

FFIEC 031 AND FFIEC 041

CALL REPORT

INSTRUCTION BOOK UPDATE

MARCH 2018

FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 031 and FFIEC 041 Call Reports is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income* (FFIEC 031 and FFIEC 041) and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book for the FFIEC 031 and FFIEC 041 Call Reports.

Remove Pages

RI-5 – RI-8b (3-17)
RI-12a – RI-18 (6-12, 3-17)
RI-23 – RI-26 (3-17)
RI-D-1 – RI-D-2 (9-16)
RC-3 – RC-10 (3-16, 9-16, 3-17)
RC-B-9 – RC-B-10 (3-14)
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Insert Pages

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FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- 1.a.(1)(e) **Interest and fee income on loans to foreign governments and official institutions.** Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, Part I, item 7, "Loans to foreign governments and official institutions."
- 1.a.(5) 1.a.(1)(f) **Interest and fee income on all other loans.** On the FFIEC 041, report interest, fees, and similar charges levied against or associated with loans reportable in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," item 3, "Loans to finance agricultural production and other loans to farmers," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Loans to nondepository financial institutions and other loans."
- On the FFIEC 031, report interest, fees, and similar charges levied against or associated with loans in domestic offices reportable in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks," item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and item 9, "Loans to nondepository financial institutions and other loans."
- 1.a.(2) **Interest and fee income on loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report all interest, fees, and similar charges levied against or associated with all loans in foreign offices, Edge and Agreement subsidiaries, and IBFs reportable in Schedule RC-C, Part I, items 1 through 9.
- 1.a.(6) 1.a.(3) **Total interest and fee income on loans.** On the FFIEC 041, report the sum of items 1.a.(1) through 1.a.(5) in item 1.a.(6). On the FFIEC 031, report the sum of items 1.a.(1)(a) through 1.a.(2) in item 1.a.(3).

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Item No. Caption and Instructions

- 1.b **Income from lease financing receivables.** Report all income from direct financing and leveraged leases reportable in Schedule RC-C, Part I, item 10, "Lease financing receivables (net of unearned income)." (See the Glossary entry for "lease accounting.")
- Exclude from income from lease financing receivables:
- (1) Any investment tax credit associated with leased property (include in Schedule RI, item 9, "Applicable income taxes (on item 8.c)").
 - (2) Provision for possible losses on leases (report in Schedule RI, item 4, "Provision for loan and lease losses").
 - (3) Rental fees applicable to operating leases for furniture and equipment rented to others (report as "Other noninterest income" in Schedule RI, item 5.l).
- 1.c **Interest income on balances due from depository institutions.** Report all income on assets reportable in Schedule RC, item 1.b, "Interest-bearing balances due from depository institutions," including interest-bearing balances maintained to satisfy reserve balance requirements, excess balances, and term deposits due from Federal Reserve Banks. Include interest income earned on interest-bearing balances due from depository institutions that are reported at fair value under a fair value option.

Item No. Caption and Instructions

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

For institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RI, item 8.b), also include dividend income on equity securities with readily determinable fair values not held for trading that are reportable in Schedule RC, item 2.c.

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

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

Do not deduct accrued interest included in the purchase price of securities from income on securities and do not charge to expense. Record such interest in a separate asset account (to be reported in Schedule RC, item 11, "Other assets") to be offset upon collection of the next interest payment.

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

Exclude from interest and dividend income on securities:

- (1) Realized gains (losses) on held-to-maturity securities and on available-for-sale securities (report in Schedule RI, items 6.a and 6.b, respectively).
- (2) Net unrealized holding gains (losses) on available-for-sale securities (include the amount of such net unrealized holding gains (losses) in Schedule RC, item 26.b, "Accumulated other comprehensive income," and the calendar year-to-date change in such net unrealized holding gains (losses) in Schedule RI-A, item 10, "Other comprehensive income").
- (3) For institutions that have adopted ASU 2016-01, realized and unrealized gains (losses) on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b).
- (4) Income from advances to, or obligations of, majority-owned subsidiaries not consolidated, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report as "Noninterest income" in the appropriate subitem of Schedule RI, item 5).

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

Item No. **Caption and Instructions**

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

1.d.(3) **Interest and dividend income on all other securities.** Report income from all securities reportable in Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.," item 5, "Asset-backed securities and structured financial products," and item 6, "Other debt securities." For institutions that have not adopted ASU 2016-01, include income from all securities reportable in Schedule RC-B, item 7, "Investments in mutual funds and other equity securities with readily determinable fair values." For institutions that have adopted ASU 2016-01, include income from all securities reportable in Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading."

Exclude from interest and dividend income on all other securities:

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

NOTE: Item 1.e is not applicable to banks filing the FFIEC 041 report form.

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

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

Exclude gains (losses) on and fees from trading assets, which should be reported in Schedule RI, item 5.c, "Trading revenue." Also exclude revaluation adjustments from the periodic marking to market of derivative contracts held for trading purposes, which should be reported as trading revenue in Schedule RI, item 5.c. The effect of the periodic net settlements on these derivative contracts should be included as part of the revaluation adjustments from the periodic marking to market of the contracts.

1.f **Interest income on federal funds sold and securities purchased under agreements to resell.** Report the gross revenue from assets reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell." Include interest income earned on federal funds sold and securities purchased under agreements to resell that are reported at fair value under a fair value option.

Report the expense of federal funds purchased and securities sold under agreements to repurchase in Schedule RI, item 2.b; do not deduct from the gross revenue reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

Item No. Caption and Instructions

- 1.g** **Other interest income.** Report interest and dividend income on assets other than those assets properly reported in Schedule RC, items 1 through 5. Include interest income on receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans that are reportable in Schedule RC-F, item 6. Include dividend income on "Equity investments without readily determinable fair values" that are reportable in Schedule RC-F, item 4. Also include interest income on interest-only strips receivable (not in the form of a security) that are reportable in Schedule RC-F, item 3. However, exclude interest and dividends on venture capital investments (loans and securities), which should be reported in item 5.e, below.

On the FFIEC 041, include interest income on trading assets that are reportable in Schedule RC, item 5, including accretion of discount on assets held for trading that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper. However, exclude gains (losses) on and fees from trading assets, which, on the FFIEC 041, should be reported as trading revenue in Schedule RI, item 5.I, "Other noninterest income."

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

2 **Interest expense:**

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

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

Include as interest expense on the appropriate category of deposits finders' fees, brokers' fees, and other fees related to any type of interest-bearing brokered deposit account (e.g., money market deposit accounts) that represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. If these fees are paid in advance and are material, they should be capitalized and amortized over the term of the related deposits. However, exclude fees levied by brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on brokered deposits (e.g., flat fees to administer the account) (report such fees in Schedule RI, item 7.d, "Other noninterest expense").

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

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

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<u>Item No.</u>	<u>Item No.</u>	<u>Caption and Instructions</u>
-	2.a.(1)	<u>Interest on deposits in domestic offices:</u>
2.a.(1)	2.a.(1)(a)	<u>Interest on transaction accounts.</u> Report interest expense on all interest-bearing transaction accounts (interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) reportable in Schedule RC-E, (part I,) items 1 through 6, column A, "Total transaction accounts." Exclude all costs incurred by the bank in connection with noninterest-bearing demand deposits. See the Glossary entry for "deposits" for the definitions of "interest-bearing deposit accounts," "demand deposits," "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."
2.a.(2)	2.a.(1)(b)	<u>Interest on nontransaction accounts.</u> Report in the appropriate subitem interest expense on all deposits reportable in Schedule RC-E, (part I,) items 1 through 6, column C, "Total nontransaction accounts."
2.a.(2)(a)	2.a.(2)(b)(1)	<u>Interest on savings deposits.</u> Report interest expense on all deposits reportable in Schedule RC-E, (Part I,) Memorandum item 2.a.(1), "Money market deposit accounts (MMDAs)," and Memorandum item 2.a.(2), "Other savings deposits."
2.a.(2)(b)	2.a.(1)(b)(2)	<u>Interest on time deposits of \$250,000 or less.</u> Report interest expense on all deposits reportable in Schedule RC-E, (Part I,) Memorandum item 2.b, "Total time deposits of less than \$100,000," and Memorandum item 2.c, "Total time deposits of \$100,000 through \$250,000."
2.a.(2)(c)	2.a.(1)(b)(3)	<u>Interest on time deposits of more than \$250,000.</u> Report interest expense on all deposits reportable in Schedule RC-E, (Part I,) Memorandum item 2.d, "Total time deposits of more than \$250,000."
-	2.a.(2)	<u>Interest on deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.</u> Report interest expense on all deposits in foreign offices reportable in Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

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<u>Item No.</u>	<u>Caption and Instructions</u>
2.b	<u>Expense of federal funds purchased and securities sold under agreements to repurchase.</u> Report the <u>gross</u> expense of all liabilities reportable in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase." Include interest expense incurred on federal funds purchased and securities sold under agreements to repurchase that are reported at fair value under a fair value option.

Report the income of federal funds sold and securities purchased under agreements to resell in Schedule RI, item 1.f; do not deduct from the gross expense reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

Item No. Caption and Instructions

- 2.c Interest on trading liabilities and other borrowed money.** Report the interest expense on all liabilities reportable in Schedule RC, item 15, "Trading liabilities," and item 16, "Other borrowed money." Include interest expense incurred on other borrowed money reported at fair value under a fair value option.

Include amortization of debt issuance costs associated with other borrowed money (unless the borrowed money reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).

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

Include amortization of debt issuance costs associated with subordinated notes and debentures (unless the notes and debentures are reported at fair value under a fair value option, in which case issuance costs should be expensed as incurred).

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

- 2.e Total interest expense.** Report the sum of Schedule RI, items 2.a through 2.d.

- 3 Net interest income.** Report the difference between Schedule RI, item 2.e, "Total interest expense," and Schedule RI, item 1.h, "Total interest income." If the amount is negative, report it with a minus (-) sign.

- 4 Provision for loan and lease losses.** Report the amount needed to make the allowance for loan and lease losses, as reported in Schedule RC, item 4.c, adequate to absorb estimated credit losses, based upon management's evaluation of the reporting institution's loans and leases held for investment, excluding such loans and leases reported at fair value under a fair value option. Loans and leases held for investment are those that the reporting institution has the intent and ability to hold for the foreseeable future or until maturity or payoff. Also include in this item any provision for allocated transfer risk related to loans and leases. The amount reported in this item must equal Schedule RI-B, Part II, item 5, "Provision for loan and lease losses." Report negative amounts with a minus (-) sign.

Exclude any provision for credit losses on off-balance sheet credit exposures, which should be reported in Schedule RI, item 7.d, "Other noninterest expense."

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

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

Item No. Caption and Instructions

5.f Net servicing fees. Report income from servicing real estate mortgages, credit cards, and other financial assets held by others. Report any premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loans. For servicing assets and liabilities measured under the amortization method, banks should report servicing income net of the related servicing assets' amortization expense, include impairments recognized on servicing assets, and also include increases in servicing liabilities recognized when subsequent events have increased the fair value of the liability above its carrying amount. For servicing assets and liabilities remeasured at fair value under the fair value option, include changes in the fair value of these servicing assets and liabilities. For further information on servicing, see the Glossary entry for "servicing assets and liabilities."

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

Exclude income from servicing securitized assets (report in Schedule RI, item 5.f, above), fee income from the placement of commercial paper (report in Schedule RI, item 5.d.(2), above), and income from seller's interests and residual interests retained by the bank (report in the appropriate subitem of Schedule RI, item 1, "Interest income"). Also exclude net gains (losses) on loans sold to – and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale to – a government-sponsored agency or another institution that in turn securitizes the loans (report in Schedule RI, item 5.i, "Net gains (losses) on sales of loans and leases").

5.h Not applicable.

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

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

5.k Net gains (losses) on sales of other assets. Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI). Include net gains (losses) on sales and other disposals of premises

Item No. Caption and Instructions

5.k
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and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets.

For institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities (see the Note preceding the instructions for Schedule RI, item 8.b), also include net gains (losses) on sales of, and other-than-temporary impairment losses on, equity investments without readily determinable fair values not held for trading. Do not include net gains (losses) on sales and other disposals of held-to-maturity securities, available-for-sale securities, loans and leases (either directly or through securitization), trading assets, and other real estate owned (report these net gains (losses) in the appropriate items of Schedule RI).

For institutions that have adopted ASU 2016-01, do not include:

- (1) Unrealized holding gains (losses) on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings.
- (2) Impairment, if any, plus or minus changes resulting from observable price changes on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement election is made.

These amounts should be reported in Schedule RI, item 8.b. Also do not include net gains (losses) on sales and other disposals of held-to-maturity securities, available-for-sale debt securities, equity securities with readily determinable fair values not held for trading, loans and leases (either directly or through securitization), trading assets, and other real estate owned (report these net gains (losses) in the appropriate items of Schedule RI).

5.I Other noninterest income. Report all operating income of the bank for the calendar year to date not required to be reported elsewhere in Schedule RI.

Disclose in Schedule RI-E, items 1.a through 1.I, each component of other noninterest income, and the dollar amount of such component, that is greater than \$100,000 and exceeds 3 percent of the other noninterest income reported in this item. If net losses have been reported in this item for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than \$100,000 and exceeds 3 percent of "Other noninterest income" and should be reported in Schedule RI-E, item 1. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.)

For each component of other noninterest income that exceeds the disclosure threshold in the preceding paragraph and for which a preprinted caption has not been provided in Schedule RI-E, items 1.a through 1.i, describe the component with a clear but concise caption in Schedule RI-E, items 1.j through 1.l. These descriptions should not exceed 50 characters in length (including spacing between words).

For disclosure purposes in Schedule RI-E, items 1.a through 1.i, when components of "Other noninterest income" reflect a single credit for separate "bundled services" provided through third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

Item No. Caption and Instructions

5.I Include as other noninterest income:
(cont.)

- (1) Service charges, commissions, and fees for such services as:
 - (a) The rental of safe deposit boxes. (Report the amount of such fees in Schedule RI-E, item 1.e, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
 - (b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Schedule RI, item 5.a, "Income from fiduciary activities").
 - (c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks.
 - (d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange.
 - (e) The redemption of U.S. savings bonds.
 - (f) The handling of food stamps.
 - (g) The execution of acceptances and the issuance of commercial letters of credit, standby letters of credit, deferred payment letters of credit, and letters of credit issued for cash or its equivalent. Exclude income on bankers acceptances and trade acceptances (report such income in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans," for acceptances held for investment or held for sale, and in Schedule RI, item 1.e, "Interest income from trading assets," on the FFIEC 031, or item 1.g, "Other interest income," for acceptances held for trading).
 - (h) The notarizing of forms and documents.
 - (i) The negotiation or management of loans from other lenders for customers or correspondents.
 - (j) The providing of consulting and advisory services to others. Exclude income from investment advisory services, which is to be reported in Schedule RI, item 5.d.(2).
 - (k) The use of the bank's automated teller machines or remote service units by depositors of other depository institutions. (Report the amount of such income and fees in Schedule RI-E, item 1.c, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
 - (l) Wire transfer services, except for wire transfers for which service charges or fees are levied on deposit accounts of the institution's depositors, for which the income is to be reported in Schedule RI, item 5.b, "Service charges on deposit accounts." (Report the amount of income and fees from wire transfers in Schedule RI-E, item 1.i, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
- (2) Income and fees from the sale and printing of checks. (Report the amount of such income and fees in Schedule RI-E, item 1.a, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
- (3) Gross rentals and other income from all real estate reportable in Schedule RC, item 7, "Other real estate owned." (Report the amount of such income in Schedule RI-E, item 1.d, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
- (4) Earnings on or other increases in the value of the cash surrender value of bank-owned life insurance policies. (Report the amount of such earnings or other increases in Schedule RI-E, item 1.b, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
- (5) Annual or other periodic fees paid by holders of credit cards issued by the bank. Fees that are periodically charged to cardholders shall be deferred and recognized on a straight-line basis over the period the fee entitles the cardholder to use the card.

Item No. Caption and Instructions

- 5.I**
(cont.)
- (6) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books. Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.
 - (7) Interchange fees earned from bank card and credit card transactions. (Report the amount of such fees in Schedule RI-E, item 1.g, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.I.)
 - (8) Gross income received for performing data processing services for others. Do not deduct the expense of performing such services for others (report in the appropriate items of noninterest expense).
 - (9) Loan commitment fees that are recognized during the commitment period (i.e., fees retrospectively determined and fees for commitments where exercise is remote) or included in income when the commitment expires and loan syndication fees that are not required to be deferred. Refer to the Glossary entry for "loan fees" for further information.
 - (10) On the FFIEC 031 only, service charges on deposit accounts in foreign offices.
 - (11) Net tellers' overages (shortages), net recoveries (losses) on forged checks, net recoveries (losses) on payment of checks over stop payment orders, and similar recurring operating gains (losses) of this type. Banks should consistently report these gains (losses) either in this item or in Schedule RI, item 7.d.
 - (12) Net gains (losses) from the sale or other disposal of branches (i.e., where the reporting bank sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.
 - (13) Net gains (losses) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d.
 - (14) Rental fees applicable to operating leases for furniture and equipment rented to others.
 - (15) Interest received on tax refunds.
 - (16) Life insurance proceeds on policies for which the bank is the beneficiary.
 - (17) Credits resulting from litigation or other claims.
 - (18) Portions of penalties for early withdrawals of time deposits that exceed the interest accrued or paid on the deposit to the date of withdrawal, if material. Penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal are a reduction of interest expense and should be deducted from the gross interest expense of the appropriate category of time deposits in Schedule RI, item 2.a, "Interest on deposits."

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- 5.l** (19) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before discontinued operations from its investments in:
- (cont.) • unconsolidated subsidiaries,
- associated companies,
- corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence, and
- noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting") other than those that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities; venture capital activities; insurance and reinsurance underwriting activities; or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1), 5.d.(2), 5.d.(3), 5.d.(4), 5.d.(5), and 5.e, respectively). Exclude the bank's proportionate share of the results of discontinued operations of these entities (report in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes").
- (20) Net gains (losses) on derivative instruments held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities"). Institutions should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d. For further information, see the Glossary entries for "derivative contracts" and "trading account."
- (21) Gross income generated by securities contributed to charitable contribution Clifford Trusts.
- (22) Income from ground rents and air rights.
- (23) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10.b, "Other intangible assets," and Schedule RC, item 20, "Other liabilities," respectively, and assets and liabilities reported in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15, "Trading liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value. Exclude interest income earned and interest expense incurred on financial assets and liabilities reported at fair value under a fair value option, which should be reported in the appropriate interest income or interest expense items on Schedule RI. (Report the net change in the fair value of fair value option financial instruments in Schedule RI-E, item 1.f, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)
- (24) Gains on bargain purchases recognized and measured in accordance with ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations"). (Report the amount of such gains in Schedule RI-E, item 1.h, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 5.l.)
- 5.m** **Total noninterest income.** Report the sum of items 5.a through 5.l.

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- 6.a Realized gains (losses) on held-to-maturity securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Also include in this item other-than-temporary impairment losses on individual held-to-maturity securities that must be recognized in earnings. For further information on the accounting for impairment of held-to-maturity securities, see the Glossary entry for "securities activities." If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

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

- 6.b Realized gains (losses) on available-for-sale securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.b, "Available-for-sale securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Also include in this item other-than-temporary impairment losses on individual available-for-sale securities that must be recognized in earnings. For further information on the accounting for impairment of available-for-sale securities, see the Glossary entry for "securities activities." If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

For institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RI, item 8.b), include realized gains (losses) only on available-for-sale debt securities in item 6.b. Report realized and unrealized gains (losses) during the year-to-date reporting period on equity securities with readily determinable fair values not held for trading in Schedule RI, item 8.b.

Exclude from this item:

- (1) (a) For institutions that have not adopted ASU 2016-01, the change in net unrealized holding gains (losses) on available-for-sale debt and equity securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").
 - (b) For institutions that have adopted ASU 2016-01, the change in net unrealized holding gains (losses) on available-for-sale debt securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").
- (2) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a, above) and on trading securities (report in Schedule RI, item 5.c, "Trading revenue").

7 Noninterest expense:

- 7.a Salaries and employee benefits.** Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). Include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the

Item No. **Caption and Instructions**

7.a compensation component of other intercompany cost allocations arising from arrangements
(cont.) other than that described in the preceding sentence for purposes of this item.

Include as salaries and employee benefits:

- (1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation.
- (2) Social security taxes and state and federal unemployment taxes paid by the bank.
- (3) Contributions to the bank's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan.
- (4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the bank is not the beneficiary.
- (5) Cost of office temporaries whether hired directly by the bank or through an outside agency.
- (6) Workmen's compensation insurance premiums.
- (7) The net cost to the bank for employee dining rooms, restaurants, and cafeterias.
- (8) Accrued vacation pay earned by employees during the calendar year-to-date.
- (9) The cost of medical or health services, relocation programs and reimbursements of moving expenses, tuition reimbursement programs, and other so-called fringe benefits for officers and employees.
- (10) Compensation expense (service component and interest component) related to deferred compensation agreements.

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

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

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

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

Include as expenses of premises and fixed assets:

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

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- 7.d**
(cont.) an accrual basis and reported in this item as "Other noninterest expense." An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in Schedule RI, item 5.a, "Income from fiduciary activities," in the current or future periods when the "fee reduction" or "fee waiver" takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.) For institutions required to complete Schedule RC-T, item 24, the amount of net losses from fiduciary and related services also is reported in that item.
- (26) Losses from robberies, defalcations, and other criminal acts not covered by the bank's blanket bond.
- (27) Travel and entertainment expenses, including costs incurred by bank officers and employees for attending meetings and conventions.
- (28) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.
- (29) Civil money penalties and fines.
- (30) All service charges, commissions, and fees levied by others for the repossession of assets and the collection of the bank's loans or other assets, including charged-off loans or other charged-off assets.
- (31) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.I.
- (32) Expenses related to the testing and training of officers and employees.
- (33) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.
- (34) Depreciation expense of furniture and equipment rented to others under operating leases.
- (35) Cost of checks provided to depositors.
- (36) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Cost of Computer Software to Be Sold, Leased, or Otherwise Marketed").
- (37) Provision for credit losses on off-balance sheet credit exposures.
- (38) Net losses (gains) from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances. However, if a bank's debt extinguishments normally result in net gains over time, then the bank should consistently report its net gains (losses) in Schedule RI, item 5.I, "Other noninterest income."

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7.d
(cont.) (39) Automated teller machine (ATM) and interchange expenses from bank card and credit card transactions. (Report the amount of such expenses in Schedule RI-E, item 2.j, if this amount is greater than \$100,000 and exceeds 3 percent of the amount reported in Schedule RI, item 7.d.)

Exclude from other noninterest expense:

- (1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures using the effective interest method and report the expense in Schedule RI, item 2.d, "Interest on subordinated notes and debentures"). For further information, see the Glossary entry for "Debt issuance costs."
- (2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net").
- (3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets").
- (4) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in Schedule RI, item 6.a, "Realized gains (losses) on held-to-maturity securities," and item 6.b, "Realized gains (losses) on available-for-sale securities," respectively).
- (5) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option. Banks should report these net decreases (increases) in fair value on trading assets and liabilities in Schedule RI, item 5.c; on servicing assets and liabilities in Schedule RI, item 5.f; and on other financial assets and liabilities in Schedule RI, item 5.l. Interest income earned and interest expense incurred on these financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule RI.

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

8.a **Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations.** Report the institution's pretax income from continuing operations before unrealized holding gains (losses) on equity securities not held for trading. This amount is determined by taking item 3, "Net interest income," minus item 4, "Provision for loan and lease losses," plus item 5.m, "Total noninterest income," plus item 6.a, "Realized gains (losses) on held-to-maturity securities," plus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.e, "Total noninterest expense." If the result is negative, report it with a minus (-) sign.

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NOTE: Item 8.b is to be completed only by institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Institutions that have not adopted ASU 2016-01 should leave item 8.b blank and report their unrealized gains (losses) on available-for-sale equity securities during the year-to-date reporting period in Schedule RI-A, item 10, "Other comprehensive income."

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

- 8.b Unrealized holding gains (losses) on equity securities not held for trading.** Report unrealized holding gains (losses) during the year-to-date reporting period on equity securities with readily determinable fair values not held for trading. Include unrealized holding gains (losses) during the year-to-date reporting period on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings. Also include impairment, if any, plus or minus changes resulting from observable price changes during the year-to-date reporting period on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement election is made.

Include realized gains (losses) on equity securities and other equity investments during the year-to-date reporting period. A realized gain (loss) arises if an institution sells an equity security or other equity investment, but had not yet recorded in earnings the change in value to the point of sale since the last value change was recorded.

- 8.c Income (loss) before applicable income taxes and discontinued operations.** Report the institution's pretax income from continuing operations as the sum of Schedule RI, item 8.a, "Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations," and Schedule RI, item 8.b, "Unrealized holding gains (losses) on equity securities not held for trading." If the amount is negative, report it with a minus (-) sign.
- 9 Applicable income taxes (on item 8.c).** Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8.c, "Income (loss) before applicable income taxes and discontinued operations." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report it with a minus (-) sign.

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9
(cont.) Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts (report such taxes in Schedule RI, item 7.d, "Other noninterest expense").

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

Include the tax benefit of an operating loss carryforward or carryback for which the source of the income or loss in the current year is reported in Schedule RI, item 8.a, "Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations."

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

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

- (1) Schedule RI, item 11, "Discontinued operations, net of applicable income taxes."
- (2) Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors."
- (3) Schedule RI-A, item 10, "Other comprehensive income."

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

10 **Income (loss) before discontinued operations.** Report Schedule RI, item 8.c, "Income (loss) before applicable income taxes and discontinued operations," minus Schedule RI, item 9, "Applicable income taxes (on item 8.c)." If the amount is negative, report it with a minus (-) sign.

11 **Discontinued operations, net of applicable income taxes.** Report the results of discontinued operations, if any, net of applicable income taxes, as determined in accordance with the provisions of ASC Subtopic 205-20, Presentation of Financial Statements – Discontinued Operations (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets"). If the amount reported in this item is a net loss, report it with a minus (-) sign. State the dollar amount of the results of, and describe each of, the reporting institution's discontinued operations included in this item and the applicable income tax effect in Schedule RI-E, item 3.

12 **Net income (loss) attributable to bank and noncontrolling (minority) interests.** Report the sum of Schedule RI, items 10 and 11. If this amount is a net loss, report it with a minus (-) sign.

13 **LESS: Net income (loss) attributable to noncontrolling (minority) interests.** Report that portion of consolidated net income reported in Schedule RI, item 12, above, attributable to noncontrolling interests in consolidated subsidiaries of the bank. A noncontrolling interest, also called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. If the amount reported in this item is a net loss, report it with a minus (-) sign.

14 **Net income (loss) attributable to bank.** Report Schedule RI, item 12, less item 13. If this amount is a net loss, report it with a minus (-) sign.

Memoranda

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

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

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

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

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

2 Income from the sale and servicing of mutual funds and annuities (in domestic offices). Memorandum item 2 is to be completed by banks with \$1 billion or more in total assets.

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

Include in this item:

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

SCHEDULE RI-D – INCOME FROM FOREIGN OFFICES

General Instructions

Schedule RI-D is applicable only to certain banks that file the FFIEC 031 report forms.

Banks with foreign offices are required to complete this schedule if their foreign office assets, revenues, or net income account for more than 10 percent of the bank's consolidated total assets, total revenues, or net income; otherwise, banks need not complete this schedule. Banks should use foreign office and consolidated total revenues (net interest income plus noninterest income) and net income from the preceding calendar year and foreign office and consolidated total assets as of the preceding calendar year end when determining whether they exceed the 10 percent threshold for completing this schedule each quarter during the next calendar year.

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

Banks that are required to complete Schedule RI-D should report all income and expense in foreign offices and related amounts for the calendar year-to-date. Amounts should be reported in this schedule (except items 7, 11, and 12) on a foreign office consolidated basis, i.e., before eliminating the effects of transactions with domestic offices, but after eliminating the effects of transactions between foreign offices. For the most part, the income and expense items in Schedule RI-D mirror categories of income and expense reported in Schedule RI. Therefore, where appropriate, banks should refer to the instructions for Schedule RI for the definitions of the income and expense items in this schedule.

Item Instructions

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- 1 **Total interest income in foreign offices.** Report total interest income (as defined for Schedule RI, item 1.h) in foreign offices, including fees and similar charges associated with foreign office assets.
- 2 **Total interest expense in foreign offices.** Report total interest expense (as defined for Schedule RI, item 2.e) on deposits, borrowings, and other liabilities in foreign offices.
- 3 **Provision for loan and lease losses in foreign offices.** Report the provision for loan and lease losses (as defined for Schedule RI, item 4) in foreign offices. If the amount to be reported in this item is negative, report it with a minus (-) sign.
- 4 **Noninterest income in foreign offices:**
- 4.a **Trading revenue.** Report trading revenue (as defined for Schedule RI, item 5.c) in foreign offices, including the net gain or loss from trading cash instruments and derivative contracts (including commodity contracts), related revaluation adjustments, and incidental income that has been recognized in foreign offices. If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

- | Item No. | Caption and Instructions |
|-----------------|--|
| 4.b | <u>Investment banking, advisory, brokerage, and underwriting fees and commissions.</u>
Report investment banking, advisory, brokerage and underwriting fees and commissions (as defined for Schedule RI, items 5.d.(1) and 5.d.(2)) in foreign offices. |
| 4.c | <u>Net securitization income.</u> Report net securitization income (as defined for Schedule RI, item 5.g) in foreign offices. If the amount to be reported in this item is a net loss, report it with a minus (-) sign. |
| 4.d | <u>Other noninterest income.</u> Report all other noninterest income (as defined for Schedule RI, items 5.a, 5.b, 5.d.(3), 5.d.(4), 5.d.(5), 5.e, 5.f, and 5.i through 5.l) in foreign offices. If the amount to be reported in this item is negative, report it with a minus (-) sign. |
| 5 | <u>Realized gains (losses) on held-to-maturity and available-for-sale securities in foreign offices.</u> Report realized gains (losses) on held-to-maturity and available-for-sale securities (as defined for Schedule RI, items 6.a and 6.b) in foreign offices.

For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding Schedule RI, item 8.b), also include the amount of realized and unrealized gains (losses) (and all other value changes) on equity securities and other equity investments in foreign offices not held for trading that is included in Schedule RI, item 8.b.

If the amount to be reported in this item is a net loss, report it with a minus (-) sign. |
| 6 | <u>Total noninterest expense in foreign offices.</u> Report total noninterest expense (as defined for Schedule RI, item 7.e) in foreign offices. |
| 7 | <u>Adjustments to pretax income in foreign offices for internal allocations to foreign offices to reflect the effects of equity capital on overall bank funding costs.</u> Report any amounts credited to estimated pretax income in foreign offices that reflects management's estimate of the effect of equity capital allocable to foreign office operations. Equity capital, which is interest-free, helps to reduce a bank's overall funding costs and increase net interest income. |
| 8 | <u>Applicable income taxes (on items 1 through 7).</u> Report the total estimated income tax expense (as defined for Schedule RI, item 9) applicable to pretax income in foreign offices. If the amount is a net benefit rather than tax expense, report it with a minus (-) sign. |
| 9 | <u>Discontinued operations, net of applicable income taxes, in foreign offices.</u> Report the results of discontinued operations, net of applicable income taxes (as defined for Schedule RI, item 11), in foreign offices. If the amount to be reported in this item is a net loss, report it with a minus (-) sign. |
| 10 | <u>Net income attributable to foreign offices before eliminations arising from consolidation.</u> The amount to be reported in this item generally will be determined by taking Schedule RI-D, item 1, minus items 2 and 3, plus items 4.a through 4.d, plus item 5, minus item 6, plus item 7, minus item 8, plus item 9. |
| 11 | Not applicable. |

Item No. **Caption and Instructions**

- 12** **Eliminations arising from the consolidation of foreign offices with domestic offices.**
Report the net effect of eliminating transactions between foreign and domestic offices of the reporting bank on net income attributable to foreign offices. If the amount to be reported in this item is a net reduction in net income attributable to foreign offices, report it with a minus (-) sign.
- 13** **Consolidated net income attributable to foreign offices.** Report the sum of Schedule RI-D, items 10 and 12.

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Item No. **Caption and Instructions**

1.a
(cont.)

Exclude from cash items in process of collection:

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

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date.

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

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

Include as noninterest-bearing balances due from depository institutions:

- (1) Noninterest-bearing balances due from the reporting bank's correspondents, including amounts that its correspondent is to pass through or already has passed through to a Federal Reserve Bank on behalf of the reporting bank (see the Glossary entry for "pass-through reserve balances" for further discussion).

Item No. Caption and Instructions

- 1.a**
(cont.)
- (2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")
- (3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "pass-through reserve balances" for further discussion).
- Exclude from noninterest-bearing balances due from depository institutions:
- (1) Balances due from Federal Reserve Banks (report as interest-bearing balances due from depository institutions in Schedule RC, item 1.b).
- (2) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks").
- (3) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

- 1.b**
- Interest-bearing balances.** Report all interest-bearing balances due from depository institutions whether in the form of demand, savings, or time balances, including certificates of deposit (CDs), even if the CDs are negotiable or have CUSIP numbers, but excluding certificates of deposit held for trading. Include balances due from Federal Reserve Banks (including balances maintained to satisfy reserve balance requirements, excess balances, and term deposits), commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Include the fair value of interest-bearing balances due from depository institutions that are accounted for at fair value under a fair value option.

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

Exclude from interest-bearing balances:

- (1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, part I, item 2).
- (2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.
- (3) Certificates of deposit held for trading (report in Schedule RC, item 5).
- (4) Investments in money market mutual funds, which, for purposes of these reports, are to be reported as investments in equity securities.

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

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

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

NOTE: Item 2.c is to be completed only by institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Institutions that have not adopted ASU 2016-01 should leave item 2.c blank and report their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in Schedule RC-B, item 7, and in Schedule RC, item 2.b.

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

2.c Equity securities with readily determinable fair values not held for trading. Report the fair value of all investments in mutual funds and other equity securities (as defined in ASC Topic 321, Investments-Equity Securities) with readily determinable fair values that are not held for trading. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

Exclude equity securities held for trading from Schedule RC, item 2.c. For purposes of the Call Report balance sheet, trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes. When an institution's holdings of equity securities with readily determinable fair values fall within the scope of the preceding description of trading activities, the equity securities should be reported as trading assets in Schedule RC, item 5. Otherwise, the equity securities should be reported in this item 2.c.

Item No. **Caption and Instructions**2.c
(cont.)

According to ASC Topic 321, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund (or in a structure similar to a mutual fund, i.e., a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

Exclude from equity securities with readily determinable fair values not held for trading:

- (1) Federal Reserve Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (2) Federal Home Loan Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (3) Common and preferred stocks without readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).
- (4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6).
- (5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).
- (6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

Item No. Caption and Instructions

- 2.c**
(cont.)
- (7) Minority interests held by the reporting institution in any companies not meeting the definition of associated company (report as equity investments without readily determinable fair values in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)
- (8) Equity holdings in those corporate joint ventures over which the reporting institution does not exercise significant influence (report as equity investments without readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)
- (9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").

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

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

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

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"). Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

- (1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 4.b, "Loans and leases held for investment").
- (2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

Item No. **Caption and Instructions**

- 3.a** (3) Deposit balances due from a Federal Home Loan Bank (report as balances due from
(cont.) depository institutions in Schedule RC, item 1.a or 1.b, as appropriate).
- (4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule RC, item 4.b, "Loans and leases held for investment").

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

3.b **Securities purchased under agreements to resell.** Report the outstanding amount of:

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

Report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"). Include the fair value of securities purchased under agreements to resell that are accounted for at fair value under a fair value option.

Exclude from this item:

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

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

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

Item No. **Caption and Instructions**

- 4.a** **Loans and leases held for sale.** Report the amount of loans and leases held for sale. Loans and leases held for sale should be reported at the lower of cost or fair value except for those loans held for sale that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. For loan and leases held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance within this item. No allowance for loan and lease losses should be included in Schedule RC, item 4.c, for loans and leases held for sale. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, part I.
- 4.b** **Loans and leases held for investment.** Report the amount of loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans held for investment. Include loans held for investment that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, part I.
- 4.c** **Less: Allowance for loan and lease losses.** Report the allowance for loan and lease losses as determined in accordance with the instructions in the Glossary entry for "allowance for loan and lease losses." Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies. This item must equal Report of Income Schedule RI-B, part II, item 7, "Balance end of current period."
- 4.d** **Loans and leases held for investment, net of allowance.** Report the amount derived by subtracting Schedule RC, item 4.c, from Schedule RC, item 4.b.

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Item No. Caption and Instructions

- 5** **Trading assets.** Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements; or (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes. Assets and other financial instruments held for trading shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements").

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

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

Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RC, item 15, "Trading liabilities," as appropriate. (See the Glossary entry for "offsetting.")

For those banks that must complete Schedule RC-D, this item must equal Schedule RC-D, item 12, "Total trading assets," and Schedule RC-Q, sum of items 5.a and 5.b, column A.

Item No. **Caption and Instructions**

- 6** **Premises and fixed assets.** Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures purchased directly or acquired by means of a capital lease. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

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

Include as premises and fixed assets:

- (1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the bank, its branches, or its consolidated subsidiaries.
- (2) Leasehold improvements, vaults, and fixed machinery and equipment.
- (3) Remodeling costs to existing premises.
- (4) Real estate acquired and intended to be used for future expansion.
- (5) Parking lots that are used by customers or employees of the bank, its branches, and its consolidated subsidiaries.
- (6) Furniture, fixtures, and movable equipment of the bank, its branches, and its consolidated subsidiaries.
- (7) Automobiles, airplanes, and other vehicles owned by the bank and used in the conduct of its business.
- (8) The amount of capital lease property (with the bank as lessee): premises, furniture, fixtures, and equipment. See the discussion of accounting with bank as lessee in the Glossary entry for "lease accounting."
- (9) (a) Stocks and bonds issued by nonmajority-owned corporations and
(b) Investments in limited partnerships or limited liability companies (other than investments so minor that the institution has virtually no influence over the partnership or company)
whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the bank, its branches, or its consolidated subsidiaries. For institutions that have adopted ASU 2016-01 (see the Note preceding the instructions for Schedule RC, item 2.c), report such stocks and investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Item No. **Caption and Instructions**

6
(cont.)

Exclude from premises and fixed assets:

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

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

7

Other real estate owned. Report the total amount of other real estate owned from Schedule RC-M, item 3.h on the FFIEC 031 and item 3.g on the FFIEC 041. For further information on other real estate owned, see the instruction to Schedule RC-M, item 3, and the Glossary entry for "foreclosed assets."

8

Investments in unconsolidated subsidiaries and associated companies. Report the amount of the bank's investments in subsidiaries that have not been consolidated; associated companies; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting"), excluding those that represent direct and indirect investments in real estate ventures (which are to be reported in Schedule RC, item 9). The entities in which these investments have been made are collectively referred to as "investees." Include loans and advances to investees and holdings of their bonds, notes, and debentures.

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

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

9

Direct and indirect investments in real estate ventures. Report the amount of the bank's direct and indirect investments in real estate ventures. Exclude real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure, and equity holdings that indirectly represent such real estate (report in Schedule RC-M, item 3, "Other real estate owned").

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

Item No. **Caption and Instructions**

9
(cont.)

Include as direct and indirect investments in real estate ventures:

- (1) Any real estate originally acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes.
- (2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly AICPA Practice Bulletin 1, Appendix, Exhibit I, “ADC Arrangements”).
- (3) Real estate originally acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly FASB Statement No. 66, “Accounting for Sales of Real Estate”). Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under ASC Subtopic 360-20 is being used to account for the sale, the receivable resulting from the sale of the real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with ASC Subtopic 360-20.
- (4) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting bank in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture.
- (5) Investments in subsidiaries that have not been consolidated; associated companies; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for “equity method of accounting”) that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. The entities in which these investments have been made are collectively referred to as “investees.” Investments by the bank in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting. For further information on the equity method, see the instruction to Schedule RC, item 8, above.
- (6) Investments in corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the bank has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes. For institutions that have adopted ASU 2016-01 (see the Note preceding the instructions for Schedule RC, item 2.c), report such investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

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

Other foreign debt securities include:

- (1) Bonds, notes, debentures, equipment trust certificates, and commercial paper (except asset-backed commercial paper) issued by non-U.S.-chartered corporations.
- (2) Debt securities issued by foreign governmental units.
- (3) Debt securities issued by international organizations such as the International Bank for Reconstruction and Development (World Bank), Inter-American Development Bank, and Asian Development Bank.
- (4) Preferred stock of non-U.S.-chartered corporations that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock).

NOTE: Item 7 is to be completed only by institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities with readily determinable fair values (except those accounted for under the equity method or that result in consolidation) to be measured at fair value with changes in the fair value recognized through net income.

Institutions that have adopted ASU 2016-01 should leave item 7 blank and report their holdings of equity securities with readily determinable fair values not held for trading in Schedule RC, item 2.c.

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its Call Report for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its Call Report for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

7 Investments in mutual funds and other equity securities with readily determinable fair values. Report in columns C and D the historical cost and fair value, respectively, of all investments in mutual funds and other equity securities (as defined in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities")) with readily determinable fair values. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

According to ASC Topic 320, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported

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(cont.) by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting bank or acquired for debts previously contracted.

Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

Exclude from investments in mutual funds and other equity securities with readily determinable fair values:

- (1) Federal Reserve Bank stock (report as an equity security without a readily determinable fair value in Schedule RC-F, item 4).
- (2) Federal Home Loan Bank stock (report as an equity security without a readily determinable fair value in Schedule RC-F, item 4).
- (3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).
- (4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6, above).
- (5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity security that does not have a readily determinable fair value in Schedule RC-F, item 4).
- (6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity security that does not have a readily determinable fair value in Schedule RC-F, item 4).

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- 7** (cont.) (7) Minority interests held by the reporting bank in any companies not meeting the definition of associated company (report as equity securities that do not have a readily determinable fair value in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)
- (8) Equity holdings in those corporate joint ventures over which the reporting bank does not exercise significant influence (report as equity securities that do not have a readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)
- (9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").
- 8** **Total.** Report the sum of items 1 through 7. The total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities." The total of column D for this item must equal Schedule RC, item 2.b, "Available-for-sale securities."

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SCHEDULE RC-F – OTHER ASSETS

General Instructions

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

Item Instructions

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- 1** **Accrued interest receivable.** Report the amount of interest earned or accrued on earning assets and applicable to current or prior periods that has not yet been collected.
- Exclude retained interests in accrued interest receivable related to securitized credit cards (report in Schedule RC-F, item 6, "All other assets").
- 2** **Net deferred tax assets.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in Schedule RC-G, item 2, "Net deferred tax liabilities." If the result for each tax jurisdiction is a net credit balance, enter a zero in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)
- For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes."
- 3** **Interest-only strips receivable (not in the form of a security) on.** As defined in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended), an interest-only strip receivable is the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset. This includes, for example, contractual rights to future interest cash flows that exceed contractually specified servicing fees on financial assets that have been sold. Report in the appropriate subitem interest-only strips receivable not in the form of a security that are measured at fair value like available-for-sale securities.¹ Report unrealized gains (losses) on these interest-only strips receivable in Schedule RC, item 26.b, "Accumulated other comprehensive income."
- Exclude from this item interest-only strips receivable in the form of a security, which should be reported as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate. Also exclude interest-only strips not in the form of a security that are held for trading, which should be reported in Schedule RC, item 5.
- 3.a** **Mortgage loans.** Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans.

¹ An interest-only strip receivable is not in the form of a security if the strip does not meet the definition of a security in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities").

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3.b **Other financial assets.** Report the fair value of interest-only strips receivable (not in the form of a security) on financial assets other than mortgage loans.

4 **Equity investments without readily determinable fair values.** Report the reporting institution's equity securities and other equity investments without readily determinable fair values that are not reportable in other items on the Call Report balance sheet (Schedule RC). An equity security does not have a readily determinable fair value if sales prices or bid-and-asked quotations are not currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or are not publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. The fair value of an equity security traded only in a foreign market is not readily determinable if that foreign market is not of a breadth and scope comparable to one of the U.S. markets referred to above.

Equity investments without readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

For institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities (see the Note preceding the [instructions](#) for Schedule RC, item 2.c), report equity securities and other equity investments without readily determinable fair values at historical cost. These equity securities are outside the scope of ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities").

For institutions that have adopted ASU 2016-01, report equity securities and other equity investments without readily determinable fair values at (i) fair value or (ii) if chosen by the reporting institution for an individual equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These equity securities are within the scope of ASC Topic 321, Investments-Equity Securities, or ASC Topic 323, Investments-Equity Method and Joint Ventures.

Although Federal Reserve Bank stock and Federal Home Loan Bank stock do not have readily determinable fair values, they are outside the scope of ASC Topics 321 and 323. In accordance with ASC Subtopic 942-325, Financial Services-Depository and Lending – Investments-Other, Federal Reserve Bank stock and Federal Home Loan Bank stock are carried at cost and evaluated for impairment.

Include in this item:

- (1) Federal Reserve Bank stock.
- (2) Federal Home Loan Bank stock.
- (3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac).

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(cont.)
- (4) "Restricted stock," as defined in ASC Topic 320, i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year.
- (5) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock of the bank.
- (6) Minority interests held by the reporting bank in any company not meeting the definition of associated company, except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6), other real estate owned (report in Schedule RC, item 7), or investments in real estate ventures (report in Schedule RC, item 9), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)
- (7) Equity holdings in those corporate ventures over which the reporting bank does not exercise significant influence, except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6), other real estate owned (report in Schedule RC, item 7), or investments in real estate ventures (report in Schedule RC, item 9). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)

Exclude from this item:

- (1) Investments in subsidiaries that have not been consolidated; associated companies; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting") (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies," or item 9, "Direct and indirect investments in real estate ventures," as appropriate).
- (2) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (report in Schedule RC-B, item 6, "Other debt securities").

- 5 **Life insurance assets.** Report in the appropriate subitem the amount of the bank's general account, separate account, and hybrid account holdings of life insurance that could be realized under the insurance contracts as of the report date. In general, this amount is the cash surrender value reported to the bank by the insurance carrier, less any applicable surrender charges not reflected by the carrier in the reported cash surrender value, on all forms of permanent life insurance policies owned by the bank, its consolidated subsidiaries, and grantor (rabbi) trusts established by the bank or its consolidated subsidiaries, regardless of the purposes for acquiring the insurance. A bank should also consider any additional amounts included in the contractual terms of the insurance policy in determining the amount that could be realized under the insurance contract. For further information, see the Glossary entry for "bank-owned life insurance."

Permanent life insurance refers to whole and universal life insurance, including variable universal life insurance. Purposes for which insurance may be acquired include offsetting

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5 pre- and post-retirement costs for employee compensation and benefit plans, protecting
(cont.) against the loss of key persons, and providing retirement and death benefits to employees.

Include as life insurance assets the bank's interest in insurance policies under split-dollar life insurance arrangements with directors, officers, and employees under both the endorsement and collateral assignment methods.

5.a **General account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with general account insurance policies. In a general account life insurance policy, the general assets of the insurance company issuing the policy support the policy's cash surrender value.

Also include the portion of the carrying value of:

- (1) Separate account policies that represents general account claims on the insurance company, such as realizable deferred acquisition costs and mortality reserves; and
- (2) Hybrid account policies that represents general account claims on the insurance company, such as any shortfall in the value of the separate account assets supporting the cash surrender value of the policies.

5.b **Separate account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with separate account insurance policies. In a separate account policy, the policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the underlying account, but does assume all investment and price risk.

Separate accounts are employed by life insurers to meet specific investment objectives of policyholders. The accounts are often maintained as separate accounting and reporting entities for pension plans as well as fixed benefit, variable annuity, and other products. Investment income and investment gains and losses generally accrue directly to such policyholders and are not accounted for on the general accounts of the insurer. On the books of the insurer, the carrying values of separate account assets and liabilities usually approximate each other with little associated capital. Because they are legally segregated, the assets of each separate account are not subject to claims on the insurer that arise out of any other business of the insurance company.

5.c **Hybrid account life insurance assets.** Report the amount of the bank's holdings of life insurance assets associated with hybrid account insurance policies. A hybrid account insurance policy combines features of both general and separate account insurance products. Similar to a general account life insurance policy, a hybrid policy offers a guaranteed minimum crediting rate, does not carry market value risk, and does not require stable value protection. However, like a separate account life insurance policy, a hybrid policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Because they are legally segregated, the assets of each separate account are not subject to claims on the insurer that arise out of any other business of the insurance company. Additionally, the bank holding the hybrid account life insurance policy is able to select the investment strategy in which the insurance premiums are invested. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the underlying account.

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- 6** **All other assets.** Report the amount of all other assets (other than those reported in Schedule RC-F, items 1, 2, 3, 4, and 5, above) that cannot properly be reported in Schedule RC, items 1 through 10.

Disclose in Schedule RC-F, items 6.a through 6.k, each component of all other assets, and the dollar amount of such component, that is greater than \$100,000 and exceeds 25 percent of the amount of all other assets reported in this item.

For each component of all other assets that exceeds the reporting threshold for which a preprinted caption has not been provided in Schedule RC-F, items 6.a through 6.h, describe the component with a clear but concise caption in Schedule RC-F, items 6.i through 6.k. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as all other assets:

- (1) Prepaid expenses, i.e., those applicable as a charge against earnings in future periods.¹ (Report the amount of such assets in Schedule RC-F, item 6.a, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (2) Automobiles, boats, equipment, appliances, and similar personal property repossessed or otherwise acquired for debts previously contracted. (Report the amount of such assets in Schedule RC-F, item 6.b, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (3) Derivative instruments that have a positive fair value that the bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts." (Report this positive fair value in Schedule RC-F, item 6.c, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (4) Retained interests in accrued interest receivable related to securitized credit cards. For further information, see the Glossary entry for "accrued interest receivable related to credit card securitizations." (Report the amount of such retained interests in Schedule RC-F, item 6.d, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (5) Accrued interest on securities purchased (if accounted for separately from "accrued interest receivable" in the bank's records).
- (6) Cash items not conforming to the definition of "Cash items in process of collection" found in the instruction to Schedule RC, item 1.a.
- (7) The *full* amount (with the exceptions noted below) of customers' liability to the reporting bank on drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and are outstanding. The amount of customers' liability to the

¹ For banks involved in insurance activities, examples of prepaid expenses include ceding fees and acquisition fees paid to insurance carriers external to the consolidated bank.

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(cont.) reporting bank on its acceptances that have not yet matured should be reduced *only* when: (a) the customer anticipates its liability to the reporting bank on an outstanding acceptance by making a payment to the bank in advance of the acceptance's maturity that immediately reduces the customer's indebtedness to the bank on such an acceptance; or (b) the reporting bank acquires and holds its own acceptance. See the Glossary entry for "bankers acceptances" for further information.
- (8) Credit or debit card sales slips in process of collection until the reporting bank has been notified that it has been given credit (report thereafter in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, if applicable, in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate).
- (9) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed"). (Report the amount of computer software in Schedule RC-F, item 6.f, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (10) Bullion (e.g., gold or silver) not held for trading purposes.
- (11) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).
- (12) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).
- (13) Debt issuance costs related to line-of-credit arrangements, net of accumulated amortization. Debt issuance costs related to a recognized debt liability that is not a line-of-credit arrangement should be presented as a direct deduction from the face amount of the related debt, not as an asset. For debt reported at fair value under a fair value option, debt issuance costs should be expensed as incurred.
- (14) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.
- (15) Ground rents.
- (16) Customers' liability for deferred payment letters of credit.
- (17) Reinsurance recoverables from reinsurers external to the consolidated bank.
- (18) "Separate account assets" of the reporting bank's insurance subsidiaries.
- (19) The positive fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.

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(cont.) (20) FDIC loss-sharing indemnification assets. These indemnification assets represent the carrying amount of the right to receive payments from the FDIC for losses incurred on specified assets acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. (Report the amount of such assets in Schedule RC-F, item 6.e, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.) (Exclude the assets covered by the FDIC loss-sharing agreements from this component of "All other assets." Instead, report each covered asset in the balance sheet category appropriate to the asset on Schedule RC, e.g., report covered held-for-investment loans in Schedule RC, item 4.b, "Loans and leases held for investment.")
- (21) Receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans if the guarantee is not separable from the loan before foreclosure and, at the time of foreclosure, (a) the institution's intent is to convey the property to the guarantor and make a claim on the guarantee and the institution has the ability to recover under that claim, and (b) any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. For further information, see the Glossary entry for "Foreclosed assets." (Report these receivables in Schedule RC-F, item 6.h, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.)
- (22) The reporting institution's own accounts receivable. (Report these receivables in Schedule RC-F, item 6.g, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-F, item 6.) (Exclude factored accounts receivable, which should be reported as loans in Schedule RC-C.)

Exclude from all other assets:

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

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- 13.a.(1)** **Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities issued or guaranteed by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Government National Mortgage Association (GNMA) (as defined for Schedule RC-B, items 4.a.(1), 4.a.(2), and 4.c.(1)) held in domestic offices of the reporting bank. Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.
- 13.a.(2)** **Other mortgage pass-through securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities issued by non-U.S. Government issuers (as defined for Schedule RC-B, items 4.a.(3) and 4.c.(1)) held in domestic offices of the reporting bank.
- 13.b** **Other mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities other than pass-through securities (as defined for Schedule RC-B, items 4.b and 4.c.(2)) held in domestic offices of the reporting bank.
- 13.b.(1)** **Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies (as defined for Schedule RC-B, items 4.b.(1) and 4.c.(2)) held in domestic offices of the reporting bank. Also include REMICs issued by the U.S. Department of Veterans Affairs (VA) held in domestic offices of the reporting bank.
- U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).
- 13.b.(2)** **All other mortgage-backed securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities issued non-U.S. Government issuers (as defined for Schedule RC-B, items 4.b.(2), 4.b.(3), and 4.c.(2)) held in domestic offices of the reporting bank.
- 14** **Other domestic debt securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale asset-backed securities (as defined for Schedule RC-B, item 5.a) issued by issuers in the U.S., structured financial products (as defined for Schedule RC-B, item 5.b) issued by issuers in the U.S., and "Other domestic debt securities" (as defined for Schedule RC-B, item 6.a) held in domestic offices of the reporting bank.

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- 15 Other foreign debt securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale asset-backed securities (as defined for Schedule RC-B, item 5.a) issued by non-U.S. issuers, structured financial products (as defined for Schedule RC-B, item 5.b) issued by non-U.S. issuers, and other foreign debt securities (as defined for Schedule RC-B, item 6.b) held in domestic offices of the reporting bank.

NOTE: Item 16 is to be completed only by institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c).

Institutions that have adopted ASU 2016-01 should leave item 16 blank and report their domestic office holdings of equity securities with readily determinable fair values not held for trading in Schedule RC-H, item 18.a.

- 16 Investments in mutual funds and other equity securities with readily determinable fair values.** Report in column B the fair value of all investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 7) held in domestic offices of the reporting bank.
- 17 Total held-to-maturity and available-for-sale securities.** Report the sum of items 10 through 16. The total of column A for this item must be less than or equal to Schedule RC-B, item 8, column A. The total of column B for this item must be less than or equal to Schedule RC-B, item 8, column D.

18 Equity investments not held for trading:

NOTE: Item 18.a is to be completed only by institutions that have adopted ASU 2016-01 (see the Note preceding the instructions for Schedule RC, item 2.c).

Institutions that have not adopted ASU 2016-01 should leave item 18.a blank and report their domestic office holdings of investments in mutual funds and other equity securities with readily determinable fair values not held for trading in Schedule RC-H, item 16.

- 18.a Equity securities with readily determinable fair values.** Report the fair value of all investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC, item 2.c) held in domestic offices of the reporting institution.

18.b Equity investments without readily determinable fair values.

For institutions that have not adopted ASU 2016-01 (see the Note preceding the instructions for Schedule RC, item 2.c), report the historical cost of equity securities and other equity investments without readily determinable fair values (as defined for Schedule RC-F, item 4) held in domestic offices of the reporting institution.

For institutions that have adopted ASU 2016-01, report the balance sheet carrying values (i.e., fair value or, if elected, cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer) of securities and other equity investments without readily determinable fair values (as defined for Schedule RC-F, item 4) held in domestic offices of the reporting institution.

SCHEDULE RC-K – QUARTERLY AVERAGES

General Instructions

Report for the items on this schedule the average of the balances as of the close of business for each day for the calendar quarter or an average of the balances as of the close of business on each Wednesday during the calendar quarter. For days that an office of the bank (or any of its consolidated subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), use the amount outstanding from the previous business day. An office is considered closed if there are no transactions posted to the general ledger as of that date.

If the reporting institution was the acquirer in a business combination accounted for under the acquisition method for which the acquisition date was during the calendar quarter, the quarterly averages for the reporting institution should include in the numerator:

- Dollar amounts for the reporting institution for each day (or each Wednesday) from the beginning of the quarter until the acquisition date and
- Dollar amounts for the reporting institution and the acquired institution or business for each day (or each Wednesday) from the acquisition date through the end of the quarter

and should include in the denominator the number of days (or Wednesdays) in the entire quarter.

If the reporting institution was acquired in a transaction that became effective during the calendar quarter, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including the Consolidated Reports of Condition and Income), the quarterly averages for the reporting institution should include only the dollar amounts for each day (or each Wednesday) from the acquisition date to the end of the quarter in the numerator and the number of days (or Wednesdays) from the acquisition date through the end of the quarter in the denominator.

If the reporting institution was involved in a transaction between entities under common control that became effective during the calendar quarter and has been accounted for in a manner similar to a pooling of interests, the quarterly averages for the reporting institution should include dollar amounts for both the reporting institution and the institution or business that was combined in the transaction for each day (or each Wednesday) from the beginning to the end of the quarter in the numerator and the number of days (or Wednesdays) in the entire quarter in the denominator.

For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

If the bank began operating during the calendar quarter, the quarterly averages for the bank should include only the dollar amounts for the days (or Wednesdays) since the bank began operating in the numerator and the number of days (or Wednesdays) since the bank began operating in the denominator.

For all banks, the loan categories specified in item 6 of this schedule correspond to the loan category definitions for Schedule RC-C, part I, Loans and Leases.

Item Instructions

Item No. Caption and Instructions

ASSETS

1 Interest-bearing balances due from depository institutions. Report the quarterly average for interest-bearing balances due from depository institutions (as defined for Schedule RC, item 1.b, "Interest-bearing balances").

2 U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities). Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale U.S. Treasury and Government agency obligations (as defined for Schedule RC-B, items 1 and 2, columns A and C).

3 Mortgage-backed securities. Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale mortgage-backed securities (as defined for Schedule RC-B, item 4, columns A and C).

4 All other debt securities and equity securities with readily determinable fair values not held for trading.

For institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding Schedule RC-B, item 7), report the quarterly average of the amortized cost of the institution's held-to-maturity and available-for-sale securities issued by states and political subdivisions in the U.S., asset-backed securities and structured financial products, and other debt securities (as defined for Schedule RC-B, items 3, 5, and 6, columns A and C) plus the quarterly average of the historical cost of the institution's investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 7, column C).

For institutions that have adopted ASU 2016-01, report the quarterly average of the amortized cost of the institution's held-to-maturity and available-for-sale securities issued by states and political subdivisions in the U.S., asset-backed securities and structured financial products, and other debt securities (as defined for Schedule RC-B, items 3, 5, and 6, columns A and C) plus the quarterly average of the fair value of the institution's investments in mutual funds and other equity securities with readily determinable fair values not held for trading (as defined for Schedule RC, item 2.c).

5 Federal funds sold and securities purchased under agreements to resell. Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).

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Item No. Item No. Caption and Instructions

6 6 Loans:

- 6.a Loans in domestic offices:

6.a 6.a.(1) Total loans (in domestic offices). Report the quarterly average for total loans held for investment and held for sale (as defined for Schedule RC-C, part I, items 1 through 9, less item 11, column B).

FFIEC 041 FFIEC 031

<u>Item No.</u>	<u>Item No.</u>	<u>Caption and Instructions</u>
6.b	6.a.(2)	<u>Loans secured by real estate:</u>
6.b.(1)	6.a.(2)(a)	<u>Loans secured by 1-4 family residential properties.</u> Report the quarterly average for loans secured by 1-4 family residential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.c, column B). <i>Exclude</i> “1-4 family residential construction loans” (in domestic offices) (as defined for Schedule RC-C, part I, item 1.a.(1), column B).
6.b.(2)	6.a.(2)(b)	<u>All other loans secured by real estate.</u> Report the quarterly average for all construction, land development, and other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule RC-C, part I, items 1.a.(1), 1.a.(2), 1.b, 1.d, 1.e.(1), and 1.e.(2), column B). <i>Exclude</i> loans “Secured by 1-4 family residential properties” (in domestic offices) (as defined for Schedule RC-C, part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), column B).
-	6.a.(3)	<u>Loans to finance agricultural production and other loans to farmers.</u> Report the quarterly average for loans to finance agricultural production and other loans to farmers in domestic offices (as defined for Schedule RC-C, part I, item 3, column B).
6.c	6.a.(4)	<u>Commercial and industrial loans.</u> Report the quarterly average for commercial and industrial loans (in domestic offices) (as defined for Schedule RC-C, part I, item 4, column B).
6.d	6.a.(5)	<u>Loans to individuals for household, family, and other personal expenditures:</u>
6.d.(1)	6.a.(5)(a)	<u>Credit cards.</u> Report the quarterly average for credit cards. For purposes of this schedule, credit cards (in domestic offices) (as defined for Schedule RC-C, part I, item 6.a, column B).
6.d.(2)	6.a.(5)(b)	<u>Other.</u> Report the quarterly average for loans (in domestic offices) to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule RC-C, part I, items 6.b, 6.c, and 6.d, column B).
-	6.b	<u>Total loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.</u> Report the quarterly average for total loans, net of unearned income (as defined for Schedule RC-C, part I, items 1 through 9, less item 11), held in the reporting bank’s foreign offices, Edge and Agreement subsidiaries, and IBFs.

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

NOTE: On the FFIEC 041, item 7 is to be completed by banks that have \$100 million or more in total assets.

7 Trading assets. Report the quarterly average for trading assets (as defined for Schedule RC, item 5). Trading assets include trading derivatives with positive fair values.

8 Lease financing receivables (net of unearned income). Report the quarterly average for the lease financing receivables, net of unearned income (as defined for Schedule RC-C, part I, item 10, column B, on the FFIEC 041; column A on the FFIEC 031).

9 Total assets.

For institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12, except that this quarterly average should reflect:

- All debt securities not held for trading at amortized cost;
- Available-for-sale equity securities with readily determinable fair values not held for trading at the lower of cost or fair value; and
- Equity securities and other equity investments without readily determinable fair values not held for trading at historical cost.

This exception for equity securities and other equity investments does not apply to those accounted for under the equity method or that result in consolidation.

For institutions that have adopted ASU 2016-01, report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12, except that this quarterly average should reflect

- All debt securities not held for trading at amortized cost;
- Equity securities with readily determinable fair values not held for trading at fair value; and
- Equity securities and other equity investments without readily determinable fair values not held for trading as defined for "Total assets," report such securities and investments at their balance sheet carrying values (i.e., fair value or, if elected, cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer).

This exception for equity securities and other equity investments does not apply to those accounted for under the equity method or that result in consolidation.

In addition, to the extent that net deferred tax assets included in the bank's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time.

This item 9 is not the sum of items 1 through 8 above.

Item No. Caption and Instructions**LIABILITIES**

- 10** **Interest-bearing transaction accounts (in domestic offices).** Report the quarterly average for interest-bearing transaction accounts (in domestic offices): interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts (as defined for Schedule RC-E, (part I,) column A, "Total transaction accounts").

Exclude noninterest-bearing demand deposits.

See the Glossary entry for "deposits" for the definitions of "demand deposits," "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."

11 **Nontransaction accounts (in domestic offices):**

- 11.a** **Savings deposits.** Report the quarterly average for savings deposits (as defined for Schedule RC-E, (part I), Memorandum items 2.a.(1) and 2.a.(2)). Savings deposits include money market deposit accounts (MMDAs) and other savings deposits.

- 11.b** **Time deposits of \$250,000 or less.** Report the quarterly average for time deposits of \$250,000 or less (as defined for Schedule RC-E, (part I), Memorandum items 2.b and 2.c).

- 11.c** **Time deposits of more than \$250,000.** Report the quarterly average for time deposits of more than \$250,000 (as defined for Schedule RC-E, (part I), Memorandum item 2.d).

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

- **12** **Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report the quarterly average for interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs (as defined for Schedule RC, item 13.b.(2), "Interest-bearing").

- 12** **13** **Federal funds purchased and securities sold under agreements to repurchase.** Report the quarterly average for federal funds purchased and securities sold under agreements to repurchase (as defined for Schedule RC, item 14).

NOTE: On the FFIEC 041, item 13 is to be completed by banks that have \$100 million or more in total assets.

- 13** **14** **Other borrowed money.** Report the quarterly average for the fully consolidated bank's other borrowed money (as defined for Schedule RC, item 16).

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

NOTE: Memorandum item 1 is applicable only to banks filing the FFIEC 041 report. There are no Schedule RC-K memorandum items on the FFIEC 031.

1 Loans to finance agricultural production and other loans to farmers.

Memorandum 1 is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3, column B) exceeding five percent of total loans and leases held for investment and held for sale (Schedule RC-C, part I, item 12).

Report in this item the quarterly average for loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column B).

Item No. Caption and Instructions

3.d For further information on the meaning of the term "multifamily residential properties," see (cont.) the instruction to Schedule RC-C, part I, item 1.d. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, multifamily residential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by multifamily residential properties" in Schedule RC-C, part I, item 1.d, column B

3.e **Nonfarm nonresidential properties (in domestic offices).** Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, nonfarm nonresidential properties.

For further information on the meaning of the term "nonfarm nonresidential properties," see the instruction to Schedule RC-C, part I, item 1.e. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, nonfarm nonresidential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by nonfarm nonresidential properties" in Schedule RC-C, part I, item 1.e, column B.

3.f **Foreclosed properties from "GNMA loans."** Report the net book value of all other real estate owned (in domestic offices) resulting from foreclosures on real estate collateralizing delinquent "GNMA loans" if the mortgage loans did not meet the conditions specified in ASC Subtopic 310-40 requiring recognition of a separate "other receivable."

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

- **3.g** **In foreign offices.** Report the net book value of all other real estate owned which is held in foreign offices of the reporting bank.

3.g **3.h** **Total.** On the FFIEC 041, report the sum of items 3.a through 3.f. On the FFIEC 031, report the sum of items 3.a through 3.g. This amount must equal Schedule RC, item 7, "Other real estate owned."

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NOTE: Item 4 is to be completed only by insured state banks that (1) have received FDIC approval in accordance with [Section 362.3\(a\)](#) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities"), and (2) have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding Schedule RC, item 2.c). Other institutions should leave item 4 blank.

4 Cost of equity securities with readily determinable fair values not held for trading.

Report the cost basis of the reporting institution's holdings of equity securities with readily determinable fair values not held for trading, the fair value of which is reported in Schedule RC, item 2.c. The cost basis should reflect the effect of any write-downs of such securities resulting from other-than-temporary impairments recognized by the institution before its adoption of ASC 2016-01.

5 Other borrowed money. Report in the appropriate subitem the specified information about Federal Home Loan Bank advances to and other borrowings by the consolidated bank.

A fixed interest rate is a rate that is specified at the origination of the advance or other borrowing, is fixed and invariable during the term of the advance or other borrowing, and is known to both the bank and the creditor. Also treated as a fixed interest rate is a predetermined interest rate, which is a rate that changes on a predetermined basis during the term of the advance or other borrowing, with the exact rate of interest over the life of the advance or other borrowing known with certainty to both the bank and the creditor when the advance or other borrowing is originated.

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

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

Remaining maturity is amount of time remaining from the report date until the final contractual maturity of an advance or an other borrowing without regard to the advance's or the borrowing's repayment schedule, if any.

Next repricing date is (a) the date the interest rate on an advance or other borrowing with a floating rate can next change in accordance with the terms of the contract or (b) the contractual maturity date of the advance or other borrowing, whichever is earlier.

Advances and other borrowings with a fixed rate that are callable at the option of the Federal Home Loan Bank or other creditor should be reported according to their remaining maturity without regard to their next call date unless the advance or other borrowing has actually been called. When an advance or other borrowing with a fixed rate has been called, it should be reported based on the time remaining until the call date. Advances and other borrowings with a floating rate that are callable should be reported on the basis of their next repricing date without regard to their next call date unless the advance or other borrowing has actually been called. Advances and other borrowings with a floating rate that have been called should be reported on the basis of their next repricing date or their actual call date, whichever is earlier.

Item No. **Caption and Instructions**

- 2** (cont.) (2) *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to and cash items in the process of collection due such depository institution.
- (3) *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution.
- (4) *Pass-through reserve balances*: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution that does not act as a correspondent bank in any pass-through reserve balance relationship. A state nonmember bank generally cannot act as a pass-through correspondent unless it maintains an account for its own reserve balances directly with the Federal Reserve.
- (5) *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.
- (6) *Accumulated deposits*: Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

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

- 3** **Total foreign deposits, including interest accrued and unpaid thereon (included in item 2 above).** Report on an unconsolidated single FDIC certificate number basis the total amount of foreign deposits (including International Banking Facility deposits), including interest accrued and unpaid on these deposits, as of the calendar quarter-end report date included in Schedule RC-O, item 2 above.
- 4** **Average consolidated total assets for the calendar quarter.** Report average consolidated total assets for the calendar quarter on a single FDIC certificate number basis in accordance with the guidance on "Averaging method" and "Measuring average consolidated total assets" below. For purposes of this item, average consolidated total assets is not a quarterly average of total assets measured in accordance with the instructions for Schedule RC, item 12, "Total assets."

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

Item No. Caption and Instructions

4 reports average consolidated total assets of \$1 billion or more in this item for two consecutive quarters, it must permanently report average consolidated total assets using daily averaging beginning the next quarter.

(cont.)

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

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

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

Measuring average consolidated total assets – Average consolidated total assets should be measured in accordance with the instructions for Schedule RC-K, item 9, average "Total assets" (i.e., including the adjustments for available-for-sale debt and equity securities), except as follows:

- (1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution's investment in this subsidiary should be included in average consolidated total assets using the equity method of accounting.
- (2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred during the calendar quarter, the reporting institution should calculate its average consolidated total assets by including the consolidated total assets of all insured depository institutions that were merged or consolidated into the reporting institution as if the merger or consolidation occurred on the first day of the calendar quarter. Acceptable methods for including a merged or consolidated insured depository institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the merger or consolidation date include using either (a) the acquisition date fair value of the merged or consolidated institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the merged or consolidated institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.¹

¹ This approach to calculating average consolidated total assets for purposes of Schedule RC-O, item 4, does not apply if the reporting institution is the surviving or resulting institution in a merger or consolidation during the calendar quarter involving an entity that is not an insured depository institution. In such a merger or consolidation, the reporting institution should apply the guidance on business combinations in the General Instructions for Schedule RC-K when measuring average consolidated total assets for purposes of Schedule RC-O, item 4.

Item No. **Caption and Instructions**

- 4** (3) If the reporting institution was acquired in a transaction that became effective during the calendar quarter and push down accounting was used to account for the acquisition, the reporting institution should calculate its average consolidated total assets as if the acquisition occurred on the first day of the calendar quarter. Acceptable methods for including the institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the acquisition date include using either (a) the acquisition date fair value of the reporting institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the reporting institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.
- 4.a** **Averaging method used.** Indicate the averaging method that the reporting institution used to report its average consolidated total assets in Schedule RC-O, item 4, above. For daily averaging, enter the number "1"; for weekly averaging, enter the number "2."
- 5** **Average tangible equity for the calendar quarter.** Report average tangible equity for the calendar quarter on an unconsolidated single FDIC certificate number basis in accordance with the guidance on "Averaging methods" and "Measuring tangible equity" below. For purposes of this item, tangible equity is defined as Tier 1 capital as set forth in the banking agencies' regulatory capital standards and reported in Schedule RC-R, Part I, item 26, except as described below under "Measuring tangible equity."

NOTE: In accordance with Section 327.5(a)(2) of the FDIC's regulations, daily averaging of tangible equity for purposes of reporting in this item is not permitted. As described below under "Averaging methods," the amount to be reported in this item should only be either: (1) quarter-end tangible equity as of the last day of the quarter; or (2) the average of the three month-end Tier 1 capital balances for the quarter.

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

Monthly average tangible equity should be calculated by adding Tier 1 capital as of each month-end date during the calendar quarter (measured as described below under "Measuring tangible equity") and dividing by three. For example, monthly average tangible equity for June 30, 2014, would be the sum of Tier 1 capital as of April 30, May 31, and June 30, 2014, divided by three. However, institutions required or electing to report average tangible equity on a monthly average basis normally are not required to perform monthly loan loss provision or deferred tax calculations in accordance with generally accepted accounting principles for the first two months of a quarter. Accordingly, such institutions may use one third of the

Item No. Caption and Instructions

5
(cont.) amount of the provision for loan and lease losses and deferred tax expense (benefit) reported for the calendar quarter for purposes of estimating the retained earnings component of Tier 1 capital in each of the first two months of the quarter.

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

Measuring tangible equity – Institutions should measure tangible equity in accordance with the instructions for Schedule RC-R, Part I, item 26, "Tier 1 capital," except as follows:

- (1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution should measure its equity capital and its Tier 1 capital by accounting for this subsidiary using the equity method of accounting.
- (2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred after the end of the first month of the calendar quarter and it reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the merger or consolidation occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the merger or consolidation date would be to use the amount of Tier 1 capital for the month-end date immediately following the merger or consolidation date as the amount of Tier 1 capital for the month-end date or dates preceding the merger or consolidation date.
- (3) If the reporting institution was acquired in a transaction that became effective after the end of the first month of the calendar quarter, push down accounting was used to account for the acquisition, and the institution reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the acquisition occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the acquisition date would be to use the amount of Tier 1 capital for the month-end date immediately following the acquisition date as the amount of Tier 1 capital for the month-end date or dates preceding the acquisition date.

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

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

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

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

General Instructions

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

- (1) Had total assets of \$500 million or more as of the beginning of their fiscal year; or
- (2) Had total assets of less than \$500 million as of the beginning of their fiscal year and either:
 - (a) Have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings, or
 - (b) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

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

Column Instructions

Column A, Total Fair Value Reported on Schedule RC

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

Columns B through E, Fair Value Measurements and Netting Adjustments

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

ASC Topic 820 permits an institution, as a practical expedient, to measure the fair value of investments in investment companies and real estate funds that meet criteria specified in this topic using the investment’s net asset value (NAV) per share (or its equivalent). When an institution has elected to measure the fair value of such an investment using the NAV per share practical expedient and the fair value is measured on a recurring basis, the institution should report the investment’s fair value in

Column Instructions (cont.)

column A of the appropriate asset item of Schedule RC-Q. However, the institution should exclude the investment from the Level 1, 2, and 3 disclosures in columns C, D, and E of Schedule RC-Q.¹ Instead, the institution should report the fair value measured using the NAV per share practical expedient in column B along with the netting adjustments reported in column B. In contrast, for an investment measured at fair value on a recurring basis that meets the criteria specified in Topic 820, if the institution does not elect to measure fair value using the NAV per share practical expedient, it should report the investment's fair value in column A of Schedule RC-Q and disclose this fair value in column C, D, or E, as appropriate, based on the lowest level input that is significant to the fair value measurement in its entirety.

Item Instructions

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

Item No. Caption and Instructions**1 Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading.**

For institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), report in column A the sum of Schedule RC, items 2.b and 2.c.

For institutions that have not adopted ASU 2016-01, report in column A the amount reported in Schedule RC, item 2.b.

Report in columns B through E, as appropriate, the fair values of the debt and equity securities reported in column A determined using Level 1, Level 2, and Level 3 measurement inputs and any netting adjustments.

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

¹ Refer to Accounting Standards Update (ASU) No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share (or its equivalent) practical expedient described in ASC Topic 820.

- | <u>Item No.</u> | <u>Caption and Instructions</u> |
|-----------------|---|
| 4 | <u>Loans and leases held for investment.</u> Report in the appropriate column the total fair value of those loans held for investment reported in Schedule RC-C, Part I, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Loans held for investment that the bank has elected to report under the fair value option are included in Schedule RC-C, Part I, and Schedule RC, item 4.b. Leases are generally not eligible for the fair value option. |
| 5 | <u>Trading assets:</u> |
| 5.a | <u>Derivative assets.</u> Report in the appropriate column the total fair value of derivative assets held for trading purposes as reported in Schedule RC, item 5; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. |
| 5.b | <u>Other trading assets.</u> Report in the appropriate column the total fair value of all trading assets, except for derivatives, as reported in Schedule RC, item 5; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs, including the fair values of loans that have been reported as trading assets; and any netting adjustments. |
| 5.b.(1) | <u>Nontrading securities at fair value with changes in fair value reported in current earnings.</u> Report in the appropriate column the total fair value of those securities the bank has elected to report under the fair value option that is included in Schedule RC-Q, item 5.b above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Securities that the bank has elected to report at fair value under the fair value option are reported as trading securities pursuant to ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”) even though management did not acquire the securities principally for the purpose of trading. |
| 6 | <u>All other assets.</u> Report in the appropriate column the total fair value of all other assets that are required to be measured at fair value on a recurring basis or that the institution has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 1 through 5 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Include derivative assets held for purposes other than trading, interest-only strips receivable (not in the form of a security) held for purposes other than trading, servicing assets measured at fair value under a fair value option, and other categories of assets measured at fair value on the balance sheet on a recurring basis under applicable accounting standards and these instructions. Exclude servicing assets initially measured at fair value, but subsequently measured using the amortization method, and other real estate owned (which are subject to fair value measurement on a nonrecurring basis). |
| 7 | <u>Total assets measured at fair value on a recurring basis.</u> Report the sum of items 1 through 5.b plus item 6. |
| 8 | <u>Deposits.</u> Report in the appropriate column the total fair value of those deposits reported in Schedule RC, items 13.a and 13.b, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Deposits withdrawable on demand (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option. |

Item No. Caption and Instructions

- 9** **Federal funds purchased and securities sold under agreements to repurchase.** Report in the appropriate column the total fair value of those federal funds purchased and securities sold under agreements to repurchase reported in Schedule RC, items 14.a and 14.b, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- 10** **Trading liabilities:**
- 10.a** **Derivative liabilities.** Report in the appropriate column the total fair value of derivative liabilities held for trading purposes as reported in Schedule RC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- 10.b** **Other trading liabilities.** Report in the appropriate column the total fair value of trading liabilities, except for derivatives, as reported in Schedule RC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- 11** **Other borrowed money.** Report in the appropriate column the total fair value of those Federal Home Loan Bank advances and other borrowings reported in Schedule RC, item 16, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- 12** **Subordinated notes and debentures.** Report in the appropriate column the total fair value of those subordinated notes and debentures (including mandatory convertible debt) reported in Schedule RC, item 19, that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- 13** **All other liabilities.** Report in the appropriate column the total fair value of all other liabilities that are required to be measured at fair value on a recurring basis or that the institution has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 8 through 12 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- Include derivative liabilities held for purposes other than trading, servicing liabilities measured at fair value under a fair value option, and other categories of liabilities measured at fair value on the balance sheet on a recurring basis under applicable accounting standards and these instructions. Exclude servicing liabilities initially measured at fair value, but subsequently measured using the amortization method (which are subject to fair value measurement on a nonrecurring basis).
- 14** **Total liabilities measured at fair value on a recurring basis.** Report the sum of items 8 through 13.

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. NOTE: For institutions that are not advanced approaches institutions (as described in footnote 1), the transition provisions applicable during 2017 under the banking agencies' regulatory capital rules have been extended indefinitely for certain regulatory capital deductions and risk weights as well as certain minority interest requirements. The Schedule RC-R instructions reflect the extension of the regulatory capital treatment of these capital deductions, risk weights, and minority interest requirements applicable to non-advanced approaches institutions during 2017.

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.

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
(cont.)**Transition provisions for surplus minority interest or non-qualifying minority interest:****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) For advanced approaches institutions, multiply the amounts in (i) by the appropriate percentage in Table 2 below. For non-advanced approaches institutions, multiply the amounts in (i) by 20 percent.
- (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; \$0 starting on January 1, 2018, for an advanced approaches institution; and \$0.60 starting on January 1, 2018, for a non-advanced approaches institution.

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.

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

- 4** **Table 2 – Percentage of the amount of surplus minority interest or non-qualifying minority interest includable in regulatory capital during the transition period**
(cont.)

Transition period	Percentage of the amount of surplus minority interest for advanced approaches institutions or non-qualifying minority interest for all institutions 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

- 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.

Part I. (cont.)**Common Equity Tier 1 Capital: Adjustments and Deductions (cont.)****General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions (cont.)**

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.

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.

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

- 7** 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.

Table 3 – Deduction of intangible assets other than goodwill and MSAs 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."

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

- 8** **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**
(cont.)

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.”

- 9** **AOCI-related adjustments.** Institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted [FASB Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c) must complete Schedule RC-R, Part I, items 9.a through 9.e, only.

Institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01 must complete Schedule RC-R, Part I, items 9.a and 9.c through 9.e, only.

Institutions that entered “0” for No in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, item 9.f, only.

- 9.a** **LESS: Net unrealized gains (losses) on available-for-sale securities.**

For institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted ASU 2016-01 (as referenced in the instructions for item 9, above), report the amount of net unrealized gains (losses) on available-for-sale debt and equity 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.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt and equity 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).

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

9.a For institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01, report the amount of net unrealized gains (losses) on available-for-sale debt 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.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt securities reported in Schedule RC-B, items 1 through 6, 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).

NOTE: Schedule RC-R, Part I, item 9.b is to be completed only by institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have not adopted ASU 2016-01 (as referenced in the instructions for item 9, above).

Institutions that entered “1” for Yes in Schedule RC-R, Part I, item 3.a, and have adopted ASU 2016-01 should leave item 9.b blank.

- 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.

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

9.e 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 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 in Schedule RC-R, Part I, 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.

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: Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, 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: Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, 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, Part I, 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
(cont.)**Transition provisions for investments in capital instruments:**

- (i) Calculate the amount as described in the instructions for this item 11.
- (ii) For advanced approaches institutions, multiply the amount in (i) by the appropriate percent in Table 5 below. For non-advanced approaches institutions, multiply the amount in (i) by 80 percent. For all institutions, 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) For advanced approaches institutions, multiply the amount in (i) by the appropriate percent in Table 6 below. For non-advanced approaches institutions, multiply the amount in (i) by 80 percent. For all institutions, report this product as this item amount. In addition:
- (iii) *For report dates until January 1, 2018:* For all institutions, 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:* For advanced approaches institutions, 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. For non-advanced approaches institutions, continue to apply a 100 percent risk weight to these items. 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, Part I, item 13 (that is, for advanced approaches institutions, use Table 6 in the instructions for Schedule RC-R, Part I, item 13; for non-advanced approaches institutions, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).

Part I. (cont.)**Item No. Caption and Instructions****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.
- (3) If the amount in (1) is less than 10 percent of Schedule RC-R, item 12, enter zero in this 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, Part I, item 13 (that is, for advanced approaches institutions, use Table 6 in the instructions for Schedule RC-R, Part I, item 13; for non-advanced approaches institutions, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).

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 advanced approaches institutions for report dates until January 1, 2018, and for non-advanced approaches institutions for report dates both before and after 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).

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

- 16**
(cont.)
- (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) For advanced approaches institutions, multiply the amount in (v) by the percentage in Table 6 in the instructions for Schedule RC-R, item 13. For non-advanced approaches institutions, multiply the amount in (v) by 80 percent. For all institutions, report the resulting amount in this item 16.

Example and a worksheet calculation for non-advanced approaches institutions:

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
- 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) Multiply the amount in step (v) by 80%: $\$8 \times 80\% = \6.40
Report \$6.40 in this item 16.

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

16 B. *For advanced approaches institutions only for report dates after January 1, 2018,*
(cont.) calculate this item 16 as follows:

Example and a worksheet calculation for advanced approaches institutions:

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	$\$10 + 13 + \$13 = \$36$

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

22 item 4) of common equity tier 1 minority interest). In 2015, the institution would include an additional \$3.52 in item 22 (60% of \$5.86). Starting in 2018, if the institution is an advanced approaches institution it would not include any surplus minority interest in regulatory capital. Starting in 2018, a non-advanced approaches institution would include the amount of surplus minority interest included in 2017 (20% of \$5.86 or \$1.17) in regulatory capital.

23 **Additional tier 1 capital before deductions.** Report the sum of Schedule RC-R, Part I, 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: Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, 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, Part I, item 17.

Transition provisions: Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, 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 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and assign the applicable risk weight to the portion of the investments not deducted).

(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 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and a 100 percent risk weight to the portion of the investments not deducted).

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

- 24** **(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 changes in own credit risk, and expected credit losses during the transition period 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.

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

- 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.

Example and a worksheet calculation: Calculate total capital minority interest that is not 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 . Then $\$54/\$130 = 41.54\%$
(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 . Then $\$54 - \$10.39 = \$43.62$.
(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 \text{ (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 if it is an advanced approaches institution. If it is a non-advanced approaches institution, starting in 2018 the institution would include the same amount of surplus minority interest in its regulatory capital as it included in 2017 (20% of \$1.53 or \$0.31). 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**

NOTE: Schedule RC-R, Part I, item 31, is to be completed only by institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c).

Institutions that have adopted ASU 2016-01 should leave Schedule RC-R, Part I, item 31, blank.

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.

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

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.

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;

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

- 33**
(cont.)
- (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: Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, item 11.

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

- 33**
(cont.) **(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: Apply the appropriate percentage for deductions related to investments in capital instruments in Table 5 in the instructions for Schedule RC-R, Part I, 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, Part I, item 11 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and assign the applicable risk weight to the portion of items not deducted).

- (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, Part I, item 11 (that is, for advanced approaches institutions, use Table 5 in the instructions for Schedule RC-R, Part I, item 11; for non-advanced approaches institutions, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted).

- (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 II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

- *20 percent risk weight:* An equity exposure to a public sector entity, Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation (Farmer Mac).
 - *100 percent risk weight:* Equity exposures to:
 - Certain qualified community development investments,
 - The effective portion of hedge pairs,
 - Non-significant equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds), and
 - For non-advanced approaches institutions: Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital.
 - *250 percent risk weight:* For advanced approaches institutions only: Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital. This risk weight takes effect in 2018. Before 2018, advanced approaches institutions, along with non-advanced approaches institutions, report such significant investments in the 100 percent risk weight category.
 - *300 percent risk weight:* Publicly traded equity exposures.
 - *400 percent risk weight:* Equity exposures that are not publicly traded.
 - *600 percent risk weight:* An equity exposure to an investment firm, provided that the investment firm would (1) meet the definition of *traditional securitization* in §.2 of the regulatory capital rules were it not for the application of paragraph (8) of the definition and (2) has greater than immaterial leverage.
- (2) Full look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks calculate the aggregate risk-weighted asset amounts of the carrying value of the exposures held by the fund as if they were held directly by the bank multiplied by the bank's proportional ownership share of the fund.
- (3) Simple modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, risk-weighted assets for an equity exposure is equal to the exposure's adjusted carrying value multiplied by the highest risk weight that applies to any exposure the fund is permitted to hold under the prospectus, partnership agreement, or similar agreement that defines the funds permissible investments.
- (4) Alternative modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks may assign the adjusted carrying value on a pro rata basis to different risk-weight categories based on the limits in the fund's prospectus, partnership agreement, or similar contract that defines the fund's permissible investments.

Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties

When a bank transfers mortgage loans with credit-enhancing representations and warranties in a transaction that qualifies for sale accounting under GAAP, the bank will need to report and risk weight those exposures. The definition of *credit-enhancing representations and warranties* (CERWs) is found in §.2 of the regulatory capital rules. Many CERWs should be treated as securitization exposures for

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

purposes of risk weighting. However, those CERWs that do not qualify as securitization exposures receive a 100 percent credit conversion factor as indicated in §.33 of the regulatory capital rules. For example, if the bank has agreed to repurchase the loans that it has sold, it will generally need to risk weight those loans in Schedule RC-R, Part II, item 17, until the warranties expire. Note that CERWs do not include certain early default clauses and similar warranties that permit the return of, or premium refund clauses covering, 1-4 family residential mortgage loans that qualify for a 50 percent risk weight provided the warranty period does not exceed 120 days from the date of transfer.

Example: A bank sells \$100 in qualifying 1-4 family residential first mortgage loans and agrees to repurchase them in case of early default for up to 180 days. This warranty exceeds the 120-day limit, and therefore the full \$100 should be reported in Schedule RC-R, Part II, item 17, until the warranty expires.

If the bank has made a CERW that is limited or capped (e.g., a warranty to cover first losses on loans up to a set amount that is less than the full loan amount), such warranties are regarded as securitization exposures under the regulatory capital rules as they represent a transaction that has been separated into at least two tranches reflecting different levels of seniority for credit risk. (Refer to the definitions of *securitization exposure*, *synthetic securitization*, *traditional securitization*, and *tranche* in §.2 of the regulatory capital rules). The bank will need to report and risk weight these warranties in Schedule RC-R, Part II, item 10, as off-balance sheet securitization exposures.

Example: A bank sells \$100 in qualifying 1-4 family residential first mortgage loans and agrees to compensate the buyer for losses up to \$2 if the loans default during the first 12 months. Twelve months exceeds the 120-day limit and therefore the agreement is a CERW. The CERW is also a securitization exposure because the \$2 is effectively a first loss tranche on a \$100 transaction.

For purposes of reporting this transaction in Schedule RC-R, Part II, item 10, the bank should report \$100 in column A, an adjustment of \$98 in column B, and then \$2 in column Q as an exposure amount that is risk weighted by applying a 1,250 percent risk weight (if the bank does not use the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach for purposes of risk weighting its securitization exposures). The bank will not need to report any amount in columns T or U of Schedule RC-R, Part II, item 10, unless it uses the SSFA or Gross-Up approach for calculating the risk-weighted asset amount for this transaction.

If the bank uses either the SSFA or Gross-Up Approach to risk weight the \$2 exposure, the bank should report \$100 in both column A and column B. In column T or U, it would report the risk-weighted asset amount calculated by using the SSFA or Gross-Up Approach, respectively.

Treatment of Exposures to Sovereign Entities and Foreign Banks

These instructions contain several references to Country Risk Classifications (CRC) used by the Organization for Economic Cooperation and Development (OECD). The CRC methodology classifies countries into one of eight risk categories (0-7), with countries assigned to the zero category having the lowest possible risk assessment and countries assigned to the 7 category having the highest possible risk assessment. The OECD regularly updates CRCs for more than 150 countries and makes the assessments publicly available on its website.⁶ The OECD does not assign a CRC to every country; for example, it does not assign a CRC to a number of major economies; it also does not assign a CRC to many smaller countries. As such, the table below also provides risk weights for countries with no CRC based on whether or not those particular countries are members of the OECD. In addition, there is a higher risk weight of 150 percent for any country that has defaulted on its sovereign debt within the past 5 years, regardless of the CRC rating.

⁶ See <http://www.oecd.org/trade/xcred/crc.htm>.

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

- 2.a**
- Any securities reported as “structured financial products” in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
 - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
 - Also include all other HTM securities that do not qualify as securitization exposures reported in Schedule RC, item 2.a, that are not included in columns C through H and J.
- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - HTM securities that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C–0% risk weight; column G–20% risk weight; column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the exposure amounts of those securities reported in Schedule RC-B, column A, that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:
 - Item 4.a.(3), “Other [residential mortgage] pass-through securities,”
 - Item 4.b.(3), “All other residential MBS,”
 - Item 4.c.(1)(b), “Other [commercial mortgage] pass-through securities,”
 - Item 4.c.(2)(b), “All other commercial MBS,”
 - Item 5.a, “Asset-backed securities,”
 - Any securities reported as “structured financial products” in Schedule RC-B, item 5.b, that are not securitization exposures. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets, and
 - Item 6.b, “Other foreign debt securities.”
- 2.b** **Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading.** For institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investments in mutual funds, and eliminates the concept of available-for-sale (AFS) equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), report in column A the fair value of AFS debt and equity securities reported in Schedule RC, item 2.b, excluding those AFS securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The fair value of those AFS securities reported in Schedule RC, item 2.b, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.b, column A. The sum of Schedule RC-R, Part II, items 2.b and 9.b, column A, must equal Schedule RC, item 2.b.

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

2.b
(cont.) For institutions that have adopted ASU 2016-01, report in column A the sum of:
(1) The fair value of AFS debt securities reported in Schedule RC, item 2.b; and
(2) The fair value of equity securities with readily determinable fair values not held for trading reported in Schedule RC, item 2.c;
excluding those debt and equity securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

Exposure amount to be used for purposes of risk weighting by a bank that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:

For a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is:

- **For a debt security:** the carrying value, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.¹¹

Exposure amount to be used for purposes of risk weighting by a bank that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:

- For institutions that have not adopted ASU 2016-01, for a security classified as AFS where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is:
 - **For a debt security:** the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.
 - **For equity securities and preferred stock classified as an equity under GAAP:** the carrying value less any net unrealized gains that are reflected in such carrying value but are excluded from the bank's regulatory capital components.
- For institutions that have adopted ASU 2016-01, for a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is:
 - **For a debt security:** the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.
 - **For equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values:** the adjusted carrying value.^{11a}

¹¹ Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For institutions that cannot or have not made the AOCI opt-out election, the on-balance sheet component is equal to the carrying value. Refer to §.51 for the precise definition.

^{11a} Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For institutions that have made the AOCI opt-out election, the adjusted carrying value of an on-balance sheet equity exposure, such as an equity security with a readily determinable fair value not held for trading, is equal to the carrying value of the equity exposure, i.e., the value of the asset on the balance sheet determined in accordance with U.S. GAAP. Refer to §.51 for the precise definition.

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

- 2.b**
(cont.)
- *In column B*, a bank that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that do not qualify as securitization exposures. This difference equals the amounts reported in Schedule RC-B, items 1 through 6, column D, minus items 1 through 6, column C, for those AFS debt securities included in these items that are not securitization exposures.
 - When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, Part II, item 2.b, column B.
 - When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule RC-R, Part II, item 2.b, column B.

 - *In column B*, for a bank that has made the AOCI opt-out election and has not adopted ASU 2016-01:
 - If AFS equity securities with readily determinable fair values have a net unrealized gain (i.e., Schedule RC-B, item 7, column D, exceeds item 7, column C), the portion of the net unrealized gain (55 percent) not included in Tier 2 capital should be included in Schedule RC-R, Part II, item 2.b, column B. The portion that is not included in Tier 2 capital equals Schedule RC-B, item 7, column D minus column C, minus Schedule RC-R, Part I, item 31.

Example: A bank reports an AFS debt security that is not a securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of \$105. The amortized cost of the debt security is \$100. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS debt security has a \$5 unrealized gain that is included in AOCI. In Schedule RC-R, Part II, item 2.b, the bank would report in Schedule RC-R, Part II, item 2.b:

 - a. \$105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.
 - b. \$5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)
 - c. \$100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.

 - *In column B*, for a bank that has made the AOCI opt-out election and has adopted ASU 2016-01, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule RC-R, Part II, item 2.b, column A.

 - *In column B*, include the amount of:
 - Non-significant investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 11, item 24, and item 33.

Part II. (cont.)**Item No. Caption and Instructions****2.b**
(cont.)

- Significant investments in the capital of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), and have been deducted from capital in Schedule RC-R, Part I, item 24 and item 33.
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13 and 16.
- *In column C—0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such debt securities may include portions of, but may not be limited to:
 - Item 1, "U.S. Treasury securities,"
 - Item 2.a, Securities "Issued by U.S. Government agencies,"
 - Item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA,"
 - Portions of item 4.b.(1), Other residential mortgage-backed securities (MBS) "Issued or guaranteed by U.S. Government agencies or sponsored agencies," such as GNMA exposures,
 - Item 4.c.(1)(a), certain portions of commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
 - Item 4.c.(2)(a), certain portions of commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
 - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
 - *In column G—20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such debt securities may include portions of, but may not be limited to:
 - Item 2.b, Securities "Issued by U.S. Government-sponsored agencies" (exclude interest-only securities),
 - Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
 - Item 4.a.(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC" (exclude interest-only securities),
 - Item 4.b.(1), Other residential MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies," (exclude interest-only securities)
 - Item 4.c.(1)(a), those commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent FHLMC and FNMA securities (exclude interest-only securities),

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

- 2.b**
(cont.)
- Item 4.c.(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities (exclude interest-only securities),
 - Item 4.b.(2), Other residential MBS “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (exclude interest-only securities), and
 - Any securities categorized as “structured financial products” on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets. Exclude interest-only securities.
 - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- *In column H—50% risk weight*, include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such debt securities may include portions of, but may not be limited to:
 - Item 3, “Securities issued by states and political subdivisions in the U.S.,” that represent revenue obligation securities,
 - Item 4.a.(3), “Other [residential mortgage] pass-through securities,” (that represent residential mortgage exposures that qualify for the 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk weight category.)
 - Item 4.b.(2), Other residential MBS “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (exclude portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for the 50 percent risk weight, and
 - Item 4.b.(3), “All other residential MBS.” Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS that are tranching for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b. Do not include interest-only securities.
 - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
 - *In column I—100% risk weight*, include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such debt securities may include portions of, but may not be limited to:
 - Item 4.a.(3), “Other [residential mortgage] pass-through securities,” that represent residential mortgage exposures that qualify for the 100 percent risk weight,
 - Item 4.b.(2), Other residential MBS “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (excluding portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for the 100 percent risk weight,
 - Item 4.b.(3), “All other residential MBS.” Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranching for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b.
 - Item 4.c.(1)(b), “Other [commercial mortgage] pass-through securities,”

Part II. (cont.)**Item No. Caption and Instructions****2.b**
(cont.)

- Item 4.c.(2)(b), “All other commercial MBS,”
- Item 5.a, “Asset-backed securities,”
- Any securities reported as “structured financial products” in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight.
Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- All other AFS debt securities that do not qualify as securitization exposures reported in Schedule RC, item 2.b, that are not included in columns C through H, J through N, or R.

Also include in *column I–100% risk weight* the exposure amounts of publicly traded equity exposures with readily determinable fair values and equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), to the extent that the aggregate carrying value of the bank’s equity exposures does not exceed 10 percent of total capital. If the bank’s aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report the exposure amount of its equity exposures to investments funds with readily determinable fair values (including mutual funds) in column R (and the risk-weighted asset amount of such equity exposures in column S) and the exposure amount of its other equity exposures with readily determinable fair values in either columns L or N, as appropriate.

In addition, for non-advanced approaches institutions, include in *column I–100% risk weight* the portion of Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules.

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column C, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
- *In column K–250% risk weight*, include the portion that does not qualify as a securitization exposure of Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules. This risk weight takes effect only for advanced approaches institutions in 2018, and therefore this item is blocked from being completed until that time. Before 2018, all institutions report such significant investments in the 100 percent risk-weight category.

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

- 2.b**
(cont.)
- *In column L—300% risk weight,*
 - For a bank that has not adopted ASU 2016-01, for publicly traded AFS equity securities with readily determinable fair values reported in Schedule RC-B, item 7 (except equity securities to investment firms), include the fair value of these equity securities (as reported in Schedule RC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule RC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule RC-R, Part I, item 31).
 - For a bank that has adopted ASU 2016-01, for publicly traded equity securities with readily determinable fair values reported in Schedule RC, item 2.c (except equity securities to investment firms), include the fair value of these equity securities as reported in Schedule RC, item 2.c.
 - *In column N—600% risk weight,*
 - For a bank that has not adopted ASU 2016-01, for AFS equity securities to investment firms with readily determinable fair values reported in Schedule RC-B, item 7, include the fair value of these equity securities (as reported in Schedule RC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule RC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule RC-R, Part I, item 31).
 - For a bank that has adopted ASU 2016-01, for equity securities to investment firms with readily determinable fair values reported in Schedule RC, item 2.c, include the fair value of these equity securities as reported in Schedule RC, item 2.c.
 - *In columns R and S—Application of Other Risk-Weighting Approaches,* include the bank's equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or item 2.c (for a bank that has adopted ASU 2016-01), if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.
 - Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight.* Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II. Include the exposure amounts of those securities reported in Schedule RC, item 2.b (for a bank that has not adopted ASU 2016-01) or items 2.b and 2.c (for a bank that has adopted ASU 2016-01), that are directly and unconditionally guaranteed by foreign central governments or are exposures to

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

- 2.b** foreign banks that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:
- (cont.)
- Schedule RC-B, item 4.a.(3), "Other [residential mortgage] pass-through securities,"
 - Schedule RC-B, item 4.b.(3), "All other residential MBS,"
 - Schedule RC-B, item 4.c.(1)(b), "Other [commercial mortgage] pass-through securities,"
 - Schedule RC-B, item 4.c.(2)(b), "All other commercial MBS,"
 - Schedule RC-B, item 5.a, "Asset-backed securities,"
 - Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures. Note: Many structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets,
 - Schedule RC-B, item 6.b, "Other foreign debt securities," and
 - Schedule RC-B, item 7, "Investments in mutual funds and other equity securities with readily determinable fair values" (for a bank that has not adopted ASU 2016-01) or Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading" (for a bank that has adopted ASU 2016-01).

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

- 3.a Federal funds sold (in domestic offices).** Report in column A the amount of federal funds sold reported in Schedule RC, item 3.a, excluding those federal funds sold that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those federal funds sold reported in Schedule RC, items 3.a, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A.

- *In column C—0% risk weight*, include the portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by U.S. Government agencies. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- *In column G—20% risk weight*, include exposures to U.S. depository institution counterparties. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- *In column H – 50% risk weight*, include any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
- *In column I—100% risk weight*, include exposures to non-depository institution counterparties that lack qualifying collateral (refer to the regulatory capital rules for specific criteria). Also include the amount of federal funds sold reported in Schedule RC, item 3.a, that are not included in columns C through H and J. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

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

- 3.a**
(cont.)
- Federal funds sold that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II. Include:*
 - The portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by foreign central governments and exposures to foreign banks.
- 3.b**
- Securities purchased under agreements to resell.** Report in columns A and B the amount of securities purchased under agreements to resell (securities resale agreements, i.e., reverse repos) reported in Schedule RC, item 3.b, excluding those securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those securities resale agreements reported in Schedule RC, item 3.b, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.d, column A.
- Note: For purposes of risk weighting, please distribute on-balance sheet securities purchased under agreements to resell reported in Schedule RC, item 3.b, within the risk-weight categories in Schedule RC-R, Part II, item 16, “Repo-style transactions.” Banks should report their securities purchased under agreements to resell in item 16 in order for institutions to calculate their exposure, and thus risk-weighted assets, based on master netting set agreements covering repo-style transactions.
- 4**
- Loans and leases held for sale.** Report in column A of the appropriate subitem the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a, excluding those HFS loans and leases that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.
- The carrying value of those HFS loans and leases reported in Schedule RC, item 4.a, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.
- The sum of the amounts reported in column A for items 4.a through 4.d of Schedule RC-R, Part II, plus the carrying value of HFS loans and leases that qualify as securitization exposures and are reported in column A of item 9.d of Schedule RC-R, Part II, must equal Schedule RC, item 4.a.

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

- 4.a Residential mortgage exposures.** Report in column A the carrying value of loans held for sale (HFS) reported in Schedule RC, item 4.a, that meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*^{11b} in §.2 of the regulatory capital rules. Include in column A the carrying value of:
- HFS loans secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
 - HFS loans secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of \$1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule RC-C, Part I, item 1.d, as these HFS loans would meet the regulatory capital rules' definition of *residential mortgage exposure*.

^{11b} Statutory multifamily mortgage means a loan secured by a multifamily residential property that meets the requirements under Section 618(b)(1) of the [Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991](#), and that meets the following criteria:

- (1) The loan is made in accordance with prudent underwriting standards;
- (2) The principal amount of the loan at origination does not exceed 80 percent of the value of the property (or 75 percent of the value of the property if the loan is based on an interest rate that changes over the term of the loan) where the value of the property is the lower of the acquisition cost of the property or the appraised (or, if appropriate, evaluated) value of the property;
- (3) All principal and interest payments on the loan must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan, or in the case where an existing owner is refinancing a loan on the property, all principal and interest payments on the loan being refinanced must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan;
- (4) Amortization of principal and interest on the loan must occur over a period of not more than 30 years and the minimum original maturity for repayment of principal must not be less than 7 years;
- (5) Annual net operating income (before making any payment on the loan) generated by the property securing the loan during its most recent fiscal year must not be less than 120 percent of the loan's current annual debt service (or 115 percent of current annual debt service if the loan is based on an interest rate that changes over the term of the loan) or, in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution; and
- (6) The loan is not more than 90 days past due, or on nonaccrual.

A loan that meets the requirements of Section 618(b)(1) of the [Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991](#) is a loan:

- (i) secured by a first lien on a residence consisting of more than 4 dwelling units;
- (ii) under which
 - (I) the rate of interest does not change over the term of the loan, (b) the principal obligation does not exceed 80 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 120 percent; or
 - (II) the rate of interest changes over the term of the loan, (b) the principal obligation does not exceed 75 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 115 percent;
- (iii) under which
 - (I) amortization of principal and interest occurs over a period of not more than 30 years;
 - (II) the minimum maturity for repayment of principal is not less than 7 years; and
 - (III) timely payment of all principal and interest, in accordance with the terms of the loan, occurs for a period of not less than 1 year; and
- (iv) that meets any other underwriting characteristics that the appropriate Federal banking agency may establish, consistent with the purposes of the minimum acceptable capital requirements to maintain the safety and soundness of financial institutions.

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

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(cont.)
- Item 1, "U.S. Treasury securities," (column A on the FFIEC 031),
 - The portion of the amount reported in item 2, (column A on the FFIEC 031) that represents the fair value of securities issued by U.S. Government agencies, and
 - The portion of the amounts reported in item 4, (column A on the FFIEC 031) that represents the fair value of mortgage-backed securities (MBS) guaranteed by GNMA.
 - If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of securities. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of trading assets collateralized by deposits at the reporting institution.
- *In column G—20% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - Item 2, (column A on the FFIEC 031) that represents the fair value of securities issued by U.S. Government-sponsored agencies,
 - The portion of the amount reported in item 3, (column A on the FFIEC 031) that represents the fair value of general obligations issued by states and political subdivisions in the United States,
 - The portion of the amount reported in item 4, (column A on the FFIEC 031) that represents the fair value of MBS issued by FNMA and FHLMC,
 - The fair value of those asset-backed securities, structured financial products, and other debt securities reported in item 5, "Other debt securities," (column A on the FFIEC 031) that represent exposures to U.S. depository institutions,
 - The portion of the amount reported in item 6.d, "Other loans," (column A on the FFIEC 031) that represents loans to and acceptances of U.S. depository institutions, and
 - The portion of the amount reported in item 9, "Other trading assets," (column A on the FFIEC 031) that represents the fair value of certificates of deposit.
 - If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.
 - *In column H—50% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - Item 3, (column A on the FFIEC 031) that represents the fair value of revenue obligations issued by states and political subdivisions in the United States, and
 - The fair value of those MBS reported in item 4, "Mortgage-backed securities," (column A on the FFIEC 031).
 - If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types

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

- 7**
(cont.) of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
- Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
 - *In column I–100% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such trading assets may include portions of, but may not be limited to:
 - The fair value of those MBS reported in item 4, "Mortgage-backed securities," (column A on the FFIEC 031), and
 - Item 5, "Other debt securities," (column A on the FFIEC 031) that represent exposures to corporate entities and special purpose vehicles (SPVs).
 - If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Also include the fair value of significant investments in the capital of unconsolidated financial institutions in the form of common stock held as trading assets that does not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules.¹⁴ Publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
 - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
 - *In column J–150% risk weight*, include the exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - *In column K–250% risk weight*, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to .53 of regulatory capital rules. This risk weight takes effect only for advanced approaches institutions in 2018, and therefore this item is blocked from being completed until that time. Before 2018, all institutions report such significant

¹⁴ Note: For advanced approaches institutions, this item will become subject to a 250 percent risk weight beginning in 2018. Non-advanced approaches institutions should continue to apply a 100 percent risk weight.

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

- 8** §.22 of the regulatory capital rules. These amounts pertain to three items:¹⁵
- (cont.)
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances;
 - Publicly traded equity exposures, equity exposures without readily determinable fair values, and equity exposures to investment funds, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its equity exposures reported in Schedule RC, items 6 through 11, in either columns L, M, or N, as appropriate; and
 - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
 - *In column J–150% risk weight*, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 150 percent risk weight.
 - *In column K–250% risk weight*, include the amounts of items that do not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules. These amounts pertain to three items:
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;

¹⁵ Note: For advanced approaches institutions, these items will become subject to a 250 percent risk weight beginning in 2018. Non-advanced approaches institutions should continue to apply a 100 percent risk weight.

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

- 8**
(cont.)
- MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.
- This risk weight takes effect only for advanced approaches institutions in 2018, and therefore this item is blocked from being completed until that time. Before 2018, all institutions report such significant investments in the 100 percent risk weight category.
- *In column L—300% risk weight*, include the fair value of publicly traded equity securities with readily determinable fair values that are reported in Schedule RC, items 8 and 9.
 - *In column M—400% risk weight*, include the historical cost of equity securities (other than those issued by investment firms) that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.
 - *In column N—600% risk weight*, include the historical cost of equity securities issued by investment firms that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.
 - *In columns R and S of item 8—Application of Other Risk-Weighting Approaches*, include the portion of any asset reported in Schedule RC, items 6 through 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
 - Include in column R the carrying value of the portion of an asset that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
 - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the asset secured by such collateral. Any remaining portion of the asset that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.
 - *In columns R and S of item 8—Application of Other Risk-Weighting Approaches*, also include the bank’s equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 8 or 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), if the aggregate carrying value of the bank’s equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through

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

8
(cont.) approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of “Treatment of Equity Exposures” in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8.a—Separate Account Bank-Owned Life Insurance*, include the bank’s investments in separate account life insurance products, including hybrid separate account life insurance products. Exclude from columns R and S any investment in bank-owned life insurance that is solely a general account insurance product (report such general account insurance products in *column I—100 percent risk weight*). Report in column R the carrying value of the bank’s investments in separate account life insurance products, including hybrid separate account products. Report in column S the risk-weighted asset amount of these insurance products. When a bank has a separate account policy, the portion of the carrying value that represents general account claims on the insurer, including items such as deferred acquisition costs (DAC) and mortality reserves realizable as of the balance sheet date, and any portion of the carrying value attributable to a Stable Value Protection (SVP) contract should be risk weighted at the 100 percent risk weight as claims on the insurer or the SVP provider. The remaining portion of the investment in separate account life insurance products is an equity exposure to an investment fund that should be measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach, all three of which require a minimum risk weight of 20 percent. For further information, refer to the discussion of “Treatment of Equity Exposures” in the General Instructions for Schedule RC-R, Part II.

- *In columns R and S of item 8.b—Default Fund Contributions to Central Counterparties*

Note: Item 8.b only applies to banks that are clearing members, and therefore will not be applicable to the vast majority of banks. Banks must report the aggregate on-balance sheet amount of default fund contributions to central counterparties (CCPs) in column A. Banks must report the aggregate off-balance sheet amount, if any, of default fund contributions to CCPs as a negative amount in column B of item 8. Banks must report the aggregate on- and off-balance sheet amount of such contributions in column R. See §.35(d) of the regulatory capital rules for more details.

Clearing Member Banks must report in column S the total amount of risk-weighted assets for a clearing member bank’s default fund contributions to CCPs. This will be the sum of:

- Component A: the sum of risk-weighted assets for a clearing member bank’s default fund contributions to all non-qualifying CCPs; and,
- Component B: the sum of risk-weighted assets for a clearing member bank’s default fund contributions to all qualifying central counterparties (QCCPs).

Report the sum of Components A and B in Schedule RC-R, Part II, item 8.b, column S.

Component A: risk-weighted asset amount for default fund contributions to non-qualifying CCPs

As required by §.35(d)(2) of the regulatory capital rules, a clearing member bank’s risk-weighted asset amount for default fund contributions to CCPs that are not QCCPs equals the sum of such default fund contributions multiplied by 1,250 percent, or an amount determined by the bank’s federal supervisor based on factors such as size, structure and membership characteristics of the CCP and riskiness of its transactions, in cases where such default fund contributions may be

SCHEDULE RC-V – VARIABLE INTEREST ENTITIES

General Instructions

A variable interest entity (VIE), as described in ASC Topic 810, Consolidation (formerly FASB Interpretation No.46 (revised December 2003), "Consolidation of Variable Interest Entities," as amended by FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)"), is an entity in which equity investors do not have sufficient equity at risk for that entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack one or more of the following three characteristics: (a) the power, through voting rights or similar rights, to direct the activities of an entity that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected residual returns of the entity.

Variable interests in a VIE are contractual, ownership, or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. When a bank or other company has a variable interest or interests in a VIE, ASC Topic 810 provides guidance for determining whether the bank or other company must consolidate the VIE. If a bank or other company has a controlling financial interest in a VIE, it is deemed to be the primary beneficiary of the VIE and, therefore, must consolidate the VIE. For further information, see the Glossary entry for "variable interest entity."

Schedule RC-V collects information on VIEs that have been consolidated by the reporting bank for purposes of the Consolidated Reports of Condition and Income because the bank or a consolidated subsidiary is the primary beneficiary of the VIE. Schedule RC-V should be completed on a fully consolidated basis, i.e., after eliminating intercompany transactions. The asset and liability amounts to be reported in Schedule RC-V should be the same amounts at which these assets and liabilities are reported on Schedule RC, Balance Sheet, e.g., held-to-maturity securities should be reported at amortized cost and available-for-sale securities should be reported at fair value.

Column Instructions

Column A, Securitization Vehicles: Securitization vehicles include VIEs that have been created to pool and repackage mortgages, other assets, or other credit exposures into securities that can be transferred to investors.

Column B, ABCP Conduits: Asset-backed commercial paper (ABCP) conduits include VIEs that primarily issue externally rated commercial paper backed by assets or other exposures.

Column C, Other VIEs: Other VIEs include VIEs other than securitization vehicles and ABCP conduits.

For purposes of Schedule RC-V, information about each consolidated VIE should be included in only one of the three columns of the schedule. The column selected for a particular consolidated VIE should be based on the purpose and design of the VIE and this column should be used consistently over time.

Item Instructions

Item No. Caption and Instructions

- 1 **Assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of the consolidated VIEs.** Report in the appropriate subitem and column those assets of consolidated VIEs reported in Schedule RC, Balance Sheet, that can be used only to settle obligations of the same consolidated VIEs and any related allowance for loan and

Item No. **Caption and Instructions**

- 1** (cont.) lease losses. Exclude assets of consolidated VIEs that cannot be used only to settle obligations of the same consolidated VIEs (report such assets in Schedule RC-V, item 3, below).
- 1.a** **Cash and balances due from depository institutions.** Report in the appropriate column the amount of cash and balances due from depository institutions held by consolidated VIEs included in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and item 1.b, "Interest-bearing balances," that can be used only to settle obligations of the same consolidated VIEs.
- 1.b** **Held-to-maturity securities.** Report in the appropriate column the amount of held-to-maturity securities held by consolidated VIEs included in Schedule RC, item 2.a, "Held-to-maturity securities," that can be used only to settle obligations of the same consolidated VIEs.
- 1.c** **Available-for-sale securities.** Report in the appropriate column the amount of available-for-sale securities held by consolidated VIEs included in Schedule RC, item 2.b, "Available-for-sale securities," that can be used only to settle obligations of the same consolidated VIEs.
- For institutions that have adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the Note preceding the instructions for Schedule RC, item 2.c), also report in the appropriate column of this item the amount of equity securities with readily determinable fair values not held for trading held by consolidated VIEs included in Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading," that can be used only to settle obligations of the same consolidated VIEs.
- 1.d** **Securities purchased under agreements to resell.** Report in the appropriate column the amount of securities purchased under agreements to resell held by consolidated VIEs included in Schedule RC, item 3.b, "Securities purchased under agreements to resell," that can be used only to settle obligations of the same consolidated VIEs.
- 1.e** **Loans and leases held for sale.** Report in the appropriate column the amount of loans and leases held for sale by consolidated VIEs included in Schedule RC, item 4.a, "Loans and leases held for sale," that can be used only to settle obligations of the same consolidated VIEs.
- 1.f** **Loans and leases held for investment.** Report in the appropriate column the amount of loans and leases held for investment by consolidated VIEs included in Schedule RC, item 4.b, "Loans and leases held for investment," that can be used only to settle obligations of the same consolidated VIEs.
- 1.g** **Less: Allowance for loan and lease losses.** Report in the appropriate column the amount of the allowance for loan and lease losses held by consolidated VIEs included in Schedule RC, item 4.c, "LESS: Allowance for loan and lease losses," that is allocated to these consolidated VIEs' loans and leases held for investment that can be used only to settle obligations of the same consolidated VIEs and are reported in Schedule RC-V, item 1.f, above.
- 1.h** **Trading assets (other than derivatives).** Report in the appropriate column the amount of trading assets (other than derivatives) held by consolidated VIEs included in Schedule RC, item 5, "Trading assets," that can be used only to settle obligations of the same consolidated VIEs.

Brokered Deposits (cont.):

Fully insured brokered deposits are brokered deposits (including brokered deposits that represent retirement deposit accounts as defined in Schedule RC-O, Memorandum item 1) with balances of \$250,000 or less or with balances of more than \$250,000 that have been participated out by the deposit broker in shares of \$250,000 or less. As more fully described in the instructions for Schedule RC-E, (part I on the FFIEC 031), Memorandum item 1.c, fully insured brokered deposits also include (a) certain brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$250,000 and (b) certain brokered transaction accounts and money market deposit accounts denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers.

For additional information on brokered deposits, refer to the FDIC's "Identifying, Accepting and Reporting Brokered Deposits: Frequently Asked Questions" at <https://www.fdic.gov/news/news/financial/2016/fil16042b.pdf>.

Broker's Security Draft: A broker's security draft is a draft with securities or title to securities attached that is drawn to obtain payment for the securities. This draft is sent to a bank for collection with instructions to release the securities only on payment of the draft.

Business Combinations: The accounting and reporting standards for business combinations are set forth in ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"). ASC Topic 805 requires that all business combinations, which are defined as the acquisition of assets and assumption of liabilities that constitute a business, be accounted for using the acquisition method of accounting. The formation of a joint venture, the acquisition of a group of assets that do not constitute a business, and a transfer of net assets or exchange of equity interests between entities under common control are not considered business combinations and therefore are not accounted for using the acquisition method of accounting.

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

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

Business Combinations (cont.):

Under ASC Topic 805, an intangible asset must be recognized separately from goodwill if it arises from contractual or other legal rights, regardless of whether the rights are transferable or separable. Otherwise, an intangible asset must be recognized separately from goodwill only if it is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged individually or together with a related contract, identifiable asset, or liability. Examples of intangible assets that must be recognized separately from goodwill are core deposit intangibles, purchased credit card relationships, servicing assets, favorable leasehold rights, trademarks, trade names, internet domain names, and noncompetition agreements. However, an institution that is a private company, as defined in U.S. GAAP, may elect the private company accounting alternative for the recognition of certain identifiable intangible assets acquired in a business combination provided by ASC Subtopic 805-20, Business Combinations – Identifiable Assets and Liabilities, and Any Noncontrolling Interest, if it also has adopted the private company goodwill accounting alternative provided by ASC Subtopic 350-20, Intangibles–Goodwill and Other – Goodwill. Intangible assets that are recognized separately from goodwill must be reported in Schedule RC, item 10.b, "Other intangible assets," and in Schedule RC-M, item 2. Refer to the Glossary entry for "goodwill" for further information on the private company accounting alternative for identifiable intangible assets. See also the Glossary entries for "private company" and "public business entity."

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

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

Under the acquisition method, the historical equity capital balances of the acquired business are *not* to be carried forward to the acquirer's consolidated balance sheet. The operating results of the acquiree are to be included in the income and expenses of the acquirer only from the acquisition date. In addition, if the ownership interests in the acquiree were obtained in a series of purchase transactions, the equity interest in the acquiree previously held by the acquirer is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in the acquirer's earnings.

Pushdown accounting – Pushdown accounting is an acquiree's establishment of a new accounting basis in its separate financial statements when an acquirer obtains control of the acquired entity. On November 18, 2014, the FASB issued ASU No. 2014-17, "Pushdown Accounting," which amended ASC Subtopic 805-50, Business Combinations–Related Issues, and took effect upon issuance. Under ASU 2014-17, an acquiree (e.g., an acquired institution) that retains its separate corporate existence may apply pushdown accounting upon a change-in-control event. A change-in-control event occurs when an acquirer obtains a controlling financial interest, as defined by ASC Subtopic 810-10, Consolidation–Overall (formerly Accounting Research Bulletin No. 51, "Consolidated Financial Statements"), in the acquiree. A controlling financial interest typically requires ownership of more than 50 percent of the voting rights in an acquired entity.

Business Combinations (cont.):

An acquired institution that retains its separate corporate existence may, for purposes of its Call Report, elect pushdown accounting in accordance with ASU 2014-17 if the change-in-control event for the business combination occurred on or after October 1, 2014. Prior to the issuance of ASU 2014-17, pushdown accounting for business combinations, including those involving collaborative groups, was permitted for Call Report purposes when 80 percent or more voting control was obtained and required when voting control was 95 percent or more. An institution acquired in a business combination before October 1, 2014, that retained its separate legal existence should not change the pushdown treatment applied to the acquisition because of the issuance of ASU 2014-17. It should be noted that after a parent obtains a controlling financial interest in an entity through a business combination, any subsequent increase in the parent's ownership interest in the acquiree is not a change in control. However, if a parent's ownership becomes a noncontrolling interest and the parent later regains control of the acquiree, the latter transaction would be a change-in-control event at which a new pushdown election could be made in accordance with ASC Subtopic 805-50.

When an acquired institution that retains its separate corporate existence elects pushdown accounting, it must report in its Call Report the new basis of accounting established by the acquirer under which the acquired institution's identifiable assets, liabilities, and noncontrolling interests are restated to their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820. The assets acquired, including goodwill, and liabilities assumed, measured at their acquisition-date fair values, are reported in the Call Report balance sheet (Schedule RC) of the acquired institution and the consolidated financial statements of the institution's parent.

In addition, the pushdown adjusting entries must zero out the acquired institution's retained earnings account (Schedule RC, item 26.a). Therefore, the retained earnings of the acquired institution before the change-in-control event will not be available for the payment of dividends after the change-in-control event. When recording the pushdown adjusting entries, the acquired institution's common stock account should reflect the par value of its issued common shares. The acquired institution's surplus (additional paid-in capital) account should represent the difference between the restated amount of the institution's net assets (i.e., its assets less its liabilities) and the sum of the par value of its issued common shares and the amount of any perpetual preferred stock outstanding. The effect of any bargain purchase gain recognized by the acquirer should be reflected in the acquisition-date measurement of the acquired institution's surplus (additional paid-in capital) account, not in the acquired institution's income statement (Schedule RI).

In the Call Report for the remainder of the year in which an acquired institution elects to apply pushdown accounting, the institution shall report the initial increase or decrease in its equity capital that results from the application of pushdown accounting in item 7, "Changes incident to business combinations, net," of Schedule RI-A, Changes in Bank Equity Capital. In addition, in the year an acquired institution elects pushdown accounting, its income statements (Schedule RI) for periods after its acquisition should only include amounts from the acquisition date through the end of the calendar year-to-date reporting period. No income or expense for the portion of the calendar year prior to the date of the change-in-control event should be included in these income statements. Also, when pushdown accounting is elected, the acquired institution should report the date of its acquisition in Schedule RI, Memoranda item 7, for each report date on or after the date of the change-in-control event through the end of the calendar year in which the acquisition took place.

The agencies note that the pushdown accounting election available under ASU 2014-17 can be used to produce a particular result in the Call Report that may not be reflective of the economic substance of the underlying business combination. Therefore, an institution's primary federal regulator reserves the right to require or prohibit the institution's use of pushdown accounting for Call Report purposes based on the regulator's evaluation of whether the election best reflects the facts and circumstances of the business combination.

Business Combinations (cont.):

Transactions between entities under common control – A transaction in which net assets or equity interests (e.g., voting shares) that constitute a business are transferred between entities under common control is not accounted for as a business combination. The method used to account for such transactions is similar to the pooling-of-interests method. In accordance with ASC Subtopic 805-50, when applying a method similar to the pooling-of-interests method to a transfer of net assets or an exchange of equity interests between entities under common control, the entity that receives the net assets or equity interests shall initially measure the recognized assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, for example, because pushdown accounting had not been applied, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Consequently, and without regard to the pushdown accounting election made by the acquiree, if a parent transfers the acquiree to another entity under common control or merges the acquiree with another entity under common control, the receiving entity accounts for the acquiree using the parent's historical cost for the net assets or equity interests in the acquiree. The parent's historical cost includes the values of the acquiree's assets (including goodwill) and liabilities that were remeasured at fair value on the acquisition date of the business combination. If there has been a change in reporting entity as defined by ASC Subtopic 250-10, Accounting Changes and Error Corrections—Overall (formerly FASB Statement No. 154, "Accounting Changes and Error Corrections"), for the year in which a transaction between entities under common control occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the entities had combined at the beginning of the year. The portion of the adjustment necessary to conform the accounting methods applicable to the current period must also be allocated to income and expense for the period.

Call Option: See "derivative contracts."

Income Taxes (cont.):

Generally, an operating loss that occurs when loss carrybacks are not available (e.g., occurs in a year following periods of losses) becomes an operating loss carryforward. Banks may carry operating losses forward 20 years.

Tax credit carryforwards are tax credits which cannot be used for tax purposes in the current year, but which can be carried forward to reduce taxes payable in a future period.

Deferred tax assets are recognized for operating loss and tax credit carryforwards just as they are for deductible temporary differences. As a result, a bank can recognize the benefit of a net operating loss for tax purposes or a tax credit carryforward to the extent the bank determines that a valuation allowance is not considered necessary (i.e., if the realization of the benefit is more likely than not).

Applicable tax rate -- The income tax rate to be used in determining deferred tax assets and liabilities is the rate under current tax law that is expected to apply to taxable income in the periods in which the deferred tax assets or liabilities are expected to be realized or paid. If the bank's income level is such that graduated tax rates are a significant factor, then the bank shall use the average graduated tax rate applicable to the amount of estimated taxable income in the period in which the deferred tax asset or liability is expected to be realized or settled. When the tax law changes, banks shall determine the effect of the change, adjust the deferred tax asset or liability and include the effect of the change in Schedule RI, item 9, "Applicable income taxes (on item 8.c)."

Valuation allowance – A valuation allowance must be recorded, if needed, to reduce the amount of deferred tax assets to an amount that is more likely than not to be realized. Changes in the valuation allowance generally shall be reported in Schedule RI, item 9, "Applicable income taxes (on item 8.c)." The following discussion of the valuation allowance relates to the allowance, if any, included in the amount of net deferred tax assets or liabilities to be reported on the balance sheet (Schedule RC) and in Schedule RC-F, item 2, or Schedule RC-G, item 2. This discussion does not address the determination of the amount of deferred tax assets, if any, that is disallowed for regulatory capital purposes and reported in Schedule RC-R, Part I, items 8, 15, and 16.

Banks must consider all available evidence, both positive and negative, in assessing the need for a valuation allowance. The future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period. Four sources of taxable income may be available to realize the deferred tax assets:

- (1) Taxable income in carryback years (which can be offset to recover taxes previously paid),
- (2) Reversing taxable temporary differences,
- (3) Future taxable income (exclusive of reversing temporary differences and carryforwards.
- (4) Tax-planning strategies.

In general, positive evidence refers to the existence of one or more of the four sources of taxable income. To the extent evidence about one or more sources of income is sufficient to support a conclusion that a valuation allowance is not necessary (i.e., the bank can conclude that the deferred tax asset is more likely than not to be realized), other sources need not be considered. However, if a valuation allowance is needed, each source of income must be evaluated to determine the appropriate amount of the allowance needed.

Evidence used in determining the valuation allowance should be subject to objective verification. The weight given to evidence when both positive and negative evidence exist should be consistent with the extent to which it can be verified. Sources (1) and (2) listed above are more susceptible to objective verification and, therefore, may provide sufficient evidence regardless of future events.

Income Taxes (cont.):

The consideration of future taxable income (exclusive of reversing temporary differences and carryforwards) as a source for the realization of deferred tax assets will require subjective estimates and judgments about future events which may be less objectively verifiable.

Examples of negative evidence include:

- Cumulative losses in recent years.
- A history of operating loss or tax credit carryforwards expiring unused.
- Losses expected in early future years by a presently profitable bank.
- Unsettled circumstances that, if unfavorably resolved, would adversely affect future profit levels.
- A brief carryback or carryforward that would limit the ability to realize the deferred tax asset.

Examples of positive evidence include:

- A strong earnings history exclusive of the loss that created the future deductible amount (tax loss carryforward or deductible temporary difference) coupled with evidence indicating that the loss is an aberration rather than a continuing condition.
- Existing contracts that will generate significant income.
- An excess of appreciated asset value over the tax basis of an entity's net assets in an amount sufficient to realize the deferred tax asset.

When realization of a bank's deferred tax assets is dependent upon future taxable income, the reliability of a bank's projections is very important. The bank's record in achieving projected results under an actual operating plan will be a strong measure of this reliability. Other factors a bank should consider in evaluating evidence about its future profitability include but are not limited to current and expected economic conditions, concentrations of credit risk within specific industries and geographical areas, historical levels and trends in past due and nonaccrual assets, historical levels and trends in loan loss reserves, and the bank's interest rate sensitivity.

When strong negative evidence, such as the existence of cumulative losses, exists, it is extremely difficult for a bank to determine that no valuation allowance is needed. Positive evidence of significant quality and quantity would be required to counteract such negative evidence.

For purposes of determining the valuation allowance, a tax-planning strategy is a prudent and feasible action that would result in realization of deferred tax assets and that management ordinarily might not take, but would do so to prevent an operating loss or tax credit carryforward from expiring unused. For example, a bank could accelerate taxable income to utilize carryforwards by selling or securitizing loan portfolios, selling appreciated securities, or restructuring nonperforming assets. Actions that management would take in the normal course of business are not considered tax-planning strategies.

Significant expenses to implement the tax-planning strategy and any significant losses that would result from implementing the strategy shall be considered in determining any benefit to be realized from the tax-planning strategy. Also, banks should consider all possible consequences of any tax-planning strategies. For example, loans pledged as collateral would not be available for sale.

The determination of whether a valuation allowance is needed for deferred tax assets should be made for total deferred tax assets, not for deferred tax assets net of deferred tax liabilities. In addition, the evaluation should be made on a jurisdiction-by-jurisdiction basis. Separate analyses should be performed for amounts related to each taxing authority (e.g., federal, state, and local).

Deferred tax assets (net of the valuation allowance) and deferred tax liabilities related to a particular tax jurisdiction (e.g., federal, state, and local) may be offset against each other for reporting purposes. A resulting debit balance shall be included in "Other assets" and reported in Schedule RC-F, item 2. A

Income Taxes (cont.):

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

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

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

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

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

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

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

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

Income Taxes (cont.):

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

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

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

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

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

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

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

Income Taxes (cont.):

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

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

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

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

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

For further information, see ASC Topic 740.

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

Interest-Bearing Account: See "deposits."

Interest Capitalization: See "capitalization of interest costs."

Interest Rate Swaps: See "derivative contracts."

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

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

- (1) The software is acquired, internally developed, or modified solely to meet the bank's internal needs; and
- (2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

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