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

Contents – Part I. Regulatory Capital Components and Ratios

General Instructions for Schedule RC-R, Part I.

In the FFIEC 031, Schedule RC-R, Part I, has two columns for items 11 through 19. Items 11 through 19 in column A are to be completed by non-advanced approaches institutions (including institutions subject to Category III capital standards[1]) and items 11 through 19 in column B are to be completed by advanced approaches institutions.[2]

In the FFIEC 041, Schedule RC-R, Part I, has only one column for items 11 through 19 because advanced approaches institutions are required to complete the FFIEC 031.

Community Bank Leverage Ratio Framework

Opting into the Community Bank Leverage Ratio (CBLR) Framework – A qualifying institution may opt into the CBLR framework. A qualifying institution opts into and out of the framework through its reporting in Call Report Schedule RC-R. A qualifying institution that opts into the CBLR framework (CBLR electing institution) must complete Schedule RC-R, Part I, items 1 through 37, and, if applicable, items 38.a through 38.c, and can make that election on Schedule RC-R, Part I, item 31.a. A qualifying institution can opt out of the CBLR framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. However, an otherwise qualifying institution's primary federal supervisory authority may disallow the institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.

On April 23, 2020, the federal banking agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework, and the final rule became effective November 9, 2020 with no changes to the interim final rules. The final rule provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the final rule.

A qualifying institution with a leverage ratio that exceeds the applicable leverage ratio requirement and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements.[3]

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[1] Category III institutions include institutions, which are not advanced approaches institutions, that have (1) at least $250 billion in average total consolidated assets or (2) at least $100 billion in average total consolidated assets and at least $75 billion in average total nonbank assets, average weighted short-term wholesale funding; or average off-balance sheet exposure. In addition, depository institution subsidiaries of Category III institutions are considered Category III institutions.

[2] An institution that is subject to the advanced approaches capital rule (i.e., an advanced approaches institution as defined in the federal banking agencies' regulatory capital rules) is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to 12 CFR 217.402; (ii) a Category II institution; (iii) 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 risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.
Category II institutions include institutions with (1) at least $700 billion in total consolidated assets or (2) at least $75 billion in cross-jurisdictional activity and at least $100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category II institutions are considered Category II institutions.

[3] See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

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

Transition Provisions – Under the provisions of the transition interim final rule, an institution may qualify for the CBLR framework if its leverage ratio is greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter, and it meets the qualifying criteria: it has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not part of an advanced approaches banking organization; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancellable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34). Also, the two-quarter grace period for a qualifying institution will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, an institution's leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

Table 1 – Schedule of Community Bank Leverage Ratio Requirements

Calendar Year	Community Bank Leverage Ratio (percent)	Minimum Leverage Ratio under the applicable grace period (percent)
2021	> 8.5	> 7.5
2022	> 9.0	> 8.0

Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter – In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not an advanced approaches institution; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34).

Ceasing to Meet the Leverage Ratio Requirement under the CBLR Framework or Failing to Meet Any of the Other CBLR Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the applicable leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution maintains a leverage ratio that does not fall more than one percentage point below the leverage ratio requirement during the two-quarter grace period. At the end of the grace period (see below for an example), the institution must meet all qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution with a leverage ratio that is not within one percentage point of the leverage ratio requirement qualifying criterion under the CBLR framework is not eligible for the grace period and must comply with the generally applicable capital rule by completing all of Schedule RC-R, Parts I and II, as applicable, excluding Schedule RC-R, Part I, items 32 through 38.c.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing institution ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing institution had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending June 30, 2020.

The institution may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of December 31, 2020, unless the institution once again meets all qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

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

If a CBLR electing institution is in the grace period when the required community bank leverage ratio increases, the institution would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if a CBLR electing institution that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such an institution will begin as of the end of the fourth quarter of 2020. The institution may continue to use the CBLR framework as of March 31, 2021, if the institution has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of June 30, 2021, unless the institution has a leverage ratio of greater than 8.5 percent (and meets all of the other qualifying criteria) by that date. In this example, if the institution has a leverage ratio equal to or less than 7.5 percent as of March 31, 2021, it would not be eligible to use the CBLR framework and would be subject immediately to the requirements of the generally applicable capital rule.

3-Year and 5-Year 2020 CECL Transition Provisions

In 2019, the federal banking agencies issued a final rule that, among other provisions, revised the agencies' regulatory capital rule and included a transition option that allows institutions to phase in over a 3-year transition period the day-one effects of adopting the current expected credit losses methodology (CECL) on their regulatory capital ratios (2019 CECL rule).

In 2020, the agencies issued a final rule that provides institutions that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a 3-year transition period, thereby resulting in a 5-year transition period (2020 CECL rule).

Eligibility for, and Transition Period under, the 3-Year CECL Transition – An institution is eligible to use the 3-Year CECL transition provision if it experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the institution adopts CECL. The transition period under the 3-year CECL transition provision means the three-year period beginning the first day of the fiscal year in which an institution adopts CECL and reflects CECL in its first Call Report filed after that date.

An institution that is eligible to use the 3-year CECL transition provision may elect to phase in the regulatory capital impact of adopting CECL over a 3-year transition period (a 3-year CECL electing institution). A 3-year CECL electing institution is required to begin applying the 3-year CECL transition provision as of the electing banking organization's CECL adoption date. A 3-year CECL electing institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 3-year CECL transition provision and must report the transitional amounts, as defined below and as applicable, in the affected items of Schedule RC-R, adjusted for the transition provisions, beginning in the Call Report for the quarter in which the institution first reports its credit loss allowances as measured under CECL.

An institution that does not elect to use the 3-year CECL transition provision in the Call Report for the quarter in which it first reports its credit loss allowances as measured under CECL is not permitted to make an election in subsequent reporting periods and is required to reflect the full effect of CECL in its regulatory capital ratios beginning as of the institution's CECL adoption date.

An institution that initially elects to use the 3-year CECL transition provision, but opts out of this transition provision in a subsequent reporting period, is not permitted to resume using the 3-year CECL transition provision at a later date within the 3-year transition period. An institution may opt out of applying the transition provision by reflecting the full impact of CECL on regulatory capital in Call Report Schedule RC-R.

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

Eligibility for the 5-Year 2020 CECL Transition – An institution is eligible to use the 5-Year 2020 CECL transition provision if it adopts CECL under U.S. GAAP as of the first day of a fiscal year that begins during the 2020 calendar year and

(1) Reports a decrease in retained earnings immediately upon adoption of CECL; or
(2) Would report a positive modified CECL transitional amount (as defined below) in any quarter ending in 2020 after adopting CECL.

An institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 5-year 2020 CECL transition provision in calendar year 2020 in the first Call Report filed after the institution adopts CECL or the same Call Report in which the institution first reports a positive modified CECL transitional amount for any calendar quarter ending in 2020 (5-year CECL electing institution).

Even if an institution elects to use the 5-Year 2020 CECL transition provision, the institution may only reflect the regulatory capital adjustments set forth in the 2020 CECL rule in the quarter or quarters in which the institution implements CECL for regulatory reporting purposes. An institution that has elected the 5-year 2020 CECL transition provision, but would not report a positive modified CECL transitional amount in a particular quarter, is not required to make the adjustments in Call Report Schedule RC-R in that quarter.

Transition Period under the 5-Year 2020 CECL Transition – Beginning with the earlier of:
(1) The first quarter of the fiscal year in which an institution was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or
(2) The first day of a fiscal year that begins in the 2020 calendar year in which the institution files Call Reports reflecting CECL,

and for the subsequent 19 quarters (for a total of 20 quarters or the five-year transition period), an institution is permitted to make the adjustments described below to amounts used in calculating regulatory capital.

If an institution temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act))[1], the institution may not reflect regulatory capital adjustments for any quarter (during the first 8 quarters) in which it did not implement CECL, but it would be allowed to apply the transition in subsequent quarters when the institution uses CECL. However, an institution that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

> Example 1: An institution was required to adopt CECL on January 1, 2020. This institution, however, delays adoption of CECL under Section 4014 of the CARES Act until July 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this institution would have 18 quarters[2] including the quarter of adoption, remaining in its transition period.
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> Example 2: An institution was required to adopt CECL on October 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution does not delay adoption of CECL under Section 4014 of the CARES Act. This institution's transition period begins on October 1, 2020. As such, on October 1, 2020, this institution would have 20 quarters, including the quarter of adoption, remaining in its transition period.

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[1] Section 4014 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021, allows an institution to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, until the earlier of (1) January 1, 2022, or (2) the first day of the institution's fiscal year that begins after the date of the termination of national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act.

[2] Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

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

For the first 8 quarters after the start of its transition period, an institution is permitted to make an adjustment of 100 percent of the transitional items calculated below for each quarter in which the institution applies CECL. Beginning with the ninth quarter of the transition period, the institution phases out the cumulative adjustment as calculated at the end of the eighth quarter (i.e., the first two years of the 5-Year 2020 CECL transition provision) over the following 12 quarters as follows: 75 percent adjustment in quarters 9-12 (i.e., Year three); 50 percent adjustment in quarters 13-16 (i.e., Year four); and 25 percent adjustment in quarters 17-20 (i.e., Year five).

Definitions – Institutions that elect either the 3-year CECL transition provision or the 5-year 2020 CECL transition provision must calculate the following amounts, as applicable. AACL refers to Adjusted Allowances for Credit Losses and ALLL refers to the Allowance for Loan and Lease Losses, both as defined in the regulatory capital rule (12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC)).

- CECL transitional amount means the difference, net of any deferred tax assets (DTAs), in the amount of an institution's retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's retained earnings as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

- DTA transitional amount means the difference in the amount of an institution's DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

- AACL transitional amount means the difference in the amount of an institution's AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution's ALLL as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

- Eligible credit reserves transitional amount means the difference in the amount of an advanced approaches institution's eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

In addition, institutions that elect the 5-year 2020 CECL transition provision must calculate the following amounts:

- Modified CECL transitional amount means:
    - During the first two years of the transition period, the difference between the AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount, and
    - During the last three years of the transition period, the difference between the AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount.

- Modified AACL transitional amount means:
    - During the first two years of the transition period, the difference between the AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount, and
    - During the last three years of the transition period, the difference between the AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

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

A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable, must decrease its CECL transitional amount or modified CECL transitional amount, as applicable, by its DTA transitional amount.

Example and a Worksheet Calculation for the 3-year CECL Transition Provision

Assumptions:

- For example, consider an institution that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing institution has $10 million in retained earnings and $1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the 3-year CECL electing institution has $1.2 million in allowances for credit losses (ACL), which also equals $1.2 million of AACL, as defined in the regulatory capital rules.
- The 3-year CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of $200,000 (credit), with an offsetting increase in temporary difference DTAs of $42,000 (debit) and a reduction in beginning retained earnings of $158,000 (debit)
- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing institution increases both retained earnings and average total consolidated assets by $118,500 ($158,000 x 75 percent), decreases temporary difference DTAs by $31,500 ($42,000 x 75 percent), and decreases AACL by $150,000 ($200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table 2 below.

Table 2 – Example of a 3-Year CECL Transition Provision Schedule

Dollar Amounts in Thousands	Transitional Amounts	Transitional Amounts Applicable During Each Year of the 3-Year Transition Period		
		Year 1 at 75%	Year 2 at 50%	Year 3 at 25%
	Column A	Column B	Column C	Column D
1. Increase retained earnings and average total consolidated assets by the CECL transitional amount	CECL transitional amount = $158	$118.50	$79	$39.50
2. Decrease temporary difference DTAs by the DTA transitional amount	DTA transitional amount = $42	$31.50	$21	$10.50
3. Decrease AACL by the AACL transitional amount	AACL transitional amount = $200	$150	$100	$50

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

Example of Application of the 5-Year CECL Transition Provision for Third Quarter 2020

As an example, assume an institution is required under U.S. GAAP to adopt CECL on January 1, 2020. This institution chose not to delay adoption of CECL for Call Report purposes under the provisions of Section 4014 of the CARES Act, and elected to use the 5-year 2020 CECL transition provision in the March 31, 2020, Call Report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The institution's December 31, 2019, Call Report reflected the following amounts:
- ALLL: $120
- Temporary Difference DTAs: $20
- Retained earnings: $200
- Eligible credit reserves (advanced approaches institutions only): $110

On January 1, 2020, the institution adopted CECL and reflected the following amounts:
- AACL: $150
- AACL transitional amount = $150 - $120 = $30
  (AACL on 1/1/20 – ALLL on 12/31/19)
- Temporary difference DTAs: $30
- DTA transitional amount = $30 - $20 = $10
  (DTAs on 1/1/20 – DTAs on 12/31/19)
- Retained earnings: $180
- CECL transitional amount = $200 - $180 = $20
  (Retained earnings on 12/31/19 – retained earnings on 1/1/20)
- Eligible credit reserves (advanced approaches institutions only): $140
- Eligible credit reserves transitional amount (advanced approaches institutions only) = $140 - $110 = $30
  (Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On September 30, 2020, the institution reflected the following amounts:
- AACL: $170
- Modified AACL transitional amount = ($170-$150)*0.25 + $30 = $35
  (AACL on 9/30/20 – AACL on 1/1/20)*0.25 + AACL transitional amount)
- Modified CECL transitional amount = ($170-$150)*0.25 + $20 = $25
  (AACL on 9/30/20 – AACL on 1/1/20)*0.25 + CECL transitional amount)

The institution would adjust the following items in its September 30, 2020, Call Report, Schedule RC-R:

- Part I, Item 2 (Retained earnings): Add $25 (modified CECL transitional amount)
- Part I, Item 15, 15.a, or 15.b, as applicable (temporary difference DTAs): Subtract $10 (DTA transitional amount) when calculating temporary difference DTAs subject to deduction
- Part I, Item 27 (Average total consolidated assets): Add $25 (modified CECL transitional amount)

An institution that is not electing the CBLR framework in its September 30, 2020, Call Report, would make these additional Schedule RC-R adjustments:
- Part I, Item 42 (Allowances in tier 2 capital): Subtract $35 (modified AACL transitional amount)
- Part II, Item 8 (All other assets): Subtract $10 (DTA transitional amount)

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

An institution subject to the supplementary leverage ratio (advanced approaches and Category III institutions) would make this additional Schedule RC-R adjustment in its September 30, 2020, Call Report:

- Part I, Item 55.a (Total leverage exposure for SLR): Add $25 (modified CECL transitional amount)

An institution subject to the advanced approaches capital rule that has exited parallel run would make this additional Schedule RC-R adjustment in its September 30, 2020, Call Report:

- Part I, Item 42.b (Eligible credit reserves): Deduct $30 (eligible credit reserves transitional amount)

Advanced Approaches Institutions: 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),[1] 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.

[1] 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.

Item Instructions for Schedule RC-R, Part I.

Item No. Caption and Instructions

Common Equity Tier 1 Capital

1 **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24, 25, and 26.c, as follows:

(1) Common stock: Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.

(2) Related surplus: Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.

(3) Treasury stock, unearned ESOP shares, and any other contra-equity components: Report the amount of contra-equity components reported in Schedule RC, item 26.c. Because contra-equity components reduce equity capital, the amount reported in Schedule RC, item 26.c, is a negative amount.

2 **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should also include in this item its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should increase retained earnings by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

An institution that has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should also include in this item its applicable modified CECL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase retained earnings by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period.

A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in CET1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable must decrease its CECL transitional amount or modified CECL transitional amount, as applicable by its DTA transitional amount.

Part I. (cont.)

Item No. Caption and Instructions

2.a **To be completed only by institutions that have adopted ASU 2016-13: Does your institution have a CECL transition election in effect as of the quarter-end report date?**
An institution may make a one-time election to use the 3-year CECL transition provision (a 3-year CECL electing institution) or the 5-year 2020 CECL transition provision (a 5-year CECL electing institution), as described in section 301 of the regulatory capital rules and in the General Instructions for Schedule RC-R, Part I.

An institution that is required to use CECL for regulatory reporting purposes and intends to use the 3-year or the 5-year 2020 CECL transition provision must elect to use the 3-year or the 5-year 2020 CECL transition provision in the first Call Report the institution files that includes CECL after the institution is required to use CECL for regulatory reporting purposes.

An institution that does not elect to use the 3-year or the 5-year 2020 CECL transition as of the first Call Report the institution files that includes CECL after the institution is required to use CECL for regulatory reporting purposes would not be permitted to use the 3-year or the 5-year 2020 CECL transition provision in subsequent reporting periods.[1] For example, an institution that adopts CECL as of January 1, 2020 (i.e., does not delay adoption of CECL under Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act), records a reduction in retained earnings due to the adoption of CECL, and does not elect to use the CECL transition provision in its Call Report for the March 31, 2020, report date would not be permitted to use the 3-year or the 5-year CECL transition provision in any subsequent reporting period.

An institution that has adopted CECL and has elected to apply the 3-year CECL transition provision must enter “1” for “Yes with a 3-year CECL transition election” in item 2.a for each quarter in which the institution uses the transition provision. An institution that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision must enter “2” for “Yes with a 5-year 2020 CECL transition election” in item 2.a for each quarter in which the institution uses the transition provision. An institution that has adopted CECL and has elected not to use a CECL transition provision must enter a “0” for “No” in item 2.a. An institution that has not adopted CECL should leave item 2.a blank.

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[1] An institution that did not make a 5-year 2020 CECL transition provision election because it did not record a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the institution adopted CECL may use the 5-year 2020 CECL transition provision if it has a positive modified CECL transitional amount during any quarter ending in 2020 and makes the election in the Call Report filed for the same quarter.

Part I. (cont.)

Item No. Caption and Instructions

2.a (cont.) Each institution should complete item 2.a beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Effective December 31, 2026, item 2.a will be removed from Schedule RC-R, Part I, because the optional 3-year and 5-year 2020 transition periods will have ended for all CECL electing institutions. If an individual CECL electing institution's 3-year or 5-year transition period ends before item 2.a is removed (e.g., its transition period ends December 31, 2022), the institution would report "0" in item 2.a to indicate that it no longer has a CECL transition election in effect.

3 **Accumulated other comprehensive income (AOCI).** Report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule RC, item 26.b.

3.a **AOCI opt-out election.**

(i) All institutions, except advanced approaches institutions

An institution that is not an advanced approaches institution may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, Part I, items 9.a through 9.e. That is, such an institution may opt out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in this item 3.a.

Each institution (except an advanced approaches institution) in existence as of March 31, 2015, made its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, or becomes a non-advanced approaches institution, the institution must make its AOCI opt-out election in the first Call Report the institution files after the occurrence of this event. After an institution initially makes its AOCI opt-out election, the institution must report its election in each quarterly Call Report thereafter. Each of the institution's depository institution subsidiaries, if any, must elect the same option as the institution. With prior notice to its primary federal supervisor, an institution resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the regulatory capital rules.

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

An institution that does not make an AOCI opt-out election and enters "0" for "No" in this item 3.a and all advanced approaches institutions are subject to the AOCI-related adjustment in Schedule RC-R, Part I, item 9.f.

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).

Part I. (cont.)

Item No.	**Caption and Instructions**

4 (cont.) ***(i) All institutions, except advanced approaches institutions***

In order to complete this item 4, institutions need to complete items 6 to 10 of Schedule RC-R, Part I. Non-advanced approaches institutions are able to include common equity tier 1 minority interest up to 10 percent of the parent banking organization's common equity tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the regulatory capital rules.

Example and a worksheet calculation for all institutions, except advanced approaches institutions: Calculate common equity tier 1 minority interest includable at the reporting institution's level as follows:

Assumptions:

- The parent banking organization's common equity tier 1 capital is $100, it has two subsidiaries (subsidiary A and subsidiary B), and it has $10 of common equity tier 1 capital adjustments and deductions;
- Subsidiary A has $7 of common equity tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has $5 of common equity tier 1 minority interest (that is, owned by minority shareholders).

(1)	Common Equity Tier 1 Capital Elements Before Minority Interest and Adjustments and Deductions = Schedule RC-R, Part I, sum of items 1, 2, and 3	*$100*
(2)	Common Equity Tier 1 Capital: Adjustments and Deductions = Schedule RC-R, Part I, sum of items 6, 7, 8, 9.a through 9.f, 10.a, and 10.b	*$10*
(3)	Subtract the amount in step (2) from the amount in step (1). This is the base to calculate the 10 percent limitation.	*$100-$10 = $90*
(4)	Multiply step (3) by 10 percent. This is the maximum includable common equity tier 1 minority interest from all subsidiaries.	*$90 x 10% = $9*
(5)	Determine the lower of (4) and the total common equity tier 1 minority interest from all subsidiaries. This is the "common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 4.	*Minimum of ($9 from Step 4 or $12 ($7+$5) from the assumptions) = $9*

Part I. (cont.)

Item No. Caption and Instructions

4 (cont.) ***(ii) Advanced approaches institutions:***
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 advanced approaches institutions: 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 percent.[1]	*$1,000 x 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, Part I, 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% x $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, Part I, item 4, for this subsidiary.	*$21*

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

[1] 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 capital buffers.

Part I. (cont.)

Item No. Caption and Instructions

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.)

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 (whether accounted for under ASC Topic 840, Leases, or grandfathered and accounted for under ASC Topic 842, Leases, as applicable) that are not recognized under GAAP against DTAs that are subject to section 22(d) 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-M, item 2.b.

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 advanced approaches 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).

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, item 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), nonmortgage servicing assets, and all other 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

Part I. (cont.)

Item No.	**Caption and Instructions**
7 (cont.)	reduced by the amount of the associated DTL. Furthermore, a DTL that the institution chooses to net against the related intangible reported in this item may not also be netted against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and DTAs that arise from temporary differences, net of any related valuation allowances, for regulatory capital purposes. For state member banks, if the amount reported for other 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.
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.
9	**AOCI-related adjustments.** Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, 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 debt securities.** For institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, 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.b, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).
9.b	Not applicable.

Part I. (cont.)

Item No. Caption and Instructions

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 Schedule RC-R, Part I, 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 Topic 715, Compensation–Retirement Benefits, to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, Part I, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

9.e **LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes, and is included in AOCI as reported in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

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

Part I. (cont.)

Item No. Caption and Instructions

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.

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.

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, Part I, 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).

(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.

(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, Part I, 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 (cont.)

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 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.

(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.

(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.

(6) Advanced approaches institutions only that exit parallel run.[1] Include the amount of expected credit loss that exceeds the institution's eligible credit reserves.

An advanced approaches institution that has exited parallel run, has adopted Accounting Standards Update No. 2016-13 (ASU 2016-13) on credit losses, and has elected to apply the 3-year CECL transition provision (3-year CECL electing advanced approaches institution) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing advanced approaches institution should reduce the amount of its eligible credit reserves by 75 percent of its eligible credit reserves transitional amount during the first year of the transition period, 50 percent of its eligible credit reserves transitional amount during the second year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the third year of the transition period.

[1] 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**

10.b (cont.)

An advanced approaches institution that has exited parallel run, has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing advanced approaches institution) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing advanced approaches institution should reduce the amount of its eligible credit reserves by 100 percent of its eligible credit reserves transitional amount during the first and second years of the transition period, 75 percent of its eligible credit reserves transitional amount during the third year of the transition period, 50 percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

(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.

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.**

(i) All non-advanced approaches institutions (column A on the FFIEC 031):
Not applicable. Proceed to Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) to complete the subtotal calculation.

(ii) All advanced approaches institutions (column B on the FFIEC 031):
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 with covered debt instruments, as applicable,[1] exceed the 10 percent threshold for non-significant investments, calculated as described below.[2] The institution may apply associated DTLs to this deduction.

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[1] Covered debt instrument is defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable.
[2] An institution may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions. An institution subject to the advanced approaches rule that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, may exclude covered debt instruments up to an amount of 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B.

Part I. (cont.)

Item No. Caption and Instructions

11 (cont.) ***Example and a worksheet calculation for all advanced approaches institutions:***

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 in Schedule RC-R, Part I, item 5, "Common equity tier 1 capital before adjustments and deductions," is $1,000.
- Assume the amounts reported in Schedule RC-R, Part I, 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 capital, tier 2 capital, and covered debt instruments, as applicable).	*$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, Part I, item 5, the amounts in Schedule RC-R, Part I, items 6, 7, 8, 9, 10.a, and 10.b.	*$1,000 - $0 = $1,000*
(4)	Multiply the amount in step (3) by 10 percent. This is "the ten percent threshold for non-significant investments."	*$1,000 x 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, Part I, item 11. If (1) is less than (4), enter zero in this item 11.	*Line (1) is greater than line (4); therefore, $200 - $100 = $100. Then ($100 x 100/200) = $50. Report $50 in this item 11.*
(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.	*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. **

* In this case (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 x 300 percent 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

12 Subtotal.

(i) All non-advanced approaches institutions (column A on the FFIEC 031):
Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through 10.b.

This subtotal will be used in Schedule RC-R, Part I, items 13 through 15 on the FFIEC 041; items 13.a, 14.a, and 15.a on the FFIEC 031, to calculate the amounts of items subject to the 25 percent common equity tier 1 capital threshold deductions (threshold items):

(i) Investments in the capital of unconsolidated financial institutions, net of associated 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.

(ii) All advanced approaches institutions (column B on the FFIEC 031):
Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through 11.

This subtotal will be used in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 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 associated 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.

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

NOTE: On the FFIEC 041, item 13 is to be completed by all reporting institutions. On the FFIEC 031, item 13.a is to be completed only by non-advanced approaches institutions.

13 13.a LESS: Investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed 25 percent of item 12.

Items that are not deducted from the appropriate capital tier are risk-weighted based on the exposure in Schedule RC-R, Part II, except for institutions under the community bank leverage ratio (CBLR) framework. Institutions have the flexibility when deciding which investments in the capital of unconsolidated financial institutions to risk weight and which to deduct.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
13 (cont.)	**13.a** (cont.)	Report the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold, calculated as follows:

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), report the difference across item 13 on the FFIEC 041 or item 13.a on the FFIEC 031, as applicable; item 24; or item 45 of Schedule RC-R, Part I, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. As mentioned above, the institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if the instrument will be deducted and reported in item 13 on the FFIEC 041 or item 13.a on the FFIEC 031, as applicable, or be deducted and reported in item 24 or item 45.
(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), report zero in this item 13 on the FFIEC 041; item 13.a on the FFIEC 031.

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

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:
- has $20 of total investments in the capital of unconsolidated financial institutions,
- of that $20, $9 are investments in common equity tier 1 capital instruments, $7 are investments in additional tier 1 capital instruments, and $4 are investments in tier 2 capital instruments,
- has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12 (column A on the FFIEC 031) of $60
- has total additional tier 1 capital of $20
- has total tier 2 capital of $3

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
13 (cont.)	**13.a** (cont.)	

(1)	Total investments in the capital of unconsolidated financial institutions	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*
(4)	The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses.	*Total of $5 must be deducted from regulatory capital. Of that, $3 will be deducted from the institution's $3 of tier 2 capital, and $2 will be deducted from the institution's $20 of additional tier 1 capital. No deduction from common equity tier 1 will be reported in this item 13 on the FFIEC 041; item 13.a on the FFIEC 031.*

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

Example for a CBLR electing institution and a worksheet calculation:

Assumptions:
For example, assume that a CBLR electing institution:
- has $20 of total investments in the capital of unconsolidated financial institutions,
- of that $20, $15 are investments in tier 1 capital instruments, and $5 are investments in tier 2 capital instruments,
- has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12 (column A on the FFIEC 031) of $60

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
13 (cont.)	**13.a** (cont.)	

(1)	Total investments in the capital of unconsolidated financial institutions	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*
(4)	The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses.	*Total of $5 must be deducted from regulatory capital. Since institutions have the flexibility to choose which items are deducted, they can elect to allocate the tier 1 investments first. As a result, the remaining investment that exceeds the threshold would be tier 2 instruments. Therefore, since CBLR electing institutions are not required to make tier 2 deductions, no deduction is necessary.*

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

NOTE: On the FFIEC 031, item 13.b is to be completed only by advanced approaches institutions. Item 13.b is not applicable to institutions that file the FFIEC 041.

- **13.b** **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:

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	**13.b** (cont.)	(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, Part I, item 12, column B, report the difference in this item 13.b. (3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12, column B, report zero in this item 13.b. If the institution included embedded goodwill in Schedule RC-R, Part I, 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 financial institution in the form of common stock, the institution would be allowed to net such 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). 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. Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.

NOTE: On the FFIEC 041, item 14 is to be completed by all reporting institutions. On the FFIEC 031, item 14.a is to be completed only by non-advanced approaches institutions.

14	**14.a**	**LESS: MSAs, net of associated DTLs, that exceed 25 percent of item 12.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold as follows:

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
14 (cont.)	**14.a** (cont.)	(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 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), report the difference in this item 14 on the FFIEC 041; item 14.a on the FFIEC 031. (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), enter zero in this item 14 on the FFIEC 041; item 14.a on the FFIEC 031.

All institutions must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that are subject to the community bank leverage ratio (CBLR) framework.

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:
- Has $20 of MSAs, net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column A on the FFIEC 031) of $60.

(1)	Total amount of MSAs, net of associated DTLs	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*

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

NOTE: On the FFIEC 031, item 14.b is to be completed only by advanced approaches institutions. Item 14.b is not applicable to institutions that file the FFIEC 041.

-	**14.b**	**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, Part I, item 12 (column B on the FFIEC 031), report the difference in this item 14.b. (3) If the amount in (1) is less than or equal to 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), enter zero in this item 14.b.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	14.b (cont.)	For advanced approaches institutions, apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs.

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:
- Has $20 of MSAs, net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column B on the FFIEC 031) of $60.

(1)	**Total amount of MSAs, net of associated DTLs**	***$20***
(2)	Multiply the total common equity tier 1 capital subtotal by 10 percent.	*$60 x 10% = $6*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $6, so the amount deducted is $20-$6 = $14*

NOTE: On the FFIEC 041, item 15 is to be completed by all reporting institutions. On the FFIEC 031, item 15.a is to be completed only by non-advanced approaches institutions.

15 **15.a** **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 25 percent of item 12.**

(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 allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), report the difference in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.
(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), enter zero in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
15 (cont.)	15.a (cont.)	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, except for institutions that have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date. 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.

All institutions must apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that have a CBLR framework election in effect as of the quarter-end report date.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules.

Specifically, a 3-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules.

Specifically, a 5-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:

- Has $20 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, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column A on the FFIEC 031) of $60.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
15 (cont.)	**15.a** (cont.)	

(1)	Total 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.	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	*$60 x 25% = $15*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $15, so the amount deducted is $20-$15 = $5*

NOTE: On the FFIEC 031, item 15.b is to be completed only by advanced approaches institutions. Item 15.b is not applicable to institutions that file the FFIEC 041.

- **15.b** **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 allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), report the difference in this item 15.b.
(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), enter zero in this item 15.b.

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FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	**15.b** (cont.)	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.

For advanced approaches institutions, apply a 250 percent risk weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs

Example and a worksheet calculation:

Assumptions:
For example, assume that an institution:

- Has $20 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, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column B on the FFIEC 031) of $60.

(1)	Total 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.	*$20*
(2)	Multiply the total common equity tier 1 capital subtotal by 10 percent.	*$60 x 10% = $6*
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	*$20 > $6, so the amount deducted is $20-$6 = $14*

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

NOTE: On the FFIEC 031, item 16 is to be completed only by advanced approaches institutions. Item 16 is not applicable to institutions that file the FFIEC 041.

- **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).

Example and a worksheet calculation for advanced approaches institutions:

Assumptions:

- The amount reported in Schedule RC-R, Part I, item 12 (column B on the FFIEC 031) is $130. (This amount is common equity tier 1 capital after all deductions and adjustments, except for the 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.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	**16** (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, Part I, item 13.b, step 1);	*$10*
	b. MSAs net of associated DTLs (Schedule RC-R, Part I, item 14.b, 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, Part I, item 15.b, 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, Part I, item 12, column B, by 10 percent.	*$130 x 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, Part I, item 13.b) b. MSAs net of associated DTLs (as reported in Schedule RC-R, Part I, item 14.b) 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, Part I, item 15.b)	*$0* *$20 - $13=$7* *$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.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	**16** (cont.)	

(5)	**The 15 percent common equity tier 1 capital deduction threshold** Calculate as follows:	
	a. Subtract the amount calculated in step (1.d) of this table from Schedule RC-R, Part I, item 12, column B; b. Multiply the resulting amount by 17.65 percent	*($130 - $60) x 17.65% = $12.36 Rounds to $12*
(6)	**Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold** Report as follows:	
	a. If the amount in step (4.d) is greater than the amount in step (5), then subtract (5) from (4.d) and report this number in Schedule RC-R, Part I, item 16. (In addition, the institution must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.) b. If the amount in step (4.d) is less than the amount in step (5) amount, report zero in Schedule RC-R, Part I, item 16.	*The amount in step (4.d) ($36) is greater than the amount in step 3 ($12).* *Therefore:* *$36 - $12 = $24*
(7)	**If the amount in step (6) is above zero, then pro-rate the threshold items' deductions as follows**:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (6.a) by the ratio of (1.a) over (1.d). b. MSAs net of associated DTAs: multiply (6.a) by the ratio of (1.b) over (1.d). c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks: multiply (6.a) by the ratio of (1.c) over (1.d).	*a. $12 x (10/60) = $2* *b. $12 x (20/60) = $4* *c. $12 x (30/60) = $6.*

Part I. (cont.)

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

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.**

(i) All non-advanced approaches institutions (column A on the FFIEC 031):

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, and investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, item 44 on the FFIEC 041; item 44.a on the FFIEC 031) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

Since the community bank leverage ratio (CBLR) framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable capital rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable capital rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

(ii) All advanced approaches institutions (column B on the FFIEC 031):

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments; investments in own covered debt instruments, as applicable; reciprocal cross-holdings; non-significant investments in the capital and covered debt instruments, as applicable, of unconsolidated financial institutions; investments in nonqualifying excluded covered debt instruments, as applicable;[1] and non-common stock significant investments in the capital and covered debt instruments of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, items 44.a and 44.b) to absorb these deductions in Schedule RC- R, Part I, items 24 or 45, as appropriate.

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

19 **Common equity tier 1 capital.** Report Schedule RC-R, Part I, item 12 less item 18. Except for a CBLR electing institution under the community bank leverage ratio framework, the amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

[1] Excluded covered debt instrument is defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable.

Part I. (cont.)

Item No. **Caption and Instructions**

Additional Tier 1 Capital

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

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

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

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 below.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 3 may be included in tier 2 capital (in Schedule RC-R, Part I, item 40) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

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

Table 3 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an institution that has $100 in non-qualifying tier 1 instruments may include up to $20 in additional tier 1 capital in 2020, and $10 in 2021. If that same institution has $100 in non-qualifying tier 2 instruments, it may include up to $20 in tier 2 capital in 2020 and $10 in 2021.

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

Part I. (cont.)

Item No. Caption and Instructions

21 (cont.) **Table 3 – Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital during the transition period**

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

22 **Tier 1 minority interest not included in common equity tier 1 capital.** Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, calculated as described below and in section 21 of the regulatory capital rules.

(i) All institutions, except advanced approaches institutions:

Non-advanced approaches institutions are able to include tier 1 minority interest up to 10 percent of the parent banking organization's tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Tier 1 minority interest is the portion of tier 1 capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that an institution may only include tier 1 minority interest if the capital instruments issued by the subsidiary meet all of the criteria for tier 1 capital (qualifying tier 1 capital instruments).

Example and a worksheet calculation for non-advanced approaches institutions: Calculate tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution's level as follows:

Assumptions:

- This is a continuation of the example for all institutions, except advanced approaches institutions, used in the instructions for Schedule RC-R, Part I, item 4.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
  - The parent banking organization's common equity tier 1 before minority interest and common equity tier 1 capital adjustments and deductions is $100.
  - Common equity tier 1 capital adjustments and deductions is $10.

Part I. (cont.)

Item No. **Caption and Instructions**

22 (cont.)

- The parent banking organization's additional tier 1 capital instruments before minority interest and additional tier 1 deductions equal $15.
- Additional tier 1 capital deductions equal $4.
- Subsidiary A has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
- The subsidiary's tier 1 minority interest (that is, owned by minority shareholders) is $24 ($12 of common equity tier 1 minority interest and $12 of minority interest in the form of additional tier 1 instruments).

(1)	Common equity tier 1 capital before CET1 minority interest + Additional tier 1 capital instruments before minority interest - additional tier 1 capital deductions = Schedule RC-R, Part I, sum of items 19, 20, and 21, minus item 4 minus item 24.	*$90+$15-$4=$101*
(2)	Multiply step (1) by 10 percent. This is the maximum includable tier 1 minority interest from all subsidiaries.	*$101 x 10% = $10.1*
(3)	Determine the lower of (2) or the tier 1 minority interest from all subsidiaries.	*Minimum of ($10.1 from Step 2 or $24 from the assumptions) = $10.1*
(4)	From (3), subtract out the common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4. This is the "tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution's level" to be included in Schedule RC-R, Part I, item 22.	*$10.1 - $9 = $1.1*

(ii) Advanced approaches institutions:

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

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

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

Part I. (cont.)

Item No. **Caption and Instructions**

22 (cont.)

Assumptions:

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

(1)	Determine the risk-weighted assets of the subsidiary.	*$1,000*
(2)	Using the standardized approach, determine the standardized risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*
(3)	Multiply the lower of (1) or (2) by 8.5 percent.[1]	*$1,000 x 8.5% = $85*
(4)	Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1 and additional tier 1 minority interest ($39 in this example) in step (9). Otherwise continue on to step (5).	*$110*
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus tier 1 capital of the subsidiary."	*$110 - $85 = $25*
(6)	Determine the percent of the subsidiary's qualifying tier 1 capital instruments that are owned by third parties (the minority shareholders).	*$24 + 15 = $39. Then $39/$110 = 35.45%*
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus tier 1 minority interest of the subsidiary."	*35.45% x $25 = $8.86*
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	*$24 + $15 = $39. Then $39 - $8.86 = $30.14*
(9)	The "tier 1 minority interest includable at the reporting institution's level" is the amount from step (8) (or from step (4) when there is no surplus tier 1 minority interest of the subsidiary).	*$30.14*
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from Schedule RC-R, Part I, item 4). The result is the minority interest included in additional tier 1 capital.	*$30.14 - $21 (from example in item 4) = $9.14.*

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

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

Part I. (cont.)

Item No.	Caption and Instructions

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 this item 24 irrespective of the amount of additional tier 1 capital before deductions reported in Schedule RC-R, Part I, 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, Part I, item 17. For example, if an institution reports $0 of "Additional tier 1 capital before deductions" in Schedule RC-R, Part I, item 23, and has $100 of additional tier 1 capital deductions, the institution would report $100 in this item 24, add $100 to the amount to be reported in Schedule RC-R, Part I, item 17, and report $0 in Schedule RC-R, Part I, item 25, "Additional tier 1 capital."

(i) Non-advanced approaches institutions:

(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.

Part I. (cont.)

Item No.	Caption and Instructions

24 (cont.)

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.

(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.

For example, if an institution is required to deduct a certain amount from additional tier 1 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.

(3) **Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from additional tier 1 capital.** Report the total amount of investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital that exceed the 25 percent threshold.

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), report the difference across Schedule RC-R, Part I, item 13 on the FFIEC 041; item 13.a on the FFIEC 031, as applicable; item 24, or item 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualifies. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if the instrument will be deducted and reported in Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031, as applicable; or be deducted and reported in Schedule RC-R, Part I, item 24 or 45.
(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), no deduction is needed.

See the instructions for Schedule RC-R, Part I, item 13 on the FFIEC 041; item 13.a on the FFIEC 031, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

Part I. (cont.)

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24 (cont.)

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

(4) 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, and investments in the tier 2 capital of unconsolidated financial institutions,).

Eligible institutions that opt into the community bank leverage ratio framework are not required to calculate tier 2 capital and would not be required to make any deductions that would be taken from tier 2 capital.

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.

(ii) Advanced approaches institutions:

(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

Part I. (cont.)

Item No. Caption and Instructions

24 (cont.)

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

(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.

For example, if an institution is required to deduct a certain amount from additional tier 1 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.

(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, Part I, 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, tier 2 capital, and covered debt instruments, as applicable.[1]
(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, Part I, 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.

[1] An institution may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions. An institution subject to the advanced approaches rule that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, may exclude covered debt instruments up to an amount of 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B.

Part I. (cont.)

Item No. **Caption and Instructions**

24 (cont.) **(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.

(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; significant investments in the tier 2 capital of unconsolidated financial institutions, and for advanced approaches institutions, as applicable, significant investments in the covered debt instruments of unconsolidated financial institutions, non-significant investments in the covered debt instruments of unconsolidated financial institutions, and investments in nonqualifying excluded covered debt instruments).

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, Part I, item 23 minus item 24, or zero.

Tier 1 Capital

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

Total Assets for the Leverage Ratio

27 **Average total consolidated assets.** All institutions must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13) which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301(c)(1)(iv) of the regulatory capital rules. Specifically, a 3-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its average total consolidated assets by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 100 percent of its modified CECL transitional amount during

Part I. (cont.)

Item No.	Caption and Instructions
27 (cont.)	the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).
28	**LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.**

(i) Non-advanced approaches institutions:

On the FFIEC 041, report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13 through 15, 17, and 24.

On the FFIEC 031, report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13.a, 14.a, 15.a, 17 (column A), and 24.

On the FFIEC 031 and the FFIEC 041, also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

(ii) Advanced approaches institutions:

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 11, 13.b, 14.b, 15.b, 16, 17 (column B), and 24. Also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

29 **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 ratio purposes that are not included in Schedule RC-R, Part I, item 28, 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.

Include as a deduction the quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the PPP Liquidity Facility (PPPLF). This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for "Total assets" reported in Schedule RC-K, item 9. Institutions also should report in Schedule RC-M, item 17.e, the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in this item 29.

Include as a deduction the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF). This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for "Total assets" reported in Schedule RC-K, item 9. Institutions also should report in Schedule RC-M, item 18.b, the quarterly average amount of assets purchased under the MMLF that are included as a deduction in this item 29.

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Item No. **Caption and Instructions**

29 (cont.) ***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 Topic 715, Compensation-Retirement Benefits (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 ASC Topic 715. 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 Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 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 AOCI as part of the initial incremental effect of applying ASC Topic 715 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

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

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

Financial Subsidiaries:

If a financial subsidiary is not consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average for the bank's ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank's average total assets reported in Schedule RC-K, item 9.

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Part I. (cont.)

Item No.	Caption and Instructions

29 (cont.) If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, Part I, item 28; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

Non-Includable Subsidiaries:

A savings association with a non-includable subsidiary should include in this item 29 a deduction from average total assets (as reported in Schedule RC-R, Part I, item 27) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

30 **Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 27, less items 28 and 29.

Leverage Ratio

31 **Leverage ratio.** Report the institution's leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 30.

31.a **Does your institution have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date?**
Enter "1" for Yes or enter "0" for No. Refer to the qualifying criteria for using the CBLR framework, which are explained in the instructions for Schedule RC-R, Part I, items 32 through 34, below.

NOTE: Item 31.b is to be completed by non-advanced approaches institutions that elect to use the Standardized Approach for Counterparty Credit Risk (SA-CCR) for purposes of the standardized approach and supplementary leverage ratio (as applicable). Other non-advanced approaches institutions that did not elect to use SA-CCR, and all advanced approaches institutions, should leave this item blank.

31.b **Standardized Approach for Counterparty Credit Risk opt-in election.** A non-advanced approaches institution may continue to use the Current Exposure Method or elect to use SA-CCR for purposes of the standardized approach and supplementary leverage ratio (as applicable). Where a banking institution has the option to choose among the approaches applicable to such institution under the capital rule, it must use the same approach for all purposes. For advanced approaches institutions, adoption of the SA-CCR methodology is mandatory beginning January 1, 2022. The SA-CCR rule provides non-advanced approaches institutions the option to adopt SA-CCR for purposes of standardized total risk-weighted assets and, if applicable, the supplementary leverage ratio.[1]

[1] See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

Part I. (cont.)

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31.b (cont.) Non-advanced approaches institutions that elect to use SA-CCR must notify their appropriate federal supervisor. These institutions would complete this item as prescribed below:

A non-advanced approaches institution that adopts SA-CCR would enter "1" for "Yes" in item 31.b. A non-advanced approaches institution that does not make a SA-CCR opt-in election should leave item 31.b blank. A non-advanced approaches institution must use the same methodology to calculate the exposure amount for all its derivative contracts and, if an institution has elected to use SA-CCR, an institution may change its election only with prior approval of its appropriate federal supervisor.

Qualifying Criteria and Other Information for CBLR Institutions

Schedule RC-R, Part I, items 32 through 37 and, if applicable, items 38.a through 38.c, are to be completed only by qualifying institutions that have elected to adopt the community bank leverage ratio (CBLR) framework or are within the grace period as of the quarter-end report date. (For further information on the grace period, see the General Instructions for Part I.)

If your institution entered "1" in item 31.a, then items 32 through 37 and, if applicable, items 38.a through 38.c, must be completed. Institutions that do not qualify for or have not adopted the community bank leverage ratio framework as of the quarter-end report date should leave items 32 through 38.c blank and go to Schedule RC-R, Part I, item 39. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c.

32 **Total assets.** Report total assets from Schedule RC, item 12. A bank's total assets must be less than $10 billion as part of the qualifying criteria for the CBLR framework.

33 **Trading assets and trading liabilities.** Report in column A the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15 (i.e., added, not netted).

Report in column B the sum of trading assets and trading liabilities as a percentage of total assets by dividing the amount of trading assets and trading liabilities reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 5 percent or less of total assets as part of the qualifying criteria for the CBLR framework.

34 **Off-balance sheet exposures.** Report in the appropriate subitem the specified off-balance sheet exposure amounts.

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34.a **Unused portion of conditionally cancellable commitments.** Report the amount of unused commitments, excluding unconditionally cancellable commitments that are reported in Schedule RC-R, Part I, item 35, below. Include in this item legally binding arrangements (other than letters of credit, which are reported in Schedule RC-R, Part I, item 34.c) that obligate a bank to extend credit or to purchase assets. Where a bank provides a commitment structured as a syndication or participation, include the amount for the bank's pro rata share of the commitment.

In general, this item would include the unused portion of commitments reported in Schedule RC-L, item 1, that are not unconditionally cancelable.

34.b **Securities lent and borrowed.** Report the sum of securities lent from Schedule RC-L, item 6.a, and securities borrowed from Schedule RC-L, item 6.b.

34.c **Other off-balance sheet exposures.** Report the sum of:

- ***Financial standby letters of credit:*** Include the amount outstanding and unused of financial standby letters of credit reported in Schedule RC-L, item 2.

- ***Transaction-related contingent items, including performance bonds, bid bonds, warranties, and performance standby letters of credit:*** Report transaction-related contingent items, which include the amount outstanding and unused of performance standby letters of credit reported in Schedule RC-L, item 3, and any other transaction-related contingent items.

- ***Self-liquidating, trade-related contingent items that arise from the movement of goods:*** Include the amount outstanding and unused of self-liquidating, trade-related contingent items that arise from the movement of goods reported in Schedule RC-L, item 4, "Commercial and similar letters of credit."

- ***Sold credit protection in the form of guarantees and credit derivatives:*** Include the notional amount of sold credit protection in the form of guarantees or credit derivatives (such as written credit option contracts). Do not include any non-credit derivatives, such as foreign exchange swaps and interest rate swaps.

- ***Credit-enhancing representations and warranties:*** Include the off-balance sheet amount of exposures transferred with credit-enhancing representations and warranties as defined in §.2 of the regulatory capital rule. Credit-enhancing representations and warranties obligate an institution "to protect another party from losses arising from the credit risk of the underlying exposures" and "include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures." Thus, when loans or other assets are sold "with recourse" and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

- ***Forward agreements that are not derivative contracts:*** Include the notional amount of all forward agreements, which are defined in §.2 of the regulatory capital rule as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

Part I. (cont.)

Item No. Caption and Instructions

34.c (cont.)
- ***Off-balance sheet securitizations:*** Report the notional amount of off-balance sheet items that qualify as securitization exposures. Refer to the definitions of securitization exposure, synthetic securitization, traditional securitization, and tranche in §.2 of the regulatory capital rules and to §.42 of the regulatory capital rules to calculate the relevant exposure amount.

34.d **Total off-balance sheet exposures.** Report in column A the sum of Schedule RC-R, Part I, items 34.a through 34.c.

Report in column B total off-balance sheet exposures as a percentage of total assets by dividing the total amount of off-balance sheet exposures reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 25 percent or less as part of the qualifying criteria for the CBLR framework.

35 **Unconditionally cancellable commitments.** Report the unused portion of commitments (facilities) that are unconditionally cancellable (without cause) at any time by the bank (to the extent permitted by applicable law). In general, this item would include the amounts reported in Schedule RC-L, items 1.a, 1.b, and 1.e.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law.

Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

36 **Investments in the tier 2 capital of unconsolidated financial institutions.** Report the amount of investments in the tier 2 capital of unconsolidated financial institutions, net of associated deferred tax liabilities.

37 **Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and 12 CFR Part 28, Subpart C (OCC)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is reported in Schedule RI-B, Part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

NOTE: Schedule RC-R, Part I, items 38.a through 38.c, should be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Institutions that have not adopted ASU 2016-13 should leave items 38.a through 38.c blank.

38 **Amount of allowances for credit losses on purchased credit-deteriorated assets.** ASU 2016-13 introduces the concept of purchased credit-deteriorated (PCD) assets as a replacement for purchased credit-impaired (PCI) assets. The PCD asset definition covers a

Part I. (cont.)

Item No. **Caption and Instructions**

38 (cont.) broader range of assets than the PCI asset definition. As defined in ASU 2016-13, "purchased credit-deteriorated assets" are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution's assessment.

ASU 2016-13 requires institutions to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets.

38.a **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment.

38.b **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities.

38.c **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities.

NOTE: A qualifying institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date (i.e., entered "1" for Yes in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part I, items 39 through 55.b, and should not complete Schedule RC-R, Part II.

Tier 2 Capital

39 **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.

40 **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

Part I. (cont.)

Item No. Caption and Instructions

40 (cont.) 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 3 in the instructions for Schedule RC-R, item 21.

41 **Total capital minority interest that is not included in tier 1 capital.**

(i) All institutions, except advanced approaches institutions:

Report the aggregate amount of total capital minority interest, calculated as described below and in section 21 of the regulatory capital rules. Non-advanced approaches institutions are able to include total capital minority interest up to 10 percent of the parent banking organization's total capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Total capital minority interest is the portion of total capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a reporting institution may only include total capital minority interest if the capital instruments issued by the subsidiary meet all of the criteria for capital (qualifying capital instruments).

Example and a worksheet calculation for all institutions, except advanced approaches institutions: Calculate total capital minority interest includable at the reporting institution's level as follows:

Assumptions:

- This is a continuation of the example for all institutions, except advanced approaches institutions, used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
  - Includable common equity tier 1 minority interest (see Schedule RC-R, Part I, item 4) is $9.
  - The parent banking organization's common equity tier 1 capital before minority interest and after deductions and adjustments is $90.
- Assumptions and calculation from Schedule RC-R, Part I, item 22:
  - Includable tier 1 minority interest that is not included in common equity tier 1 minority interest (see Schedule RC-R, Part I, item 22) is $1.1.
  - The parent banking organization's additional tier 1 capital before minority interest and after deductions is $11 ($15 - $4).
- The parent banking organization's tier 2 capital instruments before minority interest and allowance for loan and lease losses includable in tier 2 capital (or adjusted allowances for credit losses (AACL), as applicable) is $20. Additional tier 2 capital deductions equal $2.
- The subsidiary's total capital minority interest (that is, owned by minority shareholders) is $14.
- Subsidiary A has $8 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).
- Subsidiary B has $6 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).

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Item No. **Caption and Instructions**

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(cont.)

(1)	Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule RC-R, Part I, sum of items 26, 39, 40, and 42.a, minus item 45.	*$101 + $20 - $2 = $119*
(2)	Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries.	*$119 x 10% = $11.9*
(3)	Determine the lower of (2) or the total capital minority interest from all subsidiaries.	*Minimum of ($11.9 from Step 2 or $38 from the assumptions) = $11.9*
(4)	From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 22. This is the “total capital minority interest not included in tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 41.	*$11.9 - $9 - $1.1 = $1.8*

(ii) Advanced approaches institutions:

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 41.

Example and a worksheet calculation for advanced approaches institutions: 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 for advanced approaches institutions used in the instructions for Schedule RC-R, Part I, 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, Part I, items 4 and 22.

Part I. (cont.)

Item No. Caption and Instructions

41
(cont.)

(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 percent.[1]	*$1,000 x 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% x $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 (from examples in items 4 and 22)) = $13.48.*

[1] 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 capital buffers.

Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
42	42.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) or adjusted allowances for credit losses (AACL), as applicable, 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.

For an institution that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), the institution's ALLL for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses"; less any allocated transfer risk reserve included in Schedule RC, item 4.c; plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

For an institution that has adopted ASU 2016-13, the institution's AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, "Balance end of current period" for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)"; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, "Amount of allowances for credit losses on purchased credit-deteriorated assets" for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''

An institution that has adopted ASU 2016-13 and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its AACL by the applicable AACL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should reduce the amount of its AACL by 75 percent of its AACL transitional amount during the first year of the transition period, 50 percent of its AACL transitional amount during the second year of the transition period, and 25 percent of its AACL transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its AACL by the applicable modified AACL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should reduce the amount of its AACL by 100 percent of its modified AACL transitional amount during the first and second years of the transition period, 75 percent of its modified AACL transitional amount during the third year of the transition period, 50 percent of its modified AACL transitional amount during the fourth year of the transition period, and 25 percent of its modified AACL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General instructions for Schedule RC-R, Part I).

The amount to be reported in this item is the lesser of (1) the institution's ALLL or AACL, as applicable, for regulatory capital purposes, as defined above, or

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FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
42 (cont.)	**42.a** (cont.)	(2) 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation, as applicable, 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. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL or AACL calculation, as applicable, 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 ALLL or AACL, as applicable, for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." For an institution that has not adopted ASU 2016-13, the sum of the amount of ALLL includable in tier 2 capital reported in Schedule RC-R, Part I, item 42.a on the FFIEC 031, item 42 on the FFIEC 041; plus the amount of excess ALLL reported in Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

NOTE: On the FFIEC 031, item 42.b is to be completed only by advanced approaches institutions that exit parallel run. Item 42.b is not applicable to institutions that file the FFIEC 041.

-	**42.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.
43	**43**	Not applicable.

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FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
44	44.a	**Tier 2 capital before deductions.** On the FFIEC 041, report the sum of Schedule RC-R, Part I, items 39 through 42. On the FFIEC 031, report the sum of Schedule RC-R, Part I, items 39 through 42.a.

NOTE: On the FFIEC 031, item 44.b is to be completed only by advanced approaches institutions that exit parallel run. Item 44.b is not applicable to institutions that file the FFIEC 041.

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	44.b	**Advanced approaches institutions that exit parallel run only: Tier 2 capital before deductions.** Report the sum of Schedule RC-R, Part I, items 39 through 41, plus item 42.b.

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

45 **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 this item 45 irrespective of the amount of tier 2 capital before deductions reported in Schedule RC-R, Part I, item 44 on the FFIEC 041; item 44.a on the FFIEC 031. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 44 or item 44.a, as applicable, to absorb these deductions, then the institution must deduct the shortfall from additional tier 1 capital before deductions in Schedule RC-R, Part I, item 24, or, if there is not enough additional tier 1 capital before deductions, from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

For example, if an institution reports $98 of “Tier 2 capital before deductions” in Schedule RC-R, Part I, item 44 or item 44.a, as applicable, and must make $110 in tier 2 capital deductions, the institution would report $110 in this item 45, include the additional $12 in deductions in Schedule RC-R, Part I, item 24 (and in Schedule RC-R, Part I, item 17, in the case of insufficient “Additional tier 1 capital before deductions” in Schedule RC-R, Part I, item 23, from which to make the deduction in Schedule RC-R, Part I, item 24), and report $0 in Schedule RC-R, Part I, item 46.a, “Tier 2 capital.”

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, Part I, item 24, and if necessary from common equity tier 1 capital in Schedule RC-R, Part I, 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 the amount of the allowance for loan and lease losses or adjusted allowances for credit losses, as applicable,

Part I. (cont.)

Item No.	Caption and Instructions
45 (cont.)	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, Part I, item 24, and Schedule RC-R, Part I, item 17, if necessary).

(i) Non-advanced approaches institutions:

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

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

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

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

(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.

(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from tier 2 capital. Report the total amount of investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that exceeds the 25 percent threshold. Calculate this amount as follows:

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) report the difference across Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031; item 24; or item 45, depending on the tier of capital for which the investments in the capital of

Part I. (cont.)

Item No. Caption and Instructions

45 (cont.)

unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in item 13 or item 13.a, as applicable, or be deducted and reported in item 24 or item 45.

(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) no deduction is needed.

See Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

(4) 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.

(ii) Advanced approaches institutions:

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

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

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

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

Also report investments in (including any contractual obligation to purchase) own covered debt instruments, as applicable, whether held directly or indirectly.

(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 cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. Also include investments in the covered debt instruments of other financial institutions that the institution holds reciprocally, as applicable, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's instruments.

Part I. (cont.)

Item No.	Caption and Instructions

45 (cont.)

(3) For institutions subject to the advanced approaches rule that are subsidiaries of global systematically important BHCs: investments in nonqualifying excluded covered debt instruments.

A subsidiary of a global systemically important BHC, as defined in 12 CFR 252.2, must report the amount of any investment, on a gross long basis, in a covered debt instrument that was originally designated as an excluded covered debt instrument, in accordance with 12 CFR 3.22(c)(4)(iv)(A), 12 CFR 217.22(c)(4)(iv)(A), and 12 CFR 324.22(c)(4)(iv)(A), as applicable, but is:

- no longer held in connection with market making-related activities permitted under 12 CFR 44.4, 12 CFR 248.4, and 12 CFR 351.4, as applicable; or
- a direct exposure or an indirect exposure to a covered debt instrument held in connection with market making-related activities permitted under 12 CFR 44.4, 12 CFR 248.4, and 12 CFR 351.4, as applicable, and has been held for more than 30 business days.

Such an institution must also report its aggregate investment in excluded covered debt instruments that exceeds 5 percent of the institution's common equity tier 1 capital, calculated as follows:

(1) Determine the aggregate amount of investments in excluded covered debt instruments measured on a gross long basis in accordance with 12 CFR 3.22(h)(2), 12 CFR 217.22(h)(2), and 12 CFR 324.22(h)(2), as applicable.
(2) If the amount in (1) is greater than 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B, report the difference in this item 45.

(4) Non-significant investments in tier 2 capital and covered debt instruments of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

An institution that is a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, should proceed directly to step (2) below.

Calculate the amount as described below:

(1) An institution subject to the advanced approaches rule that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2: determine the amount of covered debt instruments subject to the non-significant investments threshold.

(i) Determine the aggregate amount of investments in covered debt instruments measured on a gross long basis in accordance with 12 CFR 3.22(h)(2), 12 CFR 217.22(h)(2), and 12 CFR 324.22(h)(2), as applicable.

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Item No.	Caption and Instructions
45 (cont.)	(ii) If the amount in (i) is greater than 5 percent of the amount reported in Schedule RC-R, item 12, column B, report the difference, on a net long position basis, in accordance with 12 CFR 3.22(h)(1), 12 CFR 217.22(h)(1), and 12 CFR 324.22(h)(1), as applicable, in steps (2) and (3) below as the institution's amount of “covered debt instruments.”

(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital and covered debt instruments.

(3) If (2) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, Part I, item 11, step (4)), then multiply the difference by the ratio of (3) over (2). Report this product in this item.

(4) If (2) is less than the ten percent threshold for non-significant investments, enter zero.

For example, assume an institution has an aggregate total of $200 in non-significant investments (step 2), including $40 in the form of tier 2 capital and $10 in covered debt instruments (step 3), and its ten percent threshold for non-significant investments is $100 (as calculated in Schedule RC-R, Part I, item 11, step 4). 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 50/200 (step 3). Thus, the institution would need to deduct $25 from its tier 2 capital.

(5) 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 and covered debt instruments.

(6) Other adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.

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Part I. (cont.)

FFIEC 041 Item No.	FFIEC 031 Item No.	Caption and Instructions
46	46.a	**Tier 2 capital.** On the FFIEC 041, report the greater of Schedule RC-R, Part I, item 44 minus item 45, or zero. On the FFIEC 031, report the greater of Schedule RC-R, Part I, item 44.a minus item 45, or zero.

NOTE: On the FFIEC 031, item 46.b is to be completed only by advanced approaches institutions that exit parallel run. Item 46.b is not applicable to institutions that file the FFIEC 041.

-	46.b	**Advanced approaches institutions that exit parallel run only: Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 44.b minus item 45, or zero.

Total Capital

47	47.a	**Total capital.** On the FFIEC 041, report the sum of Schedule RC-R, Part I, items 26 and 46. On the FFIEC 031, report the sum of Schedule RC-R, Part I, items 26 and 46.a.

NOTE: On the FFIEC 031, item 47.b is to be completed only by advanced approaches institutions that exit parallel run. Item 47.b is not applicable to institutions that file the FFIEC 041.

-	47.b	**Advanced approaches institutions that exit parallel run only: Total capital.** Report the sum of Schedule RC-R, Part I, items 26 and 46.b.

Total Risk-Weighted Assets

48	48.a	**Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31).

NOTE: On the FFIEC 031, item 48.b is to be completed only by advanced approaches institutions that exit parallel run. Item 48.b is not applicable to institutions that file the FFIEC 041.

-	48.b	**Advanced approaches institutions that exit parallel run only: Total risk-weighted assets using advanced approaches rule.** Report the amount from FFIEC 101, Schedule A, item 60.

Risk-Based Capital Ratios

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

49 **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 19 by item 48.

On the FFIEC 031:

- Column A: Divide Schedule RC-R, Part I, item 19, column A or B, as applicable, by item 48.a.
- Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 19, column B, by item 48.b. The lower of the reported capital ratios in this item 49, column A and column B, will apply for prompt corrective action purposes.

Part I. (cont.)

Item No. **Caption and Instructions**

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

On the FFIEC 041: Divide Schedule RC-R, Part I, item 26 by item 48.

On the FFIEC 031:
- Column A: Divide Schedule RC-R, Part I, item 26 by item 48.a.
- Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 26 by item 48.b. The lower of the reported capital ratios in this item 50, column A and column B, will apply for prompt corrective action purposes.

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

On the FFIEC 041: Divide Schedule RC-R, Part I, item 47 by item 48.

On the FFIEC 031:
- Column A: Divide Schedule RC-R, Part I, item 47.a by item 48.a.
- Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 47.b by item 48.b. The lower of the reported capital ratios in this item 51, column A and column B, will apply for prompt corrective action purposes.

Capital Buffer

Item No. **Caption and Instructions**

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

For all institutions: In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold an institution-specific capital buffer[1] above its minimum risk-based capital requirements.

52.a **Capital conservation buffer.** Report the institution's capital buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of ratios (1), (2), and (3) below.

For example, the capital buffer to be reported in this item 52.a for the June 30, 2020, report date would be based on the capital ratios reported in Schedule RC-R, Part I, of the Call Report for June 30, 2020.

[1] Advanced approaches institutions, including those that have not exited parallel run, and Category III institutions will need to consult the regulatory capital rules if the countercyclical capital buffer is in place or if the institution is subject to countercyclical capital buffers in other jurisdictions. The total applicable capital buffer requirement applicable to an advanced approaches institution or Category III institution as of the quarter-end report date should be reported in Schedule RC-R, Part I, item 52.b.

Part I. (cont.)

Item No.	Caption and Instructions

52.a (cont.)

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

(1) Schedule RC-R, Part I, item 49, column A, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) Schedule RC-R, Part I, item 50, column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) Schedule RC-R, Part I, item 51, column A, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

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

For advanced approaches institutions that exit parallel run only:

(1) The lower of Schedule RC-R, Part I, item 49, column A and column B, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
(2) The lower of Schedule RC-R, Part I, item 50, column A and column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
(3) The lower of Schedule RC-R, Part I, item 51, column A and column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

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

52.b **Advanced approaches institutions (FFIEC 031) and institutions subject to Category III capital standards (FFIEC 031 and FFIEC 041) only: Total applicable capital buffer.** Report the total applicable capital buffer requirement for the reporting institution as specified in the capital rule. The total applicable capital buffer requirement is the sum of the capital conservation buffer (2.5000 percent) plus any countercyclical capital buffer that is in place plus any countercyclical capital buffers in other jurisdictions to which the institution is subject.

NOTE: Non-advanced approaches institutions other than Category III institutions must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52.a, above, is less than or equal to 2.5000 percent. Advanced approaches institutions and Category III institutions must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52.a, above, is less than or equal to the amount reported in Schedule RC-R, Part I, item 52.b, above.

Item No.	Caption and Instructions

53 **Eligible retained income.** Report the amount of eligible retained income as the greater of (1) the reporting institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of the reporting institution's net income over the four preceding calendar quarters. (See the instructions for Schedule RC-R, Part I, item 54, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For purposes of this item 53, the four preceding calendar quarters refers to the calendar quarter ending on the last day of the current reporting period and the three preceding

Part I. (cont.)

Item No. Caption and Instructions

53 (cont.) calendar quarters as illustrated in the example below. The average of an institution's net income amount over the four preceding calendar quarters refers to the average of three-month net income for the calendar quarter ending on the last day of the current reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

Example and a worksheet calculation:

Assumptions:

- Eligible retained income is calculated for the Call Report date of March 31, 2020.
- The institution reported the following on its Call Reports in Schedule RI, Income Statement, item 14, "Net income (loss) attributable to bank (item 12 minus item 13)":

Call Report Date	Amount Reported in Item 14	Three-Month Net Income
March 31, 2019	$400 (A)	$400
June 30, 2019	$900 (B)	$500 (B-A)
September 30, 2019	$1,500 (C)	$600 (C-B)
December 31, 2019	$1,900 (D)	$400 (D-C)
March 31, 2020	$200 (E)	$200 (E)

- The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution's common stock between April 1, 2019, and March 31, 2020) in this example are $400 in each of the four preceding calendar quarters.

	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Net Income	$500	$600	$400	$200
Adjustments for distributions and associated tax effects not already reflected in net income	($400)	($400)	($400)	($400)
Adjusted Net Income (Net Income – Adjustments)	$100	$200	$0	($200)

(1)	Calculate an institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income.	$100 + $200 + $0 + ($200) = $100
(2)	Calculate the average of an institution's three-month net income over the four preceding calendar quarters.	($500 + $600 + $400 + $200) / 4 = $425*
(3)	Take the greater of step (1) and step (2) and report the amount in Schedule RC-R, Part I, item 53.	$425

*From a practical perspective, an institution may use the year-to-date net income reflected in Schedule RI for December 31, 2019; subtract from it the net income reflected in Schedule RI, item 14, for March 31, 2019; and then add the net income in Schedule RI, item 14, for March 31, 2020, to calculate the numerator in step 2, above. For the example above, the average of an institution's three-month net income over the four preceding calendar quarters would be: ($1,900 (D) less $400 (A) plus $200 (E)) divided by 4 = $425.

Part I. (cont.)

Item No. Caption and Instructions

NOTE: Non-advanced approaches institutions other than Category III institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52.a, in the Call Report for the previous calendar quarter-end report date was less than or equal to 2.5000 percent. Advanced approaches institutions and Category III institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52.a, in the Call Report for the previous calendar quarter-end report date was less than or equal to the amount reported in Schedule RC-R, Part I, item 52.b, in the Call Report for the previous calendar quarter-end report date.

Item No. Caption and Instructions

54 **Distributions and discretionary bonus payments during the quarter.** An institution must complete this item only if the amount of its institution-specific capital buffer, as reported as of the previous calendar quarter-end report date, was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 54, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

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Part I. (cont.)

Item No. Caption and Instructions

54 (cont.) For example:

- A non-advanced approaches institution other than a Category III institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52.a, in its March 31, 2020, Call Report was less than or equal to 2.5000 percent
- An institution that is an advanced approaches institution or a Category III institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital buffer as reported in Schedule RC-R, Part I, item 52.a, in its March 31, 2020, Call Report was less than or equal to the amount reported in Schedule RC-R, Part I, item 52.b, in its March 31, 2020, Call Report.

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

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

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

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

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

Part I. (cont.)

Supplementary Leverage Ratio

Item No. Caption and Instructions

NOTE: Schedule RC-R, Part I, items 55.a and 55.b, are to be completed only by advanced approaches institutions, including those that have not exited parallel run, and institutions subject to Category III capital standards. All other institutions should leave Schedule RC-R, Part I, items 55.a and 55.b, blank.

55 **Advanced approaches institutions (FFIEC 031) and institutions subject to Category III capital standards (FFIEC 031 and FFIEC 041): Supplementary leverage ratio information.** Report in the appropriate subitem the institution's total leverage exposure and its supplementary leverage ratio.

55.a **Total leverage exposure.** Report the institution's total leverage exposure as measured in accordance with section 10(c)(4)(ii)(A) through (H) of the regulatory capital rules, as adjusted pursuant to section 10(c)(4)(ii)(I) for a clearing member institution and section 10(c)(4)(ii)(J) for a custody bank; sections 302 and 305 of these rules for exposures related to the Money Market Mutual Fund Liquidity Facility and the Paycheck Protection Program Liquidity Facility; and, for an electing advanced approaches or Category III depository institution, the applicable section of these rules for U.S. Treasury securities and deposits in the institution's accounts at Federal Reserve Banks (section 303 for an institution supervised by the Federal Reserve; section 304 for an institution supervised by the OCC or the FDIC).

An advanced approaches or Category III institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its total leverage exposure by its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. For example, a 3-year CECL electing institution should increase its total leverage exposure for purposes of the supplementary leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

An advanced approaches or Category III institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its total leverage exposure by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase its total leverage exposure for purposes of the supplementary leverage ratio by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

55.b **Supplementary leverage ratio.** Report the institution's supplementary leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26, "Tier 1 capital," by Schedule RC-R, Part I, item 55.a, "Total leverage exposure."