 Transition provisions for surplus minority interest or non-qualifying minority interest:**
(cont.)**a. Surplus minority interest:**

An institution may include in common equity tier 1 capital, tier 1 capital, or total capital the percentage of the common equity tier 1 minority interest, tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that exceeds any common equity tier 1 minority interest, tier 1 minority interest or total capital minority interest includable under section 21 of the regulatory capital rules (surplus minority interest) as follows:

- (i) Determine the amounts of outstanding surplus minority interest (for the case of common equity tier 1, tier 1, and total capital).
- (ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.
- (iii) Include the amounts in (ii) in the corresponding line items (that is, Schedule RC-R, item 4, item 22, or item 29).

In the worksheet calculation above, the transition provisions for surplus minority interest would apply at step (7). Specifically, if the institution has \$3 of surplus common equity tier 1 minority interest of the subsidiary as of January 1, 2014, it may include \$1.80 (that is, \$3 multiplied by 60%) in Schedule RC-R, item 4, during calendar year 2015; \$1.20 during calendar year 2016; \$0.60 during calendar year 2017; and \$0 starting on January 1, 2018.

b. Non-qualifying minority interest:

An institution may include in tier 1 capital or total capital the percentage of the tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that does not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules (non-qualifying minority interest). The institution must phase-out non-qualifying minority interest in accordance with Table 2, using the following steps for each subsidiary:

- (i) Determine the amounts of the outstanding non-qualifying minority interest (in the form of additional tier 1 and tier 2 capital).
- (ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.
- (iii) Include the amounts in (ii) in the corresponding item (that is, Schedule RC-R, item 22 or item 29).

For example, if an institution has \$10 of non-qualifying minority interest that previously qualified as tier 1 capital, it may include \$6 (that is, \$10 multiplied by 60%) during calendar year 2015, \$4 during calendar year 2016, \$2 during calendar year 2017, and \$0 starting on January 1, 2018.

Table 2 – Percentage of the amount of surplus or non-qualifying minority interest includable in regulatory capital during the transition period

Transition period	Percentage of the amount of surplus or non-qualifying minority interest that can be included in regulatory capital during the transition period
Calendar year 2015	60
Calendar year 2016	40
Calendar year 2017	20
Calendar year 2018 and thereafter	0

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

- 5 Common equity tier 1 capital before adjustments and deductions.** Report the sum of Schedule RC-R, items 1, 2, 3, and 4.

Common Equity Tier 1 Capital: Adjustments and Deductions**General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions**

Note 1: As described in section 22(b) of the regulatory capital rules, regulatory adjustments to common equity tier 1 capital must be made net of associated deferred tax effects.

Note 2: As described in section 22(e) of the regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

- (i) The DTL is associated with the asset;
- (ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
- (iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) subject to the following conditions:

- (i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.
- (ii) The amount of DTLs that the institution nets against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs) and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

An institution may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination that are not recognized under GAAP against DTAs that are subject to section 22(a) of the regulatory capital rules in accordance with section 22(e).

An institution must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. An institution may change its DTL netting preference only after obtaining the prior written approval of the primary federal supervisor.

In addition, note that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

Part I. (cont.)**Item Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions****Item No. Caption and Instructions**

- 6** **LESS: Goodwill net of associated deferred tax liabilities (DTLs).** Report the amount of goodwill included in Schedule RC, item 10.a.

However, if the institution has a DTL that is specifically related to goodwill that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL.

If an institution has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the institution should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of the investee, the resulting difference should be accounted for as if the investee were a consolidated subsidiary (which may include imputed goodwill).

There are no transition provisions for this item.

- 7** **LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.** Report all intangible assets (other than goodwill and MSAs) included in Schedule RC-M, items 2.b and 2.c, that do not qualify for inclusion in common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Generally, all purchased credit card relationships (PCCRs) and nonmortgage servicing assets, reported in Schedule RC-M, item 2.b, and all other identifiable intangibles, reported in Schedule RC-M, item 2.c, do not qualify for inclusion in common equity tier 1 capital and should be included in this item.

However, if the institution has a DTL that is specifically related to an intangible asset (other than goodwill and MSAs) that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. Furthermore, a DTL that the institution chooses to net against the related intangible reported in this item may not also be netted against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and DTAs that arise from temporary differences, net of any related valuation allowances, for regulatory capital purposes.

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

Transition provisions:

- (i) Calculate the amount as described in the instructions for this item 7.
- (ii) Multiply the amount in (i) by the appropriate percentage in accordance with Table 3 below. Report the product in this item 7.
- (iii) Subtract (ii) from (i), without regard to any associated DTLs, to calculate the balance amount that must be risk weighted during the transition period.
- (iv) Multiply the amount in (iii) by 100 percent and report the risk-weighted assets as part of "All other assets" in Schedule RC-R, Part II, item 8.

Part I. (cont.)**Item No. Caption and Instructions****7 Table 3 – Deduction of intangible assets other than goodwill and MSAs
(cont.) during the transition period**

Transition period	Percentage of the deductions from common equity tier 1 capital
Calendar year 2015	40
Calendar year 2016	60
Calendar year 2017	80
Calendar year 2018 and thereafter	100

For example, in calendar year 2015, an institution will deduct 40 percent of intangible assets (other than goodwill and MSAs), net of associated DTLs, from common equity tier 1 capital. The institution must apply a 100 percent risk weight to the remaining 60 percent of the intangible assets that are not deducted.

8 LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs. Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs.

Transition provisions:

- (i) Determine the amount as described in the instructions for this item 8.
- (ii) Multiply the amount in (i) by the appropriate percent in column A of Table 4 below. Report this product in Schedule RC-R, item 8.
- (iii) Multiply the amount in (i) by the appropriate percent in column B of Table 4 below. Report this product as part of Schedule RC-R, item 24, “Additional tier 1 capital deductions.”

Table 4 – Deductions of DTAs that arise from net operating loss and tax credit carryforwards, net of any valuation allowances and net of DTLs; gain-on-sale in connection with a securitization exposure; defined benefit pension fund assets; changes in fair value of liabilities; and expected credit losses during the transition period

Transition period	Column A: Percentage of the adjustment applied to common equity tier 1 capital	Column B: Percentage of the adjustment applied to additional tier 1 capital
Calendar year 2015	40	60
Calendar year 2016	60	40
Calendar year 2017	80	20
Calendar year 2018 and thereafter	100	0

Note for Table 4: An institution may only take a deduction from additional tier 1 capital up to the amount of additional tier 1 capital before deductions, as reported in item 23, that the institution has. For example, if an institution does not have any additional tier 1 capital before deductions (i.e., the institution reports \$0 in item 23), then the entire deduction amount will be from common equity tier 1 capital. In this case, include the deduction amount that applies to additional tier 1 capital in item 24 and also include it in item 17, “LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.”

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- 9 AOCI-related adjustments.** Institutions that entered “1” for Yes in Schedule RC-R, item 3.a, must complete Schedule RC-R, items 9.a through 9.e, only. Institutions that entered “0” for No in Schedule RC-R, item 3.a, must complete Schedule RC-R, item 9.f, only.
- 9.a LESS: Net unrealized gains (losses) on available-for-sale securities.** Report the amount of net unrealized gains (losses) on available-for-sale securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.
- Include net unrealized gains (losses) on available-for-sale securities reported in Schedule RC-B, items 1 through 7, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).
- 9.b LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.** Report as a positive value the amount of any net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” Available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures are reported in Schedule RC-B, item 7, columns C and D, and include investments in mutual funds.
- 9.c LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” The amount reported in item 9.c should include gains (losses) on cash flow hedges that are no longer effective but included in AOCI. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.
- 9.d LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.** Report the amounts recorded in AOCI, net of applicable income taxes, and included in Schedule RC, item 26.b, “Accumulated other comprehensive income,” resulting from the initial and subsequent application of ASC Subtopic 715-20 (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”) to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.
- 9.e LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes, and is included in AOCI as reported in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, net of applicable income taxes, and (ii) the unaccreted portion of

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9.e other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), net of applicable income taxes.

9.f **To be completed only by institutions that entered “0” for “No” in item 3.a:**

LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

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Part I. (cont.)**Item No. Caption and Instructions****10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:**

- 10.a LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk.** Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the institution's own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Advanced approaches institutions only: Include the credit spread premium over the risk-free rate for derivatives that are liabilities.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 8.

- 10.b LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions.** Report the amount of all other deductions from (additions to) common equity tier 1 capital that are not included in Schedule RC-R, items 1 through 9, as described below.

- (1) After-tax gain-on-sale in connection with a securitization exposure.** Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of an institution resulting from a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule RC).

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 8.

- (2) Defined benefit pension fund net asset, net of associated DTLs.** An institution that is not an insured depository institution should include any defined benefit pension fund net asset. This amount may be net of any associated DTLs in accordance with section 22(e) of the capital rules.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 8.

- (3) Investments in the institution's own shares to the extent not excluded as part of treasury stock.** Include the institution's investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such capital instruments (as defined in the regulatory capital rules), to the extent such capital instruments are not excluded as part of treasury stock, reported in Schedule RC-R, item 1.

If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk and all other criteria in section 22(h) of the regulatory capital rules are met.

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

10.b The institution must look through any holdings of index securities to deduct investments
(cont.) in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;
- (ii) Short positions in index securities to hedge long cash or synthetic positions may be decomposed to recognize the hedge; and
- (iii) The portion of the index composed of the same underlying exposure that is being hedged may be used to offset the long position only if both the exposure being hedged and the short position in the index are covered positions under the market risk rule, and the hedge is deemed effective by the institution's internal control processes.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock.** Include investments in the capital of other financial institutions (in the form of common stock) that the institution holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (5) Equity investments in financial subsidiaries.** Include the aggregate amount of the institutions' outstanding equity investments, including retained earnings, in its financial subsidiaries (as defined in 12 CFR 5.39 (OCC); 12 CFR 208.77 (Board); and 12 CFR 362.17 (FDIC)). The assets and liabilities of financial subsidiaries may not be consolidated with those of the parent institution for regulatory capital purposes. No other deduction is required for these investments in the capital instruments of financial subsidiaries. This deduction is not subject to transition provisions.

- (6) Advanced approaches institutions only that exit parallel run.⁴** Include the amount of expected credit loss that exceeds the institution's eligible credit reserves.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 8.

- (7) Deductions for non-includable subsidiaries.** A savings association that has a non-includable subsidiary must deduct its outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary in this item 10.b. This deduction is not subject to transition provisions.

⁴ An advanced approaches institution that exits the parallel run is an advanced approaches institution that has completed the parallel run process and that has received notification from the primary federal supervisor pursuant to section 121(d) of subpart E of the regulatory capital rules.

Part I. (cont.)

Item No. Caption and Instructions

11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments. An institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate, exceed the 10 percent threshold for non-significant investments, calculated as described below. The institution may apply associated DTLs to this deduction.

Example and a worksheet calculation:

Assumptions:

- Assume that an institution has a total of \$200 in non-significant investments in the capital of unconsolidated financial institutions, of which \$100 is in common shares. For this example, all of the \$100 in common shares is in the common stock of a publicly traded financial institution.
- Assume the amount reported on Schedule RC-R, item 5 (common equity tier 1 capital before adjustments and deductions (sum of items 1 through 4)), is \$1,000.
- Assume the amounts reported on Schedule RC-R, items 6 through 9.f, are all \$0.

(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, and tier 2 capital).	\$200
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	\$100
(3)	Subtract from Schedule RC-R, item 5, the amounts in Schedule RC-R, items 6, 7, 8, 9, and 10.	$\$1,000 - \$0 = \$1,000$
(4)	Multiply the amount in step (3) by 10%. This is “the ten percent threshold for non-significant investments.”	$\$1,000 \times 10\% = \100
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this Schedule RC-R, item 11. If (1) is less than (4), enter zero in this item 11.	<i>Line (1) is greater than line (4); therefore, $\\$200 - \\$100 = \\$100$. Then $(\\$100 \times 100/200) = \\50. Report \$50 in this item 11.</i>
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the ten percent threshold for non-significant investments.	<i>Of the \$100 in common shares, \$50 are deducted in this item 11. The remaining \$50 needs to be included in risk-weighted assets in Schedule RC-R, Part II. *</i>

* In this case, effective January 1, 2015 (assuming that publicly traded equity exposures do not qualify for a 100 percent risk weight under section 52(b)(3)(iii) of the regulatory capital rules), $\$50 \times 300\%$ risk weight for publicly traded common shares under section 52(b)(5) of the capital rules = \$150 in risk weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted.

Part I. (cont.)**Item No. Caption and Instructions****11 Transition provisions for investments in capital instruments:**
(cont.)

- (i) Calculate the amount as described in the instructions for this item 11.
- (ii) Multiply the amount in (i) by the appropriate percent in Table 5 below. Report this product in this item 11.
- (iii) Subtract (ii) from (i); assign it the applicable risk weight; and report it in Schedule RC-R, Part II, as part of risk-weighted assets.

Table 5 – Deductions related to investments in capital instruments during the transition period

Transition period	Transition deductions – percentage of the deductions from common equity tier 1 capital
Calendar year 2015	40
Calendar year 2016	60
Calendar year 2017	80
Calendar year 2018 and thereafter	100

12 Subtotal. Report the amount in Schedule RC-R, item 5, less the amounts in Schedule RC-R, items 6 through 11.

This subtotal will be used in Schedule RC-R, items 13 through 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

- (i) Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs,
- (ii) MSAs, net of associated DTLs; and
- (iii) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

13 LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold. An institution has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

Report the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold, calculated as follows:

- (1) Determine the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs.
- (2) If the amount in (1) is greater than 10 percent of Schedule RC-R, item 12, report the difference in this item 13.
- (3) If the amount in (2) is less than 10 percent of Schedule RC-R, item 12, report zero in this item 13.

If the institution included embedded goodwill in Schedule RC-R, item 6, to avoid double counting, the institution may net such embedded goodwill already deducted against the exposure amount of the significant investment. For example, if an institution has deducted \$10 of goodwill embedded in a \$100 significant investment in the capital of an unconsolidated

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

- 13** financial institution in the form of common stock, the institution would be allowed to net such
(cont.) embedded goodwill against the exposure amount of such significant investment (that is, the
 value of the investment would be \$90 for purposes of the calculation of the amount that would
 be subject to deduction).

Transition provisions for items subject to the threshold deductions:

- (i) Calculate the amount as described in the instructions for this item 13.
(ii) Multiply the amount in (i) by the appropriate percent in Table 6 below. Report this product as this item amount. In addition:
(iii) *For report dates until January 1, 2018:* Subtract the amount in (ii) from the amount in (i), without regard to any associated DTLs; assign it a 100 percent risk weight in accordance with transition provisions in section 300 of the regulatory capital rules. Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.
(iv) *For report dates after January 1, 2018:* Apply a 250 percent risk-weight to the aggregate amount of the items subject to the 10 and 15 percent common equity tier 1 capital deduction thresholds that are not deducted from common equity tier 1 capital, without regard to any associated DTLs. Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.

Table 6 – Transition provisions for items subject to the threshold deductions

Transition period	Percentage of the deduction
Calendar year 2015	40
Calendar year 2016	60
Calendar year 2017	80
Calendar year 2018 and thereafter	100

- 14** **LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:

- (1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, item 12, report the difference in this item 14.
(3) If the amount in (1) is less than 10 percent of Schedule RC-R, item 12, enter zero in this item 14.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 13 (that is, use Table 6 in the instructions for Schedule RC-R, item 13).

- 15** **LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.**

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's ALLL).
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, item 12, report the difference in this item 15.

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- 15** (3) If the amount in (1) is less than 10 percent of Schedule RC-R, item 12, enter zero in this
(cont.) item 15.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 13 (that is, use Table 6 in the instructions for item 13).

- 16** **LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.**

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the institution's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

Transition provisions:

- A. *For report dates until January 1, 2018, calculate this item 16 as follows:*
- (i) Calculate the aggregate amount of the threshold items before deductions:
 - a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, item 13, step 1);
 - b. MSAs, net of associated DTLs (Schedule RC-R, item 14, step 1); and
 - c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, item 15, step 1).
 - (ii) Multiply the amount in Schedule RC-R, item 12 (Subtotal) by 15 percent. This is *the 15 percent common equity deduction threshold for transition purposes.*
 - (iii) Sum up the amounts that would have been reported in Schedule RC-R, items 13, 14, and 15 prior to applying the transition provisions (that is, as if the 10 percent common equity tier 1 capital deduction threshold were fully phased in).
 - (iv) Deduct (iii) from (i).
 - (v) Deduct (ii) from (iv). If this amount is negative, enter zero in this item 16.
 - (vi) Multiply the amount in (v) by the percentage in Table 6 in the instructions for Schedule RC-R, item 13. Report the resulting amount in this item 16.

Example and a worksheet calculation:

Assume the following balance sheet amounts prior to deduction of these items:

- Common equity tier 1 capital subtotal amount reported in Schedule RC-R, item 12 = \$100
- Significant investments in the common shares of unconsolidated financial institutions, net of associated DTLs = \$15.

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- 16**
(cont.)
- MSAs, net of associated DTLs = \$7
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs = \$6
 - Amount of each item that exceeds the 10% common equity tier 1 capital deduction threshold (as if the amounts subject to the 10% limit were fully phased in):
 - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = \$5 (amount that would have been reported in Schedule RC-R, item 13, if the amount were fully phased in)
 - MSAs net of associated DTLs = \$0 (amount that would have been reported in Schedule RC-R, item 14, if the amount were fully phased in)
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = \$0 (amount that would have been reported in Schedule RC-R, item 15, if the amount were fully phased in).

Calculation steps:

- (i) Sum of the significant investments in the common shares of unconsolidated financial institutions, MSAs, and DTAs (all net of associated DTLs) before deductions: $\$15 + \$7 + \$6 = \28
 - (ii) 15% of the amount from Schedule RC-R, item 12: $15\% \times \$100 = \15
 - (iii) Sum of the amounts that would have been reported in Schedule RC-R, items 13, 14, and 15, if the amounts subject to the 10% common equity tier 1 capital deduction threshold were fully phased in: \$5
 - (iv) Deduct the amount in step (iii) from the amount in step (i): $\$28 - \$5 = \$23$ (This is the amount of these three items that remains after the 10% deductions are taken.)
 - (v) Deduct the amount in step (ii) from the amount in step (iv): $\$23 - \$15 = \$8$ (This is an additional deduction that must be taken).
 - (vi) Determine the amount of the deduction for the applicable calendar year: $\$8 \times 40\%$ (amount that applies in calendar year 2015) = \$3.20
Report \$3.20 in this item 16.
- B. For report dates after January 1, 2018, calculate this item 16 as follows:

Example and a worksheet calculation:*Assumptions:*

- The amount reported in Schedule RC-R, item 12 is \$130. (This amount is common equity tier 1 after all deductions and adjustments, except for deduction of the threshold items).
- Assume that the associated DTLs are zero; also assume the following balance sheet amounts prior to deduction of these items:
 - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = \$10.
 - MSAs net of associated DTLs = \$20
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = \$30.

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(cont.)

(1)	Aggregate amount of threshold items before deductions Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, item 13, step 1);	\$10
	b. MSAs net of associated DTLs (Schedule RC-R, item 14, step 1); and	\$20
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, item 15, step 1).	\$30
	d. Total of a, b, and c:	\$60
(2)	The 10 percent common equity tier 1 capital deduction threshold	
	Multiply the amount reported in Schedule RC-R, item 12 by 10 percent.	$\$130 \times 10\% = \13
(3)	Amount of threshold items deducted as a result of the 10 percent common equity tier 1 capital deduction threshold	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs (as reported in Schedule RC-R, item 13)	\$0
	b. MSAs net of associated DTLs (as reported in Schedule RC-R, item 14)	$\$20 - \$13 = \$7$
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs (as reported in Schedule RC-R, item 15)	$\$30 - \$13 = \$17$
(4)	Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction threshold Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs that are not deducted (that is, the difference between the amount in step (1)(a) of this table and step 3(a) of this table)	\$10
	b. MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and step 3(b) of this table)	$\$20 - \$7 = \$13$
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs that are not deducted (that is, the difference between the amount in step (1)(c) of this table and step (3)(c) of this table)	$\$30 - \$17 = \$13$
	d. Total of a, b, and c	$\$10 + 13 + \$13 = \$36$

Part I. (cont.)

Item No. Caption and Instructions

16
(cont.)

(5)	The 15 percent common equity tier 1 capital deduction threshold Calculate as follows:	
	<ul style="list-style-type: none"> a. Subtract the amount calculated in step (1.d) of this table from Schedule RC-R, item 12; b. Multiply the resulting amount by 17.65% 	$(\$130 - \$60) \times 17.65\%$ $= \$12.36$ <i>Rounds to \$12</i>
(6)	Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold Report as follows:	
	<ul style="list-style-type: none"> a. If the amount in step (4.d) is greater than the amount in step (5), then subtract (5) from (4.d) and report this number in Schedule RC-R, item 16. (In addition, the institution must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.) b. If the amount in step (4.d) is less than the amount in step (5) amount, report zero in Schedule RC-R, item 16. 	<i>The amount in step (4.d) (\$36) is greater than the amount in step 3 (\$12). Therefore:</i> $\$36 - \$12 = \$24$
(7)	Advanced approaches institutions only need to complete this calculation: if the amount in step (6) is above zero, then pro-rate the threshold items' deductions as follows:	
	<ul style="list-style-type: none"> a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (6.a) by the ratio of (1.a) over (1.d). b. MSAs net of associated DTAs: multiply (6.a) by the ratio of (1.b) over (1.d). c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks: multiply (6.a) by the ratio of (1.c) over (1.d). 	<ul style="list-style-type: none"> a. $\\$12 \times (10/60) = \\2 b. $\\$12 \times (20/60) = \\4 c. $\\$12 \times (30/60) = \\$6.$

17 **LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.** Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in item 23) and tier 2 capital before deductions (reported in item 32.a) to absorb these deductions in Schedule RC-R, items 24 or 33, as appropriate. Similarly, institutions should report the total amount of any deductions to be made during the transition period pursuant to section 300(b) of the regulatory capital rules if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions or tier 2 capital before deductions to absorb these deductions.

18 **Total adjustments and deductions for common equity tier 1 capital.** Report the sum of Schedule RC-R, items 13 through 17.

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- 19 Common equity tier 1 capital.** Report Schedule RC-R, item 12 less item 18. The amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

Additional Tier 1 Capital

- 20 Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, and any other capital instrument and related surplus that satisfy all the eligibility criteria for additional tier 1 capital instruments in section 20(c) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital rules (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

- 21 Non-qualifying capital instruments subject to phase-out from additional tier 1 capital.** Report the amount of non-qualifying capital instruments that may not be included in additional tier 1 capital, as described in item 20, and that is subject to phase-out from additional tier 1 capital.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 below.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 7 may be included in tier 2 capital (in Schedule RC-R, item 28) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:

Table 7 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an institution that has \$100 in non-qualifying tier 1 instruments may include up to \$50 in additional tier 1 capital in 2017, and \$40 in 2018. If that same institution has \$100 in non-qualifying tier 2 instruments, it may include up to \$50 in tier 2 capital in 2017 and \$40 in 2018.

If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the regulatory capital rules.

Part I. (cont.)

Item No. Caption and Instructions

21 **Table 7 – Percentage of non-qualifying capital instruments includable in additional**
 (cont.) **tier 1 or tier 2 capital during the transition period**

Transition period	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital
Calendar year 2015	70
Calendar year 2016	60
Calendar year 2017	50
Calendar year 2018	40
Calendar year 2019	30
Calendar year 2020	20
Calendar year 2021	10
Calendar year 2022 and thereafter	0

22 **Tier 1 minority interest not included in common equity tier 1 capital.** Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, as described below.

For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum the results from step 10 for each consolidated subsidiary and report the aggregate number in this item 22.

For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

Example and a worksheet calculation: Calculate tier 1 minority interest not included in common equity tier 1 capital includable at the institution level as follows:

Assumptions:

- This is a continuation of the example used for common equity tier 1 minority interest from Schedule RC-R, item 4.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: \$1,000 in each case.
- Subsidiary’s tier 1 capital: \$110, which is composed of subsidiary’s common equity tier 1 capital \$80 and additional tier 1 capital of \$30.
- Subsidiary’s common equity tier 1 owned by minority shareholders: \$24.
- Subsidiary’s additional tier 1 capital owned by minority shareholders: \$15
- Other relevant numbers are taken from the example in Schedule RC-R, item 4.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Using the standardized approach, determine the standardized risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000

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(cont.)

(3)	Multiply the lower of (1) or (2) by 8.5%. ⁵	$\$1,000 \times 8.5\% = \85
(4)	Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1 and additional tier 1 minority interest (\$39 in this example) in step (9). Otherwise continue on to step (5).	\$110
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus tier 1 capital of the subsidiary.”	$\$110 - \$85 = \$25$
(6)	Determine the percent of the subsidiary’s qualifying tier 1 capital instruments that are owned by third parties (the minority shareholders).	$\$24 + 15 = \39 . Then $\$39/\$110 = 35.45\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus tier 1 minority interest of the subsidiary.”	$35.45\% \times \$25 = \8.86
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	$\$24 + \$15 = \$39$. Then $\$39 - \$8.86 = \$30.14$
(9)	The “tier 1 minority interest includable at the reporting institution’s level” is the amount from step (8) (or from step (4) when there is no surplus tier 1 minority interest of the subsidiary).	\$30.14
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from Schedule RC-R, item 4). The result is the minority interest included in additional tier 1 capital.	$\$30.14 - \21 (from example in item 4) = \$9.14.

Note: As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 would have been includable in common equity tier 1 capital. If the subsidiary in the example were not a depository institution, the full calculated amount of minority interest (\$30.14) would be includable in additional tier 1 capital of the reporting institution since none of it would have been includable in common equity tier 1 capital.

Transition provisions: If an institution has non-qualifying minority interest and/or surplus minority interest, it will report the amount includable in additional tier 1 capital in this item 22. For surplus minority interest and non-qualifying minority interest that can be included in additional tier 1 capital during the transition period, follow the transition provisions in the instructions for Schedule RC-R, item 4, after taking into consideration (that is, excluding) any amount of surplus common equity tier 1 minority interest (from step 7 of the worksheet in item 4). In the example (and assuming no outstanding amounts of non-qualifying minority interest), the institution has \$5.86 of surplus tier 1 minority interest available to be included during the transition period in additional tier 1 capital (\$8.86 (from step 7 of the worksheet in item 22) of surplus tier 1 minority interest minus \$3.00 (from step 7 of the worksheet in

⁵ The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this percentage to account for all applicable buffers.

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- 22** item 4) of common equity tier 1 minority interest). In 2015, the institution would include an
(cont.) additional \$3.52 in item 22 (60% of \$5.86) and starting in 2018 the institution would not
include any surplus minority interest in regulatory capital.
- 23** **Additional tier 1 capital before deductions.** Report the sum of Schedule RC-R, items 20,
21, and 22.
- 24** **LESS: Additional tier 1 capital deductions.** Report additional tier 1 capital deductions as
the sum of the following elements.

Note that an institution should report additional tier 1 capital deductions in item 24 irrespective of the amount of additional tier 1 capital before deductions reported in item 23. If an institution does not have a sufficient amount of additional tier 1 capital before deductions in item 23 to absorb these deductions, then the institution must deduct the shortfall from common equity tier 1 capital in Schedule RC-R, item 17. For example, if an institution reports \$0 of “Additional tier 1 capital before deductions” in item 23 and has \$100 of additional tier 1 capital deductions, the institution would report \$100 in item 24, add \$100 to the amount to be reported in item 17, and report \$0 in item 25, “Additional tier 1 capital.”

- (1) Investments in own additional tier 1 capital instruments.** Report the institution’s investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
- (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution’s internal control processes.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (2) Reciprocal cross-holdings in the capital of financial institutions.** Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

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

24 For example, if an institution is required to deduct a certain amount from additional tier 1
(cont.) capital and it does not have additional tier 1 capital, then the deduction should be from
common equity tier 1 capital in Schedule RC-R, item 17.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

As noted in the instructions for Schedule RC-R, item 11 above, an institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution. Calculate this amount as follows:

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1 capital, and tier 2 capital.
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.
- (3) If the amount in (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.
- (4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume an institution has a total of \$200 in non-significant investments (step 1), including \$60 in the form of additional tier 1 capital (step 2), and its ten percent threshold for non-significant investments is \$100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the ten percent threshold for non-significant investments by \$100 (\$200-\$100), the institution would multiply \$100 by the ratio of 60/200 (step 3). Thus, the institution would need to deduct \$30 from its additional tier 1 capital.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital. Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

(5) Other adjustments and deductions. Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings, non-significant investments in the tier 2 capital of unconsolidated financial institutions, and significant investments in the tier 2 capital of unconsolidated financial institutions).

Also include adjustments and deductions related to DTAs that arise from net operating loss and tax credit carryforwards, gain-on-sale in connection with a securitization exposure, defined benefit pension fund assets, changes in fair value of liabilities due to

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

24 changes in own credit risk, and expected credit losses during the transition period
(cont.) described in Table 4 in the instructions for Schedule RC-R, item 8.

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional Tier 1 capital the amount required by the approval order.

25 **Additional tier 1 capital.** Report the greater of Schedule RC-R, item 23 minus item 24, or zero.

Tier 1 Capital

26 **Tier 1 capital.** Report the sum of Schedule RC-R, items 19 and 25.

Tier 2 Capital

27 **Tier 2 capital instruments plus related surplus.** Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule RC, item 23; the portion of subordinated debt and limited-life preferred stock and related surplus included in Schedule RC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital instruments in section 20(d) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., trust preferred stock and cumulative perpetual preferred stock) under the primary federal supervisor's general risk-based capital rules.

28 **Non-qualifying capital instruments subject to phase-out from tier 2 capital.** Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase-out.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 in the instructions for Schedule RC-R, item 21.

29 **Total capital minority interest that is not included in tier 1 capital.** Report the amount of total capital minority interest not included in tier 1 capital, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum the results for each consolidated subsidiary and report the aggregate number in this item 29.

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

29 **Example and a worksheet calculation:** Calculate total capital minority interest that is not
(cont.) included in tier 1 capital includable at the institution level as follows:

Assumptions:

- This is a continuation of the example used in the instructions for Schedule RC-R, items 4 and 22.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: \$1,000 in each case.
- Subsidiary’s total capital: \$130, which is composed of subsidiary’s common equity tier 1 capital \$80, and additional tier 1 capital of \$30, and tier 2 capital of \$20.
- Subsidiary’s common equity tier 1 capital owned by minority shareholders: \$24.
- Subsidiary’s additional tier 1 capital owned by minority shareholders: \$15.
- Subsidiary’s total capital instruments owned by minority shareholders: \$15.
- Other relevant numbers are taken from the examples in Schedule RC-R, items 4 and 22.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Determine the lower of (1) or (2), and multiply that amount by 10.5%. ⁶	$\$1,000 \times 10.5\%$ $= \$105$
(4)	Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1, additional tier 1, and total capital minority interest (\$54 in this example) in step (9). Otherwise continue on to step (5).	\$130
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus total capital of the subsidiary.”	$\$130 - \105 $= \$25$
(6)	Determine the percent of the subsidiary’s total capital instruments that are owned by third parties (the minority shareholders).	$\$24 + \$15 +$ $\$15 = \$54.$ <i>Then</i> $\$54/\130 $= 41.54\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus total capital minority interest of the subsidiary”	$41.54\% \times \$25 =$ $\$10.39$
(8)	Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.	$\$24 + \$15 +$ $\$15 = \$54.$ <i>Then</i> $\$54 -$ $\$10.39 =$ $\$43.62.$
(9)	The “total capital minority interest includable at the institution level” is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.	\$43.62 (report the lesser of \$43.62 or \$54).
(10)	Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest not included in tier 1 capital includable in total capital.	$\$43.62 - (\21 $+ \$9.14$ (from examples in items 4 and 22)) = \$13.48.

⁶ The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this amount for all applicable buffers.

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

29
(cont.) **Transition provisions:** For surplus minority interest and non-qualifying minority interest that can be included in tier 2 capital during the transition period, follow the transition provisions in the instructions for Schedule RC-R, item 4, after taking into consideration (that is, excluding) any amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22). In the example (and assuming no outstanding amounts of non-qualifying minority interest), the institution has \$1.53 of surplus total capital minority interest available to be included during the transition period in tier 2 capital (\$10.39 (from step 7 of the worksheet in item 29) of surplus total capital minority interest minus \$8.86 (from step 7 of the worksheet in item 22) of tier 1 minority interest). In 2015, the institution would include an additional \$0.92 in item 29 (60% of \$1.53) and starting in 2018 the institution would not include any surplus minority interest in its regulatory capital. NOTE: If the amount of surplus total capital minority interest (from step 7 of the worksheet in item 29) is less than the amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22), the amount of surplus total capital minority interest available to be included during the transition period in tier 2 capital is zero.

30.a **Allowance for loan and lease losses includable in tier 2 capital.** Report the portion of the institution's allowance for loan and lease losses (ALLL) for regulatory capital purposes that is includable in tier 2 capital. None of the institution's allocated transfer risk reserve, if any, is includable in tier 2 capital.

An institution's allowance for loan and lease losses for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less Schedule RI-B, Part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, above," plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

The amount to be reported in this item is the lesser of (1) the institution's allowance for loan and lease losses for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the ALLL calculation as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule, in accordance with the applicable transition provisions. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL calculation, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.

The amount, if any, by which an institution's allowance for loan and lease losses for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL calculation (as reported in Schedule RC-R, Part II, item 26) should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." The sum of the amounts reported in Schedule RC-R, Part I, item 30.a, plus Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less Schedule RI-B, Part II, Memorandum item 1, plus Schedule RC-G, item 3.

30.b **Advanced approaches institutions that exit parallel run only: eligible credit reserves includable in tier 2 capital.** Report the amount of eligible credit reserves includable in tier 2 capital as reported in FFIEC 101, Schedule A, item 50.

Part I. (cont.)**Item No. Caption and Instructions****31 Unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital.*****(i) Institutions that entered “1” for “Yes” in Schedule RC-R, item 3.a:***

Report the pretax net unrealized holding gain (i.e., the excess of fair value as reported in Schedule RC-B, item 7, column D, over historical cost as reported in Schedule RC-B, item 7, column C), if any, on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital, subject to the limit in section 20(d) of the regulatory capital rules. The amount to be reported in this item equals 45 percent of the institution’s pretax net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.

(ii) Institutions that entered “0” for “No” in Schedule RC-R, item 3.a:**Transition provisions for phasing out unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures:**

- (1) Determine the amount of net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that an institution currently includes in tier 2 capital.
- (2) Multiply (1) by the percentage in Table 8 and include this amount in tier 2 capital.

Table 8 – Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital

Transition period	Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital
Calendar year 2015	27
Calendar year 2016	18
Calendar year 2017	9
Calendar year 2018 and thereafter	0

For example, during calendar year 2015, include up to 27 percent of net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures in tier 2 capital. During calendar years 2016, 2017, and 2018 (and thereafter), these percentages go down to 18, 9, and zero, respectively.

32.a Tier 2 capital before deductions. Report the sum of Schedule RC-R, items 27 through 30.a, plus item 31.

32.b Advanced approaches institutions that exit parallel run only: tier 2 capital before deductions. Report the sum of Schedule RC-R, items 27 through 29, plus items 30.b and 31.

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

- 33** **LESS: Tier 2 capital deductions.** Report total tier 2 capital deductions as the sum of the following elements.

Note that an institution should report tier 2 capital deductions in item 33 irrespective of the amount of tier 2 capital before deductions reported in item 32.a. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 32.a to absorb these deductions, then the institution must deduct the shortfall from additional tier 1 capital before deductions in Schedule RC-R, item 24, or, if there is not enough additional tier 1 capital before deductions, from common equity tier 1 capital in Schedule RC-R, item 17.

For example, if an institution reports \$98 of “Tier 2 capital before deductions” in item 32.a and must make \$110 in tier 2 capital deductions, the institution would report \$110 in item 33, include the additional \$12 in deductions in Schedule RC-R, item 24 (and in Schedule RC-R, item 17, in the case of insufficient “Additional tier 1 capital before deductions” in item 23 from which to make the deduction in Schedule RC-R, item 24), and report \$0 in item 34.a, “Tier 2 capital.”

In addition, advanced approaches institutions with insufficient tier 2 capital for deductions will make the following adjustments: an advanced approaches institution will make deductions on this schedule under the generally applicable rules that apply to all institutions. It will use FFIEC 101, Schedule A, to calculate its capital requirements under the advanced approaches. Therefore, in the case of an advanced approaches institution with insufficient tier 2 capital to make tier 2 deductions, it will use the corresponding deduction approach and the generally applicable rules to take excess tier 2 deductions from additional tier 1 capital in Schedule RC-R, item 24, and if necessary from common equity tier 1 capital in Schedule RC-R, item 17. It will use the advanced approaches rules to take deductions on the FFIEC 101 form.

For example, assume tier 2 capital is \$100 under the advanced approaches and \$98 under the generally applicable rules (due to the difference between the amount of eligible credit reserves includable in tier 2 capital under the advanced approaches, and ALLL includable in tier 2 capital under the standardized approach). If the required deduction from tier 2 capital is \$110, then the advanced approaches institution would add \$10 to the required additional tier 1 capital deductions (on FFIEC 101, Schedule A, item 42, and FFIEC 101, Schedule A, item 27, if necessary), and would add \$12 to its required additional tier 1 capital deductions for the calculation of the standardized approach regulatory capital ratios in this schedule (Schedule RC-R, item 24, and Schedule RC-R, item 17, if necessary).

- (1) Investments in own tier 2 capital instruments.** Report the institution’s investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

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

- 33**
(cont.) (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (2) Reciprocal cross-holdings in the capital of financial institutions.** Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (3) Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.**

Calculate this amount as follows (similar to Schedule RC-R, item 11):

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.
- (3) If (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item.
- (4) If (1) is less than the ten percent threshold for non-significant investments, enter zero.

For example, assume an institution has a total of \$200 in non-significant investments (step 1), including \$40 in the form of tier 2 capital (step 2), and its ten percent threshold for non-significant investments is \$100 (as calculated in Schedule RC-R, item 11, step 4). Since the aggregate amount of non-significant investments exceed the ten percent threshold for non-significant investments by \$100 (\$200-\$100), the institution would multiply \$100 by the ratio of 40/200 (step 3). Thus, the institution would need to deduct \$20 from its tier 2 capital.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital.** Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, item 11.

- (5) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.

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

- 34.a Tier 2 capital.** Report the greater of Schedule RC-R, item 32.a less item 33, or zero.
- 34.b Advanced approaches institutions that exit parallel run only: Tier 2 capital.** Report the greater of Schedule RC-R, item 32.b minus item 33, or zero.

Total Capital

- 35.a Total capital.** Report the sum of Schedule RC-R, items 26 and 34.a.
- 35.b Advanced approaches institutions that exit parallel run only: Total capital.** Report the sum of Schedule RC-R, items 26 and 34.b.

Total Assets for the Leverage Ratio

- 36 Average total consolidated assets.** All banks and savings associations must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.
- 37 LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.** Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, items 6, 7, 8, 10.b, 11, 13 through 17, and item 24, except any adjustments to additional tier 1 capital related to changes in the fair value of liabilities that are reported in item 24 during the transition period. Also exclude the amount reported in item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in item 24. (This is to avoid double counting.)
- 38 LESS: Other deductions from (additions to) assets for leverage ratio purposes.** Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule RC-R, item 37, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a – Defined benefit postretirement plans:

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"), the institution should adjust total assets for leverage ratio purposes 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, Part I, item 9.d) 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 applying ASC Subtopic 715-20 should be reported as an adjustment to total assets for leverage ratio purposes. For example, the derecognition of an asset recorded as an offset to

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

38
(cont.) AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

Institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:

Available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as deductions from (additions to) assets for leverage ratio purposes the amounts needed to adjust (i) the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on fair value, and (ii) the quarterly average for available-for-sale equity securities included in Schedule RC-K, item 9, from an average based on the lower of cost or fair value to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule RC-K, item 9.

Transition provisions for institutions that do not make the AOCI opt-out election and all advanced approaches institutions – Available-for-sale securities:

Include in this item 38 the amount of deductions from (additions to) assets for leverage ratio purposes for available-for-sale debt and equity securities and deferred tax effects as determined above reduced by the appropriate percentage in Table 1 in the instructions for Schedule RC-R, item 3.a. For example, in 2015, if the amount of these deductions (additions) is a \$10,000 deduction, include \$4,000 in this item 38 [$\$10,000 - (\$10,000 \times 60\%) = \$4,000$].

Financial Subsidiaries:

If a financial subsidiary is not consolidated into the bank for purposes of the bank's balance sheet, include in this item 38 as a deduction from the bank's average total assets (as reported in Schedule RC-R, item 36) the quarterly average for the bank's ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank's average total assets reported in Schedule RC-K, item 9.

If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 38 as a deduction from the bank's average total assets (as reported in Schedule RC-R, item 36) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, item 37; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

Part I. (cont.)**Item No. Caption and Instructions****38 *Non-Includable Subsidiaries:***
(cont.)

A savings association with a non-includable subsidiary should include in this item 38 a deduction from average total assets (as reported in Schedule RC-R, item 36) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

39 Total assets for the leverage ratio. Report Schedule RC-R, Part I, item 36, less items 37 and 38.**Total Risk-Weighted Assets****40.a Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31).**40.b Advanced approaches institutions that exit parallel run only: Total risk-weighted assets using advanced approaches rule.** Report the amount from FFIEC 101, Schedule A, item 60.**Risk-Based Capital Ratios****41 Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: Divide Schedule RC-R, Part I, item 19 by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 19 by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

42 Tier 1 capital ratio. Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: Divide Schedule RC-R, Part I, item 26 by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 26 by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

43 Total capital ratio. Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: Divide Schedule RC-R, Part I, item 35.a by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 35.b by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

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

- 44** **Tier 1 leverage ratio.** Report the institution's tier 1 leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 39.
- 45** **Advanced approaches institutions only: Supplementary leverage ratio information.** Report in the appropriate subitem the institution's total leverage exposure and the supplementary leverage ratio. Advanced approaches institutions must complete items 45.a and 45.b even if they are in the parallel run process.
- 45.a** **Total leverage exposure.** Report the institution's total leverage exposure as measured in accordance with section 10(c)(4) of the regulatory capital rules.
- 45.b** **Supplementary leverage ratio.** Report the institution's supplementary leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26, "Tier 1 capital," by Schedule RC-R, Part I, item 45.a, "Total leverage exposure."

Capital Buffer

- 46** **Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments:**

For all institutions: Transition provisions for the capital conservation buffer: In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

The amount reported in Schedule RC-R, Part I, item 46.a must be greater than the following phased-in capital conservation buffer in Table 10 (plus any other applicable capital buffers if the institution is an advanced approaches institution). Otherwise, the institution will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule RC-R, Part I, items 47 and 48.

Table 10 – Transition provisions for the capital conservation buffer

Transition Period	Applicable required capital conservation buffer percentage above which institutions avoid limitations on distributions and certain discretionary bonus payments ⁷
Calendar year 2016	0.6250
Calendar year 2017	1.2500
Calendar year 2018	1.8750
Calendar year 2019 and thereafter	2.5000

⁷ Advanced approaches institutions, including those that have not exited parallel run, will need to consult the regulatory capital rules for the transition period if the countercyclical buffer is in place or if the institution is subject to countercyclical buffers in other jurisdictions. Starting on the March 31, 2016, report date, any countercyclical buffer amount applicable to an advanced approaches institution should be added to the amount applicable in Table 10, in order for that institution to determine if it will need to complete Schedule RC-R, Part I, items 47 and 48.

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

- 46.a Capital conservation buffer.** Report the institution's capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of the following ratios:

For all institutions, except advanced approaches institutions that exit parallel run:

- (1) Schedule RC-R, Part I, item 41, column A, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
- (2) Schedule RC-R, Part I, item 42, column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
- (3) Schedule RC-R, Part I, item 43, column A, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

For advanced approaches institutions that exit parallel run only:

- (1) The lower of Schedule RC-R, Part I, item 41, column A and column B, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
- (2) The lower of Schedule RC-R, Part I, item 42, column A and column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
- (3) The lower of Schedule RC-R, Part I, item 43, column A and column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

- 46.b Advanced approaches institutions that exit parallel run only: Total applicable capital buffer.** Report the total applicable capital buffer, as reported in FFIEC 101, Schedule A, item 64.

NOTE: Starting on the March 31, 2016, report date, institutions must complete Schedule RC-R, Part I, items 47 and 48, if the amount reported in Schedule RC-R, Part I, item 46.a, is less than or equal to the applicable required minimum capital conservation buffer described above in Table 10 in the instructions for Schedule RC-R, Part I, item 46 (plus any other applicable capital buffers if the institution is an advanced approaches institution).

- 47 Eligible retained income.** Report the amount of eligible retained income as the net income attributable to the institution for the four calendar quarters preceding the current calendar quarter, based on the institution's most recent quarterly Call Report or Reports, as appropriate, net of any distributions and associated tax effects not already reflected in net income. (See the instructions for Schedule RC-R, Part I, item 48, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For example, the amount of eligible retained income to be reported in this item 47 for the March 31, 2016, report date would be based on the net income attributable to the institution for the four calendar quarters ending on December 31, 2015. This net income amount would equal the net income attributable to the institution most recently reported in Schedule RI, item 14, for December 31, 2015 (i.e., after adjustments for amended Reports of Income).

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

47
(cont.) This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income; the resulting amount would be the eligible retained income to be reported in this item 47. Thus, if the institution had declared dividends on its common stock during each calendar quarter in 2015 and had no other distributions during 2015, the institution would reduce its net income amount by the total amount of the dividends declared in 2015 and report the resulting amount as its eligible net income in this item 47.

As an additional example, the amount of eligible retained income to be reported in this item 47 for the June 30, 2016, report date would be based on the net income attributable to the institution for the four calendar quarters ending on March 31, 2016. This net income amount would be calculated by:

- (1) Subtracting the net income attributable to the institution most recently reported in Schedule RI, item 14, for March 31, 2015 (i.e., after adjustments for amended Reports of Income), from the net income attributable to the institution most recently reported in Schedule RI, item 14, for December 31, 2015 (i.e., after adjustments for amended Reports of Income), and
- (2) Adding the result from (1) above to the net income attributable to the institution most recently reported in Schedule RI, item 14, for March 31, 2016 (i.e., after adjustments for amended Reports of Income).

This net income amount would next be reduced by any distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution's common stock between April 1, 2015, and March 31, 2016); the resulting amount would be the eligible retained income to be reported in this item 47.

48 **Distributions and discretionary bonus payments during the quarter.** Report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

As defined in section 2 of the regulatory capital rules, "distribution" means:

- (1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
 - (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
 - (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;
- (2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;
- (3) A dividend declaration or payment on any tier 1 capital instrument;
- (4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or
- (5) Any similar transaction that the institution's primary federal regulator determines to be in substance a distribution of capital.

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

48 As defined in section 2 of the regulatory capital rules, “discretionary bonus payment” means a
(cont.) payment made to an executive officer of an institution, where:

- (1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;
- (2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and
- (3) The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, “executive officer” means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.