# FFIEC 051

# CALL REPORT

# INSTRUCTION BOOK UPDATE

# DECEMBER 2020

## IMPORTANT NOTE

This December 2020 Call Report Instruction Book Update excludes updates pertaining to (1) interim final rules (IFRs) and final rules published by one or all of the banking agencies that revise certain aspects of the agencies' regulatory capital rule, amend the Federal Reserve Board's (Board) Regulation D on reserve requirements, except certain insider loans from the Board's Regulation O, and modify the Federal Deposit Insurance Corporation's (FDIC) deposit insurance assessment rules and (2) Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as amended by the Consolidated Appropriations Act, 2021, which provides optional temporary relief from accounting for eligible loan modifications as troubled debt restructurings. The agencies have received approvals from the U.S. Office of Management and Budget to implement changes to the Call Report arising from these rulemakings and Section 4013 of the CARES Act.

Instructions for these Call Report changes are provided in the separate standalone December 2020 COVID-19 Related Supplemental Instructions (Call Report), which were attached to the agencies' Financial Institution Letter for the Consolidated Reports of Condition and Income for Fourth Quarter 2020 and are available on the FFIEC Reporting Forms webpages for the Call Report and the FDIC Bank Financial Reports webpage. The December 2020 COVID-19 Related Supplemental Instructions (Call Report) include instructions for the new Call Report items that took effect June 30, 2020, in Schedule RC-C, Part I, Loans and Leases, for eligible loan modifications under Section 4013 and in Schedule RC-M, Memoranda, for U.S. Small Business Administration Paycheck Protection Program (PPP) loans, borrowings under the Federal Reserve's PPP Liquidity Facility, and holdings of assets purchased under the Federal Reserve's Money Market Mutual Fund Liquidity Facility.

The FFIEC 051 Call Report instruction book will be updated to incorporate relevant information from the December 2020 COVID-19 Related Supplemental Instructions (Call Report) at a future date. These revisions are discussed in the banking agencies' initial and final Paperwork Reduction Act (PRA) notices published in the Federal Register on July 22, 2020, and November 23, 2020, respectively. The notices are available on the FFIEC Reporting Forms webpages for the Call Report.

# FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 051 Call Report is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $5 Billion* (FFIEC 051) and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book for the FFIEC 051 Call Report.

| **Remove Pages** | **Insert Pages** |
|---|---|
| Cover Page (9-20) | Cover Page (12-20) |
| iii – iv (9-20) | iii – iv (12-20) |
| RI-1 – RI-2 (9-19) | RI-1 – RI-2 (12-20) |
| RI-5 – RI-6 (9-20) | RI-5 – RI-6 (12-20) |
| RI-13 – RI-14 (3-20) | RI-13 – RI-14 (12-20) |
| RI-17 – RI-18b (9-19, 9-20) | RI-17– RI-18b (12-20) |
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| RC-1 – RC-22 (3-17, 3-19, 9-19, 6-20, 9-20) | RC-1 – RC-24 (12-20) |
| RC-B-1 – RC-B-2 (3-19) | RC-B-1 – RC-B-2 (12-20) |
| RC-B-11 – RC-B-14 (6-18, 3-19) | RC-B-11 – RC-B-13 (12-20) |
| RC-C-5 – RC-C-6 (3-17) | RC-C-5– RC-C-6 (12-20) |
| RC-F-1 – RC-F-2 (3-19) | RC-F-1 – RC-F-2 (12-20) |
| RC-K-1 – RC-K-4 (3-19) | RC-K-1 – RC-K-3 (12-20) |
| RC-M-7 – RC-M-8 (6-19) | RC-M-7 – RC-M-8 (12-20) |
| RC-R-1 – RC-R-2 (6-20) | RC-R-1 – RC-R-2 (12-20) |
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| RC-R-19 – RC-R-22 (6-20) | RC-R-19 – RC-R-22 (12-20) |
| RC-R-27 – RC-R-30 (3-20, 6-20) | RC-R-27 – RC-R-30 (12-20) |
| RC-R-35 – RC-R-38 (6-20) * | RC-R-35 – RC-R-38 (12-20) |
| RC-R-39 – RC-R-40 (6-20) * | RC-R-39 – RC-R-40 (12-20) |
| RC-R-57 – RC-R-62b (6-20) | RC-R-57 – RC-R-62b (12-20) |
| A-3 – A-4 (3-20) | A-3 – A-4 (12-20) |
| A-88a – A-88c (3-20, 9-20) | A-88a – A-88c (12-20) |
| A-109 (3-17) | A-109 (12-20) |

* Do not remove page RC-R-38a (6-20). This page should be retained.

# Instructions for Preparation of

# Consolidated Reports of Condition and Income

## FFIEC 051

**Updated December 2020**

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GLOSSARY

GLOSSARY (cont.)

# LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions. For purposes of these Consolidated Report of Income instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

# SCHEDULE RI – INCOME STATEMENT

## General Instructions

Report in accordance with these instructions all income and expense of the bank for the calendar year-to-date. Include adjustments of accruals and other accounting estimates made shortly after the end of a reporting period which relate to the income and expense of the reporting period.

A bank that began operating during the year-to-date reporting period should report in the appropriate items of Schedule RI all income earned and expenses incurred since commencing operations. The bank should report pre-opening income earned and expenses incurred from inception until the date operations commenced using one of the two methods described in the Glossary entry for "start-up activities."

Business Combinations, Pushdown Accounting Transactions, and Transactions between Entities under Common Control – If the reporting institution entered into a business combination that became effective during the year-to-date reporting period and has been accounted for under the acquisition method, report the income and expense of the acquired institution or business only after its acquisition. If the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), Schedule RI should only include amounts from the date of the institution's acquisition through the end of the year-to-date reporting period. If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report the income and expense of the combined entities for the entire calendar year-to-date as though they had combined at the beginning of the year. For further information on business combinations, pushdown accounting, and transactions between entities under common control, see the Glossary entry for "business combinations."

Assets and Liabilities Accounted for under the Fair Value Option – Under U.S. generally accepted accounting principles (GAAP) (i.e., ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities"), ASC Subtopic 815-15, Derivatives and Hedging – Embedded Derivatives (formerly FASB Statement No. 155, "Accounting for Certain Hybrid Financial Instruments"), and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities (formerly FASB Statement No. 156, "Accounting for Servicing of Financial Assets")), the bank may elect to report certain assets and liabilities at fair value with changes in fair value recognized in earnings. This election is generally referred to as the fair value option. If the bank has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the interest income on these financial assets (except any that are in nonaccrual status) and the interest expense on these financial liabilities for the year-to-date in the appropriate interest income and interest expense items on Schedule RI, not as part of the reported change in fair value of these assets and liabilities for the year-to-date. The bank should measure the interest income or interest expense on a financial asset or liability to which the fair value option has been applied using either the contractual interest rate on the asset or liability or the effective yield method based on the amount at which the asset

**General Instructions (cont.)**

or liability was first recognized on the balance sheet. Although the use of the contractual interest rate is an acceptable method under GAAP, when a financial asset or liability has a significant premium or discount upon initial recognition, the measurement of interest income or interest expense under the effective yield method more accurately portrays the economic substance of the transaction. In addition, in some cases, GAAP requires a particular method of interest income recognition when the fair value option is elected. For example, when the fair value option has been applied to a beneficial interest in securitized financial assets within the scope of ASC Subtopic 325-40, Investments-Other – Beneficial Interests in Securitized Financial Assets (formerly Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets"), interest income should be measured in accordance with this Subtopic. Similarly, when the fair value option has been applied to a purchased impaired loan or debt security accounted for under ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"), interest income on the loan or debt security should be measured in accordance with this Subtopic when accrual of income is appropriate. For further information, see the Glossary entry for "Purchased Impaired Loans and Debt Securities."

Revaluation adjustments, excluding amounts reported as interest income and interest expense, to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10, "Intangible assets," and Schedule RC, item 20, "Other liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value should be reported as "Other noninterest income" in Schedule RI, item 5.l. However, an institution should report in Schedule RI-A, item 10, "Other comprehensive income," the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk ("own credit risk") when the institution has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

**Item Instructions**

**Item No. Caption and Instructions**

**1 Interest income:**

**1.a Interest and fee income on loans.** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule RC-C, Part I, items 1 through 9.

Deduct interest rebated to customers on loans paid before maturity from gross interest earned on loans; do *not* report as an expense.

Include as interest and fee income on loans:

(1) Interest on all assets reportable as loans extended directly, purchased from others, sold under agreements to repurchase, or pledged as collateral for any purpose.

(2) Loan origination fees, direct loan origination costs, and purchase premiums and discounts on loans held for investment, all of which should be deferred and recognized over the life of the related loan as an adjustment of yield in accordance with ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases") as described in the Glossary entry for "loan fees." See exclusion (3) below.

| Item No. | Caption and Instructions |
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**1.b** (cont.)

Include income from:

(1) Direct financing leases accounted for under ASC Topic 840, Leases, by an institution that has not adopted ASC Topic 842, Leases;

(2) Direct financing and sales-type leases accounted for under ASC Topic 842 by an institution that has adopted ASC Topic 842; and

(3) Leveraged leases accounted for under ASC Topic 840 (including leveraged leases that were grandfathered upon the adoption of ASC Topic 842 and remain grandfathered).

Exclude from income from lease financing receivables:

(1) Any investment tax credits associated with leased property (include in Schedule RI, item 9, "Applicable income taxes (on item 8.c)").

(2) Provisions for losses on leases (report in Schedule RI, item 4, "Provision for loan and lease losses").

(3) Rental fees applicable to operating leases for furniture and equipment rented to others (report as "Other noninterest income" in Schedule RI, item 5.l).

**1.c** **Interest income on balances due from depository institutions.** Report all income on assets reportable in Schedule RC, item 1.b, "Interest-bearing balances due from depository institutions," including interest-bearing balances maintained to satisfy reserve balance requirements, excess balances, and term deposits due from Federal Reserve Banks. Include interest income earned on interest-bearing balances due from depository institutions that are reported at fair value under a fair value option.

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

Also include dividend income on equity securities with readily determinable fair values not held for trading that are reportable in Schedule RC, item 2.c.

Include interest on debt securities held in the bank's held-to-maturity and available-for-sale portfolios and dividends on equity securities with readily determinable fair values not held for trading, even if such securities have been lent, sold under agreements to repurchase that are treated as borrowings, or pledged as collateral for any purpose.

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

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

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

| Item No. | Caption and Instructions |
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**1.d** (cont.)

<u>Exclude</u> from interest and dividend income on securities:

(1) Realized gains (losses) on held-to-maturity securities and on available-for-sale debt securities (report in Schedule RI, items 6.a and 6.b, respectively).

(2) Net unrealized holding gains (losses) on available-for-sale debt securities (include the amount of such net unrealized holding gains (losses) in Schedule RC, item 26.b, “Accumulated other comprehensive income,” and the calendar year-to-date change in such net unrealized holding gains (losses) in Schedule RI-A, item 10, “Other comprehensive income”).

(3) The year-to-date change in net unrealized gains (losses), and any realized gains (losses), on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b).

(4) Income from advances to, or obligations of, majority-owned subsidiaries not consolidated, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report as "Noninterest income" in the appropriate subitem of Schedule RI, item 5).

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

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

**1.d.(3)** **<u>Interest and dividend income on all other securities.</u>** Report income from all securities reportable in Schedule RC-B, item 3, “Securities issued by states and political subdivisions in the U.S.,” item 5, “Asset-backed securities and structured financial products,” and item 6, “Other debt securities.” Also include dividend income from all securities reportable in Schedule RC, item 2.c, “Equity securities with readily determinable fair values not held for trading.”

<u>Exclude</u> from interest and dividend income on all other securities:

(1) Income from equity securities that do not have readily determinable fair values (report as “Other interest income” in Schedule RI, item 1.g).

(2) The bank’s proportionate share of the net income or loss from its investments in the stock of unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report income or loss before discontinued operations as “Noninterest income” in the appropriate subitem of Schedule RI, item 5, and report the results of discontinued operations in Schedule RI, item 11).

**1.e** Not applicable.

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

**Item No.** **Caption and Instructions**

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

**5.g and 5.h** Not applicable.

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

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

**5.k** **Net gains (losses) on sales of other assets.** Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI). Include net gains (losses) on sales and other disposals of premises and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets.

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

Do not include:
(1) The year-to-date change in net unrealized gains (losses) on equity securities with readily determinable fair values not held for trading.
(2) The year-to-date change in net unrealized holding gains (losses) on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings.
(3) Impairment, if any, plus or minus changes resulting from observable price changes on equity securities and other equity investments without readily determinable fair values not held for trading for which this measurement election is made.

These amounts should be reported in Schedule RI, item 8.b.

**Item No.** **Caption and Instructions**

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

In the December report only, disclose in Schedule RI-E, items 1.a through 1.j, each component of other noninterest income, and the dollar amount of such component, that is greater than $100,000 and exceeds 7 percent of the other noninterest income reported in this item. If net losses have been reported in this item for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than $100,000 and exceeds 7 percent of "Other noninterest income" and should be reported in Schedule RI-E, item 1. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.)

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

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

Include as other noninterest income:

(1) Service charges, commissions, and fees for such services as:

- (a) The rental of safe deposit boxes. (Report the amount of such fees in Schedule RI-E, item 1.e, if this amount is greater than $100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 5.l.)
- (b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Schedule RI, item 5.a, "Income from fiduciary activities").
- (c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks.
- (d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange.

| Item No. | Caption and Instructions |
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**5.l** (cont.)

(19) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before discontinued operations from its investments in:
- unconsolidated subsidiaries,
- associated companies,
- corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence, and
- noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting")

other than those that are principally engaged in (a) securities brokerage, investment banking, advisory, or securities underwriting activities or (b) insurance and reinsurance underwriting or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1) and 5.d.(2), respectively). Exclude the bank's proportionate share of the results of discontinued operations of these entities (report in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes").

(20) Net gains (losses) on derivative instruments held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities"). Institutions should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d. For further information, see the Glossary entries for "derivative contracts" and "trading account."

(21) Gross income generated by securities contributed to charitable contribution Clifford Trusts.

(22) Income from ground rents and air rights.

(23) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10, "Intangible assets," and Schedule RC, item 20, "Other liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value. Exclude interest income earned and interest expense incurred on financial assets and liabilities reported at fair value under a fair value option, which should be reported in the appropriate interest income or interest expense items on Schedule RI. Also exclude the portion of the total change in the fair value of a fair value option liability resulting from a change in the instrument-specific credit risk ("own credit risk"), which should be reported in Schedule RI-A, item 10, "Other comprehensive income."

(24) Gains on bargain purchases recognized and measured in accordance with ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations").

(25) Revenue from venture capital activities (which may be a net gain or loss), which generally involves the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. For further information, see the instructions for Schedule RI, item 5.e, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

(26) Fee income (other than servicing fees and commercial paper placement fees) from the bank's securitization and structured finance transactions. (Report income from servicing securitized assets in Schedule RI, item 5.f, and fee income from the placement of commercial paper in Schedule RI, item 5.d.(1)).

| Item No. | Caption and Instructions |
|---|---|
| **5.l** (cont.) | Exclude from Schedule RI, item 5.l, "Other noninterest income," income from seller's interests and residual interests retained by the bank in the bank's own securitization transactions (report in the appropriate subitem of Schedule RI, item 1, "Interest income"). |
| **5.m** | **Total noninterest income.** Report the sum of items 5.a through 5.l. |
| **6.a** | **Realized gains (losses) on held-to-maturity securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should also include in this item other-than-temporary impairment losses on individual held-to-maturity securities that must be recognized in earnings. For further information on the accounting for impairment of held-to-maturity securities, see the Glossary entry for "securities activities."<br><br>Institutions that have adopted ASU 2016-13 should adjust the amortized cost of a held-to-maturity debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain.<br><br>If the amount to be reported in this item is a net loss, report it with a minus (-) sign.<br><br>Exclude from this item realized gains (losses) on available-for-sale securities (report in Schedule RI, item 6.b, below) and on trading securities (report as trading revenue in Schedule RI, item 5.l, "Other noninterest income"). |
| **6.b** | **Realized gains (losses) on available-for-sale debt securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all debt securities reportable in Schedule RC, item 2.b, "Available-for-sale debt securities." The realized gain or loss on a debt security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted ASU 2016-13 should also include in this item other-than-temporary impairment losses on individual available-for-sale debt securities that must be recognized in earnings. For further information on the accounting for impairment of available-for-sale debt securities, see the Glossary entry for "Securities Activities."<br><br>Institutions that have adopted ASU 2016-13 should adjust the amortized cost of an available-for-sale debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain. Also include in this item any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (a) the institution intends to sell the security or (b) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis.<br><br>If the amount to be reported in this item is a net loss, report it with a minus (-) sign. |

| Item No. | Caption and Instructions |
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**6.b** (cont.)

Exclude from this item:

(1) The change in net unrealized holding gains (losses) on available-for-sale debt securities during the calendar year to date (report in Schedule RI-A, item 10, “Other comprehensive income”).

(2) Realized and unrealized gains (losses) during the calendar year to date on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b, “Change in net unrealized holding gains (losses) on equity securities not held for trading”).

(3) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a, above) and on trading securities (report in Schedule RI, item 5.c, “Trading revenue”).

(4) For institutions that have adopted ASU 2016-13, provisions for credit losses (and reversals of provisions) that increase (and decrease) the allowance for credit losses on available-for-sale debt securities (report in Schedule RI, item 4, “Provision for loan and lease losses”).

**7** **Noninterest expense:**

**7.a** **Salaries and employee benefits.** Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). Include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence for purposes of this item.

Include as salaries and employee benefits:

(1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation.

(2) Social security taxes and state and federal unemployment taxes paid by the bank.

(3) Costs of the bank's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan. For defined benefit pension plans and other postretirement plans, report only the service cost component of net benefit cost for such plans in this item 7.a; the other cost components of net benefit cost should be reported in Schedule RI, item 7.d, “Other noninterest expense.”

(4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the bank is not the beneficiary.

| <u>**Item No.**</u> | <u>**Caption and Instructions**</u> |
|---|---|
| **7.a** (cont.) | (5) Cost of office temporaries whether hired directly by the bank or through an outside agency. |
| | (6) Workmen's compensation insurance premiums. |
| | (7) The net cost to the bank for employee dining rooms, restaurants, and cafeterias. |
| | (8) Accrued vacation pay earned by employees during the calendar year-to-date. |
| | (9) The cost of medical or health services, relocation programs and reimbursements of moving expenses, tuition reimbursement programs, and other so-called fringe benefits for officers and employees. |
| | (10) Compensation expense (service component and interest component) related to deferred compensation agreements. |

| Item No. | Caption and Instructions |
|---|---|
| **7.d** (cont.) | (31) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.l. |

(32) Expenses related to the testing and training of officers and employees.

(33) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.

(34) Depreciation expense of furniture and equipment rented to others under operating leases.

(35) Cost of checks provided to depositors.

(36) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Cost of Computer Software to Be Sold, Leased, or Otherwise Marketed").

(37) Provision for credit losses on off-balance sheet credit exposures.

(38) Net losses (gains) from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances. However, if a bank's debt extinguishments normally result in net gains over time, then the bank should consistently report its net gains (losses) in Schedule RI, item 5.l, "Other noninterest income."

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

(40) The cost components of net benefit cost of defined benefit pension plans and other postretirement plans other than the service cost component of such plans. (Report the service cost component of such plans in Schedule RI, item 7.a, "Salaries and employee benefits.")

<u>Exclude</u> from other noninterest expense:

(1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures using the effective interest method and report the expense in Schedule RI, item 2.c, "Other interest expense"). For further information, see the Glossary entry for "Debt issuance costs."

| Item No. | Caption and Instructions |
|---|---|
| **7.d** (cont.) | (2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net"). |
| | (3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets"). |
| | (4) For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other-than-temporary impairments that must be recognized in earnings (report in Schedule RI, item 6.a, "Realized gains (losses) on held-to-maturity securities," and item 6.b, "Realized gains (losses) on available-for-sale securities," respectively). |
| | (5) For institutions that have adopted ASU 2016-13:<br>(a) Charge-offs of the cost basis of individual held-to-maturity and available-for-sale debt securities resulting from credit losses (report as deductions from the applicable allowance for credit losses in columns B and C, respectively, of Schedule RI-B, Part II, item 3, "Charge-offs"); and<br>(b) Any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (i) the institution intends to sell the security or (ii) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis (report in Schedule RI, item 6.b, "Realized gains (losses) on available-for-sale securities"). |
| | (6) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option. Except as noted below, institutions should report net decreases (increases) in fair value on such servicing assets and liabilities in Schedule RI, item 5.f, and on such financial assets and liabilities in Schedule RI, item 5.l. Institutions should report the portion of the total change in the fair value of a fair value option liability resulting from a change in the instrument-specific credit risk ("own credit risk") in Schedule RI-A, item 10, "Other comprehensive income." Interest income earned and interest expense incurred on fair value option financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule RI. |
| **7.e** | **Total noninterest expense.** Report the sum of items 7.a through 7.d. |
| **8.a** | **Income (loss) before change in net unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations.** Report the institution's pretax income from continuing operations before any change in net unrealized holding gains (losses) on equity securities and other equity investments not held for trading. This amount is determined by taking item 3, "Net interest income"; minus item 4, "Provision for loan and lease losses";[1] plus item 5.m, "Total noninterest income"; plus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.e, "Total noninterest expense." If the result is negative, report it with a minus (-) sign. |

[1] Note: Institutions that have adopted ASU 2016-13 should report provisions for credit losses on all assets within the scope of the ASU in Schedule RI, item 4.

**<u>Item No.</u>** **<u>Caption and Instructions</u>**

NOTE: All institutions must complete Schedule RI, item 8.b (i.e., not leave item 8.b blank), because all institutions are now required to have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01) for Call Report purposes. ASU 2016-01 includes provisions governing the accounting for investments in equity securities and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as interests in partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. <u>See</u> the Glossary entry for "Securities Activities" for further information on accounting for investments in equity securities.

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

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

**8.c** **<u>Income (loss) before applicable income taxes and discontinued operations.</u>** Report the institution's pretax income from continuing operations as the sum of Schedule RI, item 8.a, "Income (loss) before change in net unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations," and Schedule RI, item 8.b, "Change in net unrealized holding gains (losses) on equity securities not held for trading." If the amount is negative, report it with a minus (-) sign.

**9** **<u>Applicable income taxes (on item 8.c).</u>** Report the total estimated federal, state, and local income tax expense applicable to item 8.c, "Income (loss) before applicable income taxes and discontinued operations." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report it with a minus (-) sign.

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

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| Item No. | Caption and Instructions |
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**5** (cont.)

Include in this item:

(1) The net decrease in equity capital that occurs when cash is distributed in lieu of fractional shares in a stock dividend.

(2) The net increase in equity capital when a stockholder who receives a fractional share from a stock dividend purchases the additional fraction necessary to make a whole share.

Exclude treasury stock transactions from this item (report such transactions in Schedule RI-A, item 6, below).

For banks opened since January 1 of the year-to-date reporting period, report opening (original) equity capital in this item. Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commenced operations should be reported in the Report of Income using one of the two following methods, consistent with the manner in which the bank reports pre-opening income and expenses for other financial reporting purposes:

(1) Pre-opening income and expenses for the entire period from the bank's inception until the date the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced; or

(2) Pre-opening income and expenses for the period from the bank's inception until the beginning of the calendar year in which the bank commenced operations should be included, along with the bank's opening (original) equity capital, in this item. The net amount of these pre-opening income and expenses should be identified and described in Schedule RI-E, item 7. Pre-opening income earned and expenses incurred during the calendar year in which the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced.

**6** **Treasury stock transactions, net.** Report the change in the bank's total equity capital during the calendar year to date from the acquisition (without retirement) and resale or other disposal of the bank's own perpetual preferred stock or common stock, i.e., treasury stock transactions (see the Glossary entry for "treasury stock").

**7** **Changes incident to business combinations, net.** If the reporting institution purchased another institution or business during the year-to-date reporting period, report the fair value of any perpetual preferred or common shares issued (less the direct cost of issuing the shares). Exclude the fair value of limited-life preferred stock issued in connection with purchase acquisitions. Refer to the Glossary entry for "business combinations" for further information on purchase acquisitions.

If the reporting institution was acquired in a transaction that became effective during the reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income), report in this item the initial increase or decrease in equity capital that results from the application of pushdown accounting, i.e., the difference between the institution's total equity capital as of the end of the previous calendar year and its restated equity capital after the pushdown adjusting entries have been recorded as of the acquisition date. For further information on pushdown accounting, refer to the Glossary entry for "business combinations."

| Item No. | Caption and Instructions |
|---|---|
| 7 (cont.) | If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests, report in this item the historical equity capital balances as of the end of the previous calendar year of the institution or other business that was combined with the reporting institution in the transaction. For further information on transactions between entities under common control, refer to the Glossary entry for "business combinations." |
| **8** | **LESS: Cash dividends declared on preferred stock.** Report all cash dividends declared on limited-life preferred and perpetual preferred stock during the calendar year-to-date, including dividends not payable until after the report date.<br><br>Do not include dividends declared during the previous calendar year but paid in the current period.<br><br>Refer to the Glossary entry for "dividends" for further information on cash dividends. |
| **9** | **LESS: Cash dividends declared on common stock.** Report all cash dividends declared on common stock during the calendar year-to-date, including dividends not payable until after the report date.<br><br>Do not include dividends declared during the previous calendar year but paid in the current period.<br><br>For further information on cash dividends, see the Glossary entry for "dividends." |
| **10** | **Other comprehensive income.** Report the institution's other comprehensive income, including reclassification adjustments, for the calendar year-to-date, net of applicable income taxes, if any. Reclassification adjustments are adjustments made to avoid double counting of items in comprehensive income that are presented as part of net income for the calendar year-to-date reporting period that also had been presented as part of other comprehensive income in that reporting period or earlier reporting periods. If the amount to be reported in this item represents a reduction in the institution's equity capital, report the amount with a minus (-) sign.<br><br>Items of other comprehensive income include:<br><br>(1) The change in net unrealized holding gains (losses) on the institution's available-for-sale debt securities.<br><br>(2) Unrealized holding gains (losses) that result from a debt security being transferred into the available-for-sale category from the held-to-maturity category.<br><br>(3) For a debt security transferred into the held-to-maturity category from the available-for-sale category, amortization of the unrealized holding gain (loss) on the debt security at the date of transfer. Consistent with ASC Subtopic 320, Investments-Debt Securities, this unrealized holding gain (loss) should be amortized over the remaining life of the debt security as an adjustment of yield.<br><br>(4) The 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, subsequent decreases (if not |

| Item No. | Caption and Instructions |
|---|---|
| 10 (cont.) | other-than-temporary impairment losses) or increases in the fair value of available-for-sale debt securities previously written down as other-than-temporarily impaired, and subsequent accretion (based on the amount and timing of future estimated cash flows) of the portion of other-than-temporary impairment losses on held-to-maturity debt securities not recognized in earnings. |

(5) The change in the institution's accumulated net gains (losses) (effective portion) on derivative instruments that are designated and qualify as cash flow hedges.

(6) Gains (losses) and transition assets or obligations associated with single-employer defined benefit pension and other postretirement plans not recognized immediately as a component of net periodic benefit cost and prior service costs or credits associated with such plans, which are accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits.

(7) The portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk ("own credit risk") when the institution has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

Exclude the year-to-date change in net unrealized holding gains (losses) on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b).

For further guidance on reporting other comprehensive income, see ASC Topic 220, Comprehensive Income.

11 **Other transactions with stockholders (including a parent holding company).** Report the net aggregate amount of transactions with the institution's stockholders, including its parent holding company, if any, that affect equity capital directly (other than those transactions reported in Schedule RI-A, items 5, 6, 8, and 9, above), such as:

(1) Capital contributions other than those for which stock has been issued to stockholders (report issuances of perpetual preferred and common stock and sales of treasury stock in Schedule RI-A, items 5 and 6, respectively; issuances of limited-life preferred stock are not reported in Schedule RI-A).

(2) Dividends distributed to stockholders in the form of property rather than cash (report cash dividends in Schedule RI-A, items 8 or 9, as appropriate). Record such property dividends at the fair value of the transferred asset. Include any gain or loss recognized on the disposition of the asset in the determination of net income for the calendar year-to-date in Schedule RI, Income Statement. Refer to the Glossary entry for "dividends" for additional information on property dividends.

(3) Return-of-capital transactions in which contributed capital (i.e., surplus) is reduced without retiring stock and cash is distributed to the institution's stockholders.

State the dollar amount of and describe each transaction included in this item in Schedule RI-E, item 5.

| Item No. | Caption and Instructions |
|---|---|
| 12 | **Total bank equity capital end of current period.** Report the sum of Schedule RI-A, items 3 through 11. This item must equal Schedule RC, item 27.a, "Total bank equity capital." |

# LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions. For purposes of these Consolidated Report of Condition instructions, the Financial Accounting Standards Board (FASB) Accounting Standards Codification is referred to as the "ASC."

# SCHEDULE RC – BALANCE SHEET

# ASSETS

**Item No.** **Caption and Instructions**

**1** **Cash and balances due from depository institutions.**

Treatment of reciprocal balances with depository institutions – Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when a reporting bank has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis in accordance with generally accepted accounting principles. Net "due from" balances should be reported in items 1.a and 1.b below, as appropriate. Net "due to" balances should be reported as deposit liabilities in Schedule RC, item 13 below. See the Glossary entry for "Reciprocal Balances."

**1.a** **Noninterest-bearing balances and currency and coin.** Report the total of all noninterest-bearing balances due from depository institutions, currency and coin, cash items in process of collection, and unposted debits.

For purposes of these reports, deposit accounts "due from" other depository institutions that are overdrawn are to be reported as borrowings in Schedule RC, item 16, and in Schedule RC-M, item 5.b, except overdrawn "due from" accounts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted). For further information, refer to the Glossary entry for "Overdraft."

**Item No.** **Caption and Instructions**

**1.a** (cont.) Cash items in process of collection include:

(1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank) and that are payable immediately upon presentation in the United States. This includes:

(a) Checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting bank has not yet been given credit ("cash letters").

(b) Checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.

(c) Checks or drafts that have been deposited with the reporting bank's correspondent and for which the reporting bank has already been given credit, but for which the amount credited is not subject to immediate withdrawal ("ledger credit" items).

However, if the reporting bank has been given immediate credit by its correspondent for checks or drafts presented for payment or forwarded for collection and if the funds on deposit are subject to immediate withdrawal, the amount of such checks or drafts is considered part of the reporting bank's balances due from depository institutions.

(2) Government checks drawn on the Treasurer of the United States or any other government agency that are payable immediately upon presentation and that are in process of collection.

(3) Such other items in process of collection that are payable immediately upon presentation and that are customarily cleared or collected as cash items by depository institutions in the United States, such as:

(a) Redeemed United States savings bonds and food stamps.

(b) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.

(c) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances are considered part of the reporting bank's balances due from depository institutions.

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

(e) Brokers' security drafts and commodity or bill-of-lading rafts payable immediately upon presentation in the U.S. (See the Glossary entries for "Broker's Security Draft" and "Commodity or Bill-of-Lading Draft" for the definitions of these terms.)

**Item No.** **Caption and Instructions**

**1.a** (cont.) Exclude from cash items in process of collection:

(1) Cash items for which the reporting bank has already received credit, provided that the funds on deposit are subject to immediate withdrawal. The amount of such cash items is considered part of the reporting bank's balances due from depository institutions.

(2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 6, "All other assets"). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips is considered part of the reporting bank's balances due from depository institutions.

(3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 6, "All other assets").

(4) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report as loans in the appropriate item of Schedule RC-C, Part I; if the drafts were received on a collection basis, they should be excluded entirely from the bank's balance sheet, Schedule RC, until the funds have actually been collected.)

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

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

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

Include as noninterest-bearing balances due from depository institutions:

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

| Item No. | Caption and Instructions |
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**1.a** (cont.)

(2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")

(3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "Pass-through Reserve Balances" for further discussion).

Exclude from noninterest-bearing balances due from depository institutions:

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

(2) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, Part I, item 2, "Loans to depository institutions and acceptances of other banks").

(3) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

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

Exclude from interest-bearing balances:

(1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, Part I, item 2).

(2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

(3) Certificates of deposit held for trading (report in Schedule RC, item 5).

(4) Investments in money market mutual funds, which, for purposes of these reports, are to be reported as investments in equity securities.

**2** **Securities:**

**2.a** **Held-to-maturity securities.** For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, report the amount from Schedule RC-B, item 8, column A, "Total amortized cost."

For institutions that have adopted ASU 2016-13, report the amortized cost of held-to-maturity securities net of any applicable allowances for credit losses, i.e., report the amount from Schedule RC-B, item 8, column A, "Total amortized cost," less the amount of allowances for credit losses on held-to-maturity securities reported in Schedule RI-B, Part II, item 7, column B, "Balance end of current period."

**Item No.** **Caption and Instructions**

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

NOTE: All institutions must complete Schedule RC, item 2.c (i.e., not leave item 2.c blank), because all institutions are now required to have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01) for Call Report purposes. ASU 2016-01 includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminated the concept of available-for-sale equity securities. See the Glossary entry for "Securities Activities" for further information on accounting for investments in equity securities.

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

The fair value of equity securities with readily determinable fair values not held for trading included in this item 2.c that are pledged should be reported in Schedule RC-B, Memorandum item 1, "Pledged securities."

Insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are included in this item 2.c.

Exclude equity securities held for trading from Schedule RC, item 2.c. For purposes of the Call Report balance sheet, trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as accommodations to customers, provided that acquiring or taking such positions meets the definition of "trading" in ASC Topic 320, Investments–Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of "trading purposes" in ASC Topic 815. When an institution's holdings of equity securities with readily determinable fair values fall within the scope of the preceding description of trading activities, the equity securities should be reported as trading assets in Schedule RC, item 5. Otherwise, the equity securities should be reported in this item 2.c.

According to ASC Topic 321, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations

| Item No. | Caption and Instructions |
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| **2.c** (cont.) | systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund (or in a structure similar to a mutual fund, i.e., a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions. |

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

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

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

(1) Federal Reserve Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(2) Federal Home Loan Bank stock (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RC-F, item 4).

(4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RC-B, item 6).

(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year, report "restricted stock" as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity investment without a readily determinable fair value in Schedule RC-F, item 4).

(7) Minority interests held by the reporting institution in any companies not meeting the definition of associated company (report as equity investments without readily determinable fair values in Schedule RC-F, item 4), except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "Subsidiaries" for the definition of associated company.)

**Item No.** **Caption and Instructions**

**2.c** (cont.)

(8) Equity holdings in those corporate joint ventures over which the reporting institution does not exercise significant influence (report as equity investments without readily determinable fair value in Schedule RC-F, item 4), except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "Subsidiaries" for the definition of corporate joint venture.)

(9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies").

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

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

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

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of federal funds sold that are accounted for at fair value under a fair value option.

Also exclude from federal funds sold:

(1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "Federal Funds Transactions") (report in Schedule RC, item 4.b, "Loans and leases held for investment").

(2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").

(3) Deposit balances due from a Federal Home Loan Bank (report as balances due from depository institutions in Schedule RC, item 1.a or 1.b, as appropriate).

(4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule RC, item 4.b, "Loans and leases held for investment").

For further information, see the Glossary entry for "Federal Funds Transactions."

| Item No. | Caption and Instructions |
|---|---|

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

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

(2) Purchases of participations in pools of securities, regardless of maturity.

Except as noted below, report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of securities purchased under agreements to resell that are accounted for at fair value under a fair value option.

For institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, report securities purchased under agreements to resell net of any applicable allowances for credit losses.

Exclude from this item:

(1) Resale agreements involving assets other than securities (report in Schedule RC, item 3.a, "Federal funds sold," or item 4.b, "Loans and leases held for investment," as appropriate, depending on the maturity and office location of the transaction).

(2) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule RC, item 4.b). See the Glossary entry for "Due Bills."

(3) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "Repurchase/Resale Agreements").

For further information, see the Glossary entry for "Repurchase/Resale Agreements."

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

**4.a** **Loans and leases held for sale.** Report the amount of loans and leases held for sale. Loans and leases held for sale should be reported at the lower of cost or fair value except for those loans held for sale that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. For loan and leases held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance within this item. For institutions that have not adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, no allowance for loan and lease losses should be included in Schedule RC, item 4.c, for loans and leases held for sale. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, Part I.

For institutions that have adopted ASU 2016-13, no allowances for credit losses should be included in Schedule RC, item 4.c, for loans and leases held for sale.

| Item No. | Caption and Instructions |
|---|---|

**4.b** **Loans and leases held for investment.** Report the amount of loans and leases that the reporting bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans held for investment. Include loans held for investment that the bank has elected to account for at fair value under a fair value option, which should be reported in this item at fair value. All loans and leases reported in this item must also be reported by loan category in Schedule RC-C, Part I.

**4.c** **Less: Allowance for loan and lease losses.** For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, report the allowance for loan and lease losses as determined in accordance with the instructions in the Glossary entry for "Allowance for Loan and Lease Losses." For institutions that have adopted ASU 2016-13, report the allowance for credit losses on loans and leases as determined in accordance with the instructions in the Glossary entry for "Allowance for Credit Losses." Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 347 of the FDIC's Rules and Regulations, and Subpart C of Part 28 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies. This item must equal Report of Income Schedule RI-B, Part II, item 7, column A, "Balance end of current period."

**4.d** **Loans and leases held for investment, net of allowance.** Report the amount derived by subtracting Schedule RC, item 4.c, from Schedule RC, item 4.b.

**5** **Trading assets.** Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements; or (c) acquiring or taking positions in such items as accommodations to customers, provided that acquiring or taking such positions meets the definition of "trading" in ASC Topic 320, Investments–Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of "trading purposes" in ASC Topic 815. Assets and other financial instruments held for trading shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement.

For purposes of the Consolidated Reports of Condition and Income, all debt securities within the scope of ASC Topic 320, Investments-Debt Securities, that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of these reports, banks may classify assets (other than debt securities within the scope of ASC Topic 320 for which a fair value option is elected) as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

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

**Item No.** **Caption and Instructions**

5 (cont.) Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RC, item 15, "Trading liabilities," as appropriate. (See the Glossary entry for "Offsetting.")

**6** **Premises and fixed assets.** Report on a consolidated basis the book value, less accumulated depreciation or amortization and any impairment losses, of all premises, equipment, furniture, and fixtures purchased directly or acquired by means of a capital lease accounted for in accordance with ASC Topic 840, Leases, or in the form of a right-of-use (ROU) asset accounted for in accordance with ASC Topic 842, Leases, as applicable.

Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

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

Include as premises and fixed assets:

(1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the institution, its branches, or its consolidated subsidiaries.

(2) Leasehold improvements, vaults, and fixed machinery and equipment.

(3) Capitalized remodeling costs to existing premises.

(4) Real estate acquired and intended to be used for future expansion.

(5) Parking lots owned by the institution that are used by customers or employees of the institution, its branches, and its consolidated subsidiaries.

(6) Furniture, fixtures, and movable equipment of the institution, its branches, and its consolidated subsidiaries.

(7) Automobiles, airplanes, and other vehicles owned by the institution and used in the conduct of its business.

(8) For a lessee institution that has not adopted ASC Topic 842, the amount of capital lease property, and for a lessee institution that has adopted ASC Topic 842, the amount of ROU assets that represents premises, equipment, furniture, and fixtures.

In general, under ASC Topic 842 for an institution as lessee, the ROU asset for a finance lease should be reported at cost less any accumulated amortization and any accumulated impairment losses; the ROU asset for an operating lease (not previously impaired) should be reported at the book value of the related lease liability adjusted for the remaining balance of any lease incentives received, any prepaid or accrued lease payments, any unamortized initial direct costs, and any current period impairment. After an ROU asset for an operating lease is impaired, it should be reported at its carrying

**Item No.** **Caption and Instructions**

**6** (cont.) amount immediately after the impairment less any accumulated amortization. See the discussion of accounting by an institution as lessee in the Glossary entry for "Lease Accounting."

(9) (a) Stocks and bonds issued by nonmajority-owned corporations and
(b) Investments in limited partnerships or limited liability companies (other than investments so minor that the institution has virtually no influence over the partnership or company)

whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the institution, its branches, or its consolidated subsidiaries. Report such stocks and investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Exclude from premises and fixed assets:

(1) Original paintings, antiques, and similar valuable objects (report in Schedule RC-F, item 6, "All other assets").

(2) Favorable leasehold rights (report in Schedule RC-M, item 2.c, "All other intangible assets")

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

**7** **Other real estate owned.** Report the total amount of other real estate owned from Schedule RC-M, item 3.f. For further information on other real estate owned, see the instruction to Schedule RC-M, item 3, and the Glossary entry for "Foreclosed Assets."

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

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

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

| Item No. | Caption and Instructions |
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9 **Direct and indirect investments in real estate ventures.** Report the amount of the bank's direct and indirect investments in real estate ventures. Exclude real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure, and equity holdings that indirectly represent such real estate (report in Schedule RC-M, item 3, "Other real estate owned").

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

Include as direct and indirect investments in real estate ventures:

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

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with ASC Subtopic 310-10, Receivables – Overall.

(3) Real estate originally acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales. Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under ASC Subtopic 360-20 is being used to account for the sale, the receivable resulting from the sale of the real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with ASC Subtopic 360-20.

(4) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting bank in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture.

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

| Item No. | Caption and Instructions |
|---|---|
| **9** (cont.) | (6) Investments in corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the bank has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes. Report such investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. |
| **10** | **Intangible assets.** Report the total amount of intangible assets from Schedule RC-M, item 2.d. |
| **11** | **Other assets.** Report the amount from Schedule RC-F, item 7, "Total." |
| **12** | **Total assets.** Report the sum of Schedule RC, items 1 through 11. This item must equal Schedule RC, item 29, "Total liabilities and equity capital." |

# LIABILITIES

| Item No. | Caption and Instructions |
|---|---|
| 13 | **Deposits.** (For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for "Deposits.") |
| 13.a | **In domestic offices.** Report the total of all deposits of the reporting bank. This item must equal the sum of Schedule RC-E, item 7, columns A and C.<br><br>This item must also equal the sum of Schedule RC, items 13.a.(1) and 13.a.(2), below. |
| 13.a.(1) | **Noninterest-bearing.** Report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. Noninterest-bearing deposits include noninterest-bearing demand, time, and savings deposits. |
| 13.a.(2) | **Interest-bearing.** Report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. Include interest-bearing demand deposits. |
| 13.b | Not applicable. |
| 14 | **Federal funds purchased and securities sold under agreements to repurchase:** |
| 14.a | **Federal funds purchased.** Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule RC, item 14.b) and Federal Home Loan Bank advances (which should be reported in Schedule RC, item 16). Transactions that are to be reported as federal funds purchased may be secured or unsecured or may involve an agreement to repurchase loans or other instruments that are not securities. |

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

Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of federal funds purchased that are accounted for at fair value under a fair value option.

Also exclude from federal funds purchased:

(1) Purchases of so-called "term federal funds" (as defined in the Glossary entry for "Federal Funds Transactions") (report in Schedule RC, item 16, "Other borrowed money").

(2) Security repurchase agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase").

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**14.a** (cont.)

(3) Borrowings from a Federal Home Loan Bank in the form of advances (report in Schedule RC, item 16) and securities repurchase agreements (report in Schedule RC, item 14.b).

(4) Borrowings from a Federal Reserve Bank in the form of securities repurchase agreements (report in Schedule RC, item 14.b) and other borrowings (report in Schedule RC, item 16).

For further information, see the Glossary entry for "Federal Funds Transactions."

**14.b** **Securities sold under agreements to repurchase.** Report the outstanding amount of:

(1) Securities repurchase agreements, regardless of maturity, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Sales of participations in pools of securities, regardless of maturity.

Report securities sold under agreements to repurchase on a gross basis, i.e., do not net them against securities purchased under agreements to resell, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting. Include the fair value of securities sold under agreements to repurchase that are accounted for at fair value under a fair value option.

Exclude from this item:

(1) Repurchase agreements involving assets other than securities (report in Schedule RC, item 14.a, "Federal funds purchased," or item 16, "Other borrowed money," as appropriate, depending on the maturity of the transaction).

(2) Borrowings from a Federal Home Loan Bank other than in the form of securities repurchase agreements (report federal funds purchased in Schedule RC, item 14.a, and advances in Schedule RC, item 16).

(3) Borrowings from a Federal Reserve Bank other than in the form of securities repurchase agreements (report in Schedule RC, item 16).

(4) Obligations under due bills that resulted when the bank sold securities or other assets and received payment, but has not yet delivered the assets, and similar obligations, whether collateralized or uncollateralized (report in Schedule RC, item 16). See the Glossary entry for "Due Bills."

(5) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "Repurchase/Resale Agreements").

For further information, see the Glossary entry for "Repurchase/Resale Agreements."

| **Item No.** | **Caption and Instructions** |
|---|---|
| **15** | **Trading liabilities.** Report the amount of liabilities from the reporting bank's trading activities. Trading liabilities shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement.<br><br>Include liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "Short Position") and revaluation losses from the "marking to market" of interest rate, foreign exchange rate, equity, and commodity and other derivative contracts into which the reporting bank has entered for trading, dealer, customer accommodation, and similar purposes. In addition, for purposes of these reports, banks may classify liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. |
| **16** | **Other borrowed money.** Report the amount from Schedule RC-M, item 5.c. |
| **17 and 18** | Not applicable. |
| **19** | **Subordinated notes and debentures.** Report the amount of subordinated notes and debentures (including mandatory convertible debt). Include the fair value of subordinated notes and debentures that are accounted for at fair value under a fair value option. (See the Glossary entry for "Subordinated Notes and Debentures" for the definition of this term.) Also include the amount of outstanding limited-life preferred stock including any amounts received in excess of its par or stated value. (See the Glossary entry for "Preferred Stock" for the definition of limited-life preferred stock.) |
| **20** | **Other liabilities.** Report the amount from Schedule RC-G, item 5, "Total." |
| **21** | **Total liabilities.** Report the sum of Schedule RC, items 13 through 20. |
| **22** | Not applicable. |

# EQUITY CAPITAL

| **Item No.** | **Caption and Instructions** |
|---|---|
| **23** | **Perpetual preferred stock and related surplus.** Report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value. (See the Glossary entry for "Preferred Stock" for the definition of perpetual preferred stock.) |
| **24** | **Common stock.** Report the aggregate par or stated value of common stock issued. |
| **25** | **Surplus.** Report the net amount formally transferred to the surplus account, including capital contributions, adjustments arising from treasury stock transactions, and any amount received for common stock in excess of its par or stated value on or before the report date.<br><br>Do not include any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 19 or 23, as appropriate). |

**26.a** **Retained earnings.** Report the amount of retained earnings (undivided profits) and capital reserves. The amount of the retained earnings and capital reserves should reflect transfers of net income, declarations of dividends, transfers to surplus, and any other appropriate entries.

Adjustments of accruals and other accounting estimates made shortly after the report date which relate to the income and expenses of the year-to-date period ended as of the report date must be reported in the appropriate items of Schedule RI, Income Statement, for that year-to-date period.

Capital reserves are segregations of retained earnings and are not to be reported as liability accounts or as reductions of asset balances. Capital reserves may be established for such purposes as:

(1) Reserve for undeclared stock dividends – includes amounts set aside to provide for stock dividends (not cash dividends) not yet declared.

(2) Reserve for undeclared cash dividends – includes amounts set aside for cash dividends on common and preferred stock not yet declared. (Cash dividends declared but not yet payable should be included in Schedule RC-G, item 5, "Other" liabilities.)

(3) Retirement account (for limited-life preferred stock or subordinated notes and debentures) – includes amounts allocated under the plan for retirement of limited-life preferred stock or subordinated notes and debentures contained in the bank's articles of association or in the agreement under which such stock or notes and debentures were issued.

(4) Reserve for contingencies – includes amounts set aside for possible unforeseen or indeterminate liabilities not otherwise reflected on the bank's books and not covered by insurance. This reserve may include, for example, reserves set up to provide for possible losses which the bank may sustain because of lawsuits, the deductible amount under the bank's blanket bond, defaults on obligations for which the bank is contingently liable, or other claims against the bank. A reserve for contingencies represents a segregation of retained earnings. It should not include any element of known losses or of any probable incurred losses the amount of which can be estimated with reasonable accuracy (see the Glossary entry for "Loss Contingencies" for additional information).

**Item No.** **Caption and Instructions**

**26.a** (cont.) Exclude from retained earnings:

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

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

(3) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., for institutions that have not adopted ASU 2016-13, which governs the accounting for credit losses, the allowance for loan and lease losses, and, for institutions that have adopted ASU 2016-13, allowances for credit losses), reserves for depreciation, and reserves for bond premiums.

**26.b** **Accumulated other comprehensive income.** Report the accumulated balance of other comprehensive income as of the report date in accordance with ASC Subtopic 220-10, Comprehensive Income – Overall, net of applicable income taxes, if any. "Other comprehensive income" refers to revenues, expenses, gains, and losses that under U.S. generally accepted accounting principles are included in comprehensive income but excluded from net income.

Items of accumulated other comprehensive income include:

(1) Net unrealized holding gains (losses) on available-for-sale debt securities (including debt securities transferred into the available-for-sale category from the held-to-maturity category), i.e., the difference between the amortized cost and the fair value of the reporting bank's available-for-sale debt securities (excluding any available-for-sale debt securities previously written down as other-than-temporarily impaired, and, for institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13) which governs the accounting for credit losses, excluding the portion of the difference consisting of an allowance for credit losses, if any).[1] For most institutions, all "debt securities," as that term is defined in ASC Topic 320, Investments-Debt Securities, that are designated as "available-for-sale" will be reported as "Available-for-sale debt securities" in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, an institution may have certain assets that fall within the definition of "debt securities" in ASC Topic 320 (e.g., nonrated industrial development obligations) that it has designated as "available-for-sale" and reports in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables") for purposes of the Consolidated Report of Condition. These "available-for-sale" assets must be carried on the Consolidated Report of Condition balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects (and subject to the exclusions mentioned above), also must be included in this item.

[1] For example, if the fair value of the reporting institution's available-for-sale debt securities exceeds the amortized cost of its available-for-sale debt securities by $100,000 (and the institution has had no other transactions affecting the "net unrealized holding gains (losses)" account), the amount to be included in Schedule RC, item 26.b, must be reduced by the estimated amount of taxes using the institution's applicable tax rate (federal, state and local). (See the Glossary entry for "Income Taxes" for a discussion of "Applicable Tax Rate.") If the institution's applicable tax rate (federal, state and local) is 25 percent and the tax basis of its available-for-sale debt securities approximates their amortized cost, the institution would include "net unrealized holding gains" of $75,000 [$100,000 - (25% x $100,000)] in Schedule RC, item 26.b. The institution would also have a deferred tax liability of $25,000 that would enter into the determination of the amount of net deferred tax assets or liabilities to be reported in Schedule RC-F, item 2, or Schedule RC-G, item 2.

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**<u>Item No.</u>** **<u>Caption and Instructions</u>**

**26.b** (cont.)

(2) The unamortized balance of the unrealized holding gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category. Consistent with ASC Topic 320, when a debt security is transferred from the available-for-sale category into the held-to-maturity category, the unrealized holding gain (loss) at the date of transfer continues to be reported in the accumulated other comprehensive income account, but must be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

(3) (a) For institutions that have <u>not</u> adopted ASU 2016-13, the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, plus the accumulated amount of subsequent decreases (if not other-than-temporary impairment losses) or increases in the fair value of available-for-sale debt securities previously written down as other-than-temporarily impaired.

(b) For institutions that have adopted ASU 2016-13, the unaccreted portion of unrealized losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, plus the accumulated amount of subsequent increases or decreases (not attributable to credit impairment) in the fair value of available-for-sale debt securities, and increases in the fair value of available-for-sale debt securities after a write-down that resulted from the intent to sell or a more-likely-than-not requirement to sell.

(4) Accumulated net gains (losses) on derivative instruments that are designated and qualify as cash flow hedges,[2] i.e., the effective portion[3] of the accumulated change in fair value (gain or loss) on derivative instruments designated and qualifying as cash flow hedges in accordance with ASC Topic 815, Derivatives and Hedging).

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

(a) The cumulative gain (loss) on the derivative from inception of the hedge, less (i) amounts excluded consistent with the institution's defined risk management

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

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

**Item No.** **Caption and Instructions**

**26.b** (cont.)

strategy and (ii) the derivative's gains (losses) previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction, or

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

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

(5) The accumulated amounts of gains (losses), transition assets or obligations, and prior service costs or credits associated with single-employer defined benefit pension and other postretirement plans that have not yet been recognized as components of net periodic benefit cost in accordance with ASC Topic 715, Compensation-Retirement Benefits.

(6) The accumulated amount of net gains (losses) resulting from changes in fair value attributable to instrument-specific credit risk ("own credit risk") of liabilities for which the fair value option for financial instruments has been elected.

**26.c** **Other equity capital components.** Report in this item as a negative amount the carrying value of any treasury stock and any unearned Employee Stock Ownership Plan (ESOP) shares, which under generally accepted accounting principles are reported in a contra-equity account on the balance sheet. For further information, see the Glossary entry for "Treasury Stock" and ASC Subtopic 718-40, Compensation-Stock Compensation – Employee Stock Ownership Plans.

Report in this item as a negative amount notes receivable that represent a capital contribution and are reported as a deduction from equity capital in accordance with ASC Subtopic 505-10, Equity – Overall, and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). Also report in this item as a negative amount accrued interest receivable on such notes receivable that are reported as a deduction from equity capital in accordance with ASC Subtopic 505-10. Interest income accrued on such notes receivable should not be reported as interest income in Schedule RI, but as additional paid-in-capital in Schedule RC, item 23 or 25, as appropriate. For further information, see the Glossary entry for "Capital Contributions of Cash and Notes Receivable" and ASC Subtopic 505-10.

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

| Item No. | Caption and Instructions |
|---|---|
| 27.b | **Noncontrolling (minority) interests in consolidated subsidiaries.** Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank held by parties other than the parent bank. A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. |
| 28 | **Total equity capital.** Report the sum of Schedule RC, items 27.a and 27.b. |
| 29 | **Total liabilities and equity capital.** Report the sum of Schedule RC, items 21 and 28. This item must equal Schedule RC, item 12, "Total assets." |

## Memoranda

**Item No.** **Caption and Instructions**

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

The term "any date during the preceding calendar year" refers to the date of the balance sheet and income statement reported on by the auditor (or the date as of which certain agreed-upon procedures were applied to selected records and transactions by the auditor) regardless of the actual date of the commencement of the auditing work (integrated audit,[1] financial statement audit, directors' examination, review, compilation, or specific procedures) and regardless of the date of the report submitted by the auditor.

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

The list of possible external auditing work is structured with the "most comprehensive level," an integrated audit of the institution's financial statements and its internal control over financial reporting, identified as number 1a, and the other levels of auditing work listed in descending order (excluding number 3) so that "no external audit work" is number 9.

Institutions may be assisted in determining the level of auditing work performed by reviewing the type of report issued by the auditor.

If an institution or its parent holding company has external auditing work performed by a certified public accounting firm, the work may be (i) an integrated audit of the institution's or the holding company's financial statements and its internal control over financial reporting or (ii) an audit of the financial statements only. When an integrated audit is performed, the auditor may choose to issue a combined report (i.e., one report containing both an opinion on the financial statements and an opinion on internal control over financial reporting) or separate reports on the financial statements and on internal control over financial reporting.

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

| | |
|---|---|
| Begins | "We have audited . . ." |
| and also states in the first paragraph or in a separate paragraph | "We also have audited . . . internal control over financial reporting . . ." or "We also have examined . . . internal control over financial reporting . . ." |

[1] An integrated audit occurs when an independent external auditor is engaged to perform an audit of the effectiveness of internal control over financial reporting that is integrated with an audit of the financial statements and renders opinions on the financial statements and on internal control over financial reporting.

## Memoranda

| Item No. | Caption and Instructions |
|---|---|

**1** (cont.)

| | |
|---|---|
| and includes a paragraph that begins | "In our opinion, the [consolidated] financial statements referred to above . . ." and also refers to internal control over financial reporting |

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

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

| | |
|---|---|
| Begins | "We have audited . . ." but the first paragraph or a separate paragraph makes no reference to internal control over financial reporting |
| and the report includes a paragraph that begins | "In our opinion, the [consolidated] financial statements referred to above . . ." but makes no reference to internal control over financial reporting <u>or</u><br>"In our opinion, the balance sheet referred to above . . ." |

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

(c) If the report submitted by the auditor:

| | |
|---|---|
| Begins | "We have applied certain procedures to selected records and transactions . . .," |
| The second paragraph includes | "We do not express an opinion, . . ." |
| and | |
| The next to last paragraph states | "Had we performed additional procedures . . . other matters may have come to our attention . . ." |

the institution would respond with:

(i) a "4" if this auditing work was performed by a certified public accounting firm for the Board of Directors as a directors' examination;

(ii) a "5" if this auditing work was performed by any other firm (e.g., a consulting firm, another banking organization) for the Board of Directors as a directors' examination; or

**Memoranda**

**Item No. Caption and Instructions**

1 (cont.) (iii) an "8" if management otherwise engaged the auditor to perform specified auditing work (excluding tax or consulting work), but this auditing work did not constitute a directors' examination.

(d) If the report submitted by the auditor:

| | |
|---|---|
| Begins | "We have reviewed . . . ," |
| The second paragraph states | "A review consists principally of inquiries . . . ," |
| and | |
| The final paragraph begins | "Based on our review . . ." |

the institution would respond to this item with a "6."

(e) If the report submitted by the auditor:

| | |
|---|---|
| Begins | "We have compiled . . ." |
| and | |
| The second paragraph begins | "A compilation is limited to presenting . . . " |

the institution would respond to this item with a "7."

An "independent external auditor" is an auditor who at no time during the year:

(1) was an employee of the institution;

(2) performed the institution's bookkeeping or maintained the institution's accounting records;

(3) was dependent on the institution for his livelihood nor was the institution such a significant client that the loss of that client would jeopardize his livelihood; nor

(4) held the institution's securities or was indebted to the institution beyond those types of loans permitted under applicable professional standards.

2 **Bank's fiscal year-end date.** *(To be reported only with the March Consolidated Report of Condition.)* Report the bank's fiscal year-end date (month and day) for financial reporting purposes. For example, a bank whose fiscal year ends on June 30 would report 0630 in this Memorandum item.

# SCHEDULE RC-B – SECURITIES

## General Instructions

Items 1 through 6.b and 8 of this schedule have four columns for information on securities: two columns for held-to-maturity securities and two columns for available-for-sale debt securities.[1] Report the amortized cost and fair value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and fair value of available-for-sale debt securities in columns C and D, respectively.

Investments in equity securities, including investment in mutual funds, with readily determinable fair values not held for trading are no longer reported in Schedule RC-B. Institutions should report the fair value of their holdings of equity securities with readily determinable fair values not held for trading in Schedule RC, item 2.c. Insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

For institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, report the amortized cost of held-to-maturity securities and available-for-sale debt securities in columns A and C, respectively, without any deduction for allowances for credit losses on such securities.

Exclude from this schedule all securities held for trading and debt securities the bank has elected to report at fair value under a fair value option even if bank management did not acquire the securities principally for the purpose of selling them in the near term. Securities held for trading and debt securities reported under a fair value option are to be reported in Schedule RC, item 5, "Trading assets." Institutions must report whether they utilize the fair value option to measure any of their assets or liabilities in Schedule SU, item 3, and, if appropriate, information about their fair value option assets and liabilities in the corresponding subitems.

In general, amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value. (See the Glossary entry for "Premiums and Discounts.") As defined in ASC Topic 820, Fair Value Measurement, fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." For further information, see the Glossary entry for "Fair Value."

The preferred method for reporting purchases and sales of securities is as of trade date. However, settlement date accounting is acceptable if the reported amounts would not be materially different. (See the Glossary entry for "Trade Date and Settlement Date Accounting.")

For purposes of this schedule, the following events and transactions involving securities should be reported in the manner indicated below:

(1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase – These transactions are not to be treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities if the agreements meet the criteria for a borrowing set forth in ASC Topic 860, Transfers and Servicing. For further information, see the Glossary entries for "Transfers of Financial Assets" and "Repurchase/Resale Agreements."

[1] Available-for-sale debt securities are generally reported in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "debt securities" in ASC Topic 320, Investments-Debt Securities, (e.g., certain industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Consolidated Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

**General Instructions (cont.)**

(2) Purchases and sales of participations in pools of securities – Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities if the participation agreements meet the criteria for a borrowing set forth in ASC Topic 860. For further information, see the Glossary entries for "Transfers of Financial Assets" and "Repurchase/Resale Agreements."

(3) Pledged securities – Pledged held-to-maturity and available-for-sale debt securities that have not been transferred to the secured party should continue to be included in the pledging bank's holdings of securities that are reported in Schedule RC-B. If the bank has transferred pledged securities to the secured party, the bank should account for the pledged securities in accordance with ASC Topic 860.

(4) Securities borrowed and lent – Securities borrowed and lent shall be reported on the balance sheet of either the borrowing or lending bank in accordance with ASC Topic 860. For further information, see the Glossary entries for "Transfers of Financial Assets" and "Securities Borrowing/Lending Transactions."

(5) Short sales of securities – Such transactions are to be reported as described in the Glossary entry for "Short Position."

(6) Futures, forward, and option contracts – Such open contracts to buy or sell securities in the future are to be reported as derivatives. Institutions must report whether they have any derivative contracts in Schedule SU, item 1, and, if appropriate, information about their derivative contracts in the corresponding subitems.

**Item Instructions**

**Item No. Caption and Instructions**

**1** **U.S. Treasury securities.** Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held for trading. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed."

Exclude all obligations of U.S. Government agencies. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in Schedule RC-B, item 6.a below). Refer to the Glossary entry for "Coupon Stripping, Treasury Receipts, and STRIPS" for additional information.

. **2** **U.S. Government agency and sponsored agency obligations.** Report in the appropriate columns the amortized cost and fair value of all obligations of U.S. Government agencies and U.S. Government-sponsored agencies (excluding mortgage-backed securities) not held for trading.

Distinction between U.S. Government Agencies and U.S. Government-sponsored Agencies – For purposes of these reports, a U.S. Government agency is defined as an instrumentality of the U.S. Government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. In contrast, a U.S. Government-sponsored agency is defined as an agency originally established or chartered by the U.S. Government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. Government.

| Item No. | Caption and Instructions |
|---|---|

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

Other domestic debt securities include:

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

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

(3) Detached U.S. Government security coupons and ex-coupon U.S. Government securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs. Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

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

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

Other foreign debt securities include:

(1) Bonds, notes, debentures, equipment trust certificates, and commercial paper (except asset-backed commercial paper) issued by non-U.S.-chartered corporations.

(2) Debt securities issued by foreign governmental units.

(3) Debt securities issued by international organizations such as the International Bank for Reconstruction and Development (World Bank), Inter-American Development Bank, and Asian Development Bank.

(4) Preferred stock of non-U.S.-chartered corporations that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock).

**Item No.** **Caption and Instructions**

NOTE: Investments in equity securities, including investment in mutual funds, with readily determinable fair values not held for trading that were previously reportable in Schedule RC-B, item 7, columns C and D, should be reported in Schedule RC, item 2.c, "Equity securities with readily determinable fair values not held for trading." Insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

**7** Not applicable.

**8** **Total.** Report the sum of items 1 through 6.b. For institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, the total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities." For institutions that have adopted ASU 2016-13, the total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities," plus Schedule RI-B, Part II, item 7, column B, "Balance end of current period," for the allowance for credit losses on held-to-maturity debt securities. For all institutions, the total of column D for this item must equal Schedule RC, item 2.b, "Available-for-sale debt securities."

## Memoranda

**Item No.** **Caption and Instructions**

**1** **Pledged securities.** Report the amortized cost of all held-to-maturity debt securities included in Schedule RC-B, column A, above; the fair value of all available-for-sale debt securities included in Schedule RC-B, column D, above; and the fair value of all equity securities with readily determinable fair values not held for trading included in Schedule RC, item 2.c, that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged); as performance bonds under futures or forward contracts; or for any other purpose. Include as pledged securities:

(1) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading that have been "loaned" in securities borrowing/lending transactions that do not qualify as sales under ASC Topic 860, Transfers and Servicing.

(2) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading held by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amounts of which should also be reported in Schedule SU, item 7.a).

(3) Held-to-maturity debt securities, available-for-sale debt securities, and equity securities with readily determinable fair values not held for trading owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated bank.

. **2** **Maturity and repricing data for debt securities.** Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 6.b above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities with readily determinable fair values not held for trading (reported in Schedule RC, item 2.c) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, item 10, column C.

The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, item 10, column C, must equal Schedule RC-B, sum of items 1 through 6.b, columns A and D.

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the debt security, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the debt security on a predetermined basis, with the exact rate of interest over the life of the debt security known with certainty to both the borrower and the lender when the debt security is acquired.

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

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

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**Part I. (cont.)**

**Item No.** **Caption and Instructions**

**1.a** **Construction, land development, and other land loans.** Report in the appropriate subitem loans secured by real estate made to finance (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings. For purposes of this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Also include in this item:

(1) Loans secured by vacant land, except land known to be used or usable for agricultural purposes, such as crop and livestock production (which should be reported in Schedule RC-C, Part I, item 1.b, below, as loans secured by farmland).

(2) Loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.

(3) Loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Loans written as combination construction-permanent loans secured by real estate should be reported in this item until construction is completed or principal amortization payments begin, whichever comes first. When the first of these events occurs, the loans should begin to be reported in the real estate loan category in Schedule RC-C, Part I, item 1, appropriate to the real estate collateral. For purposes of these reports, a combination construction-permanent loan arises when the lender enters into a contractual agreement with the original borrower at the time the construction loan is originated to also provide the original borrower with permanent financing that amortizes principal after construction is completed and a certificate of occupancy is obtained (if applicable). This construction-permanent loan structure is intended to apply to situations where, at the time the construction loan is originated, the original borrower:

- Is expected to be the owner-occupant of the property upon completion of construction and receipt of a certificate of occupancy (if applicable), for example, where the financing is being provided to the original borrower for the construction and permanent financing of the borrower’s residence or place of business, or
- Is not expected to be the owner-occupant of the property, but repayment of the permanent loan will be derived from rental income associated with the property being constructed after receipt of a certificate of occupancy (if applicable) rather than from the sale of the property being constructed.

All construction loans secured by real estate, other than combination construction-permanent loans as described above, should continue to be reported in this item after construction is completed unless and until (1) the loan is refinanced into a new permanent loan by the reporting bank or is otherwise repaid, (2) the bank acquires or otherwise obtains physical possession of the underlying collateral in full satisfaction of the debt, or (3) the loan is charged

**Part I. (cont.)**

**Item No.** **Caption and Instructions**

**1.a** (cont.) off. For purposes of these reports, a construction loan is deemed to be refinanced into a new permanent loan only if the bank originates:

- An amortizing permanent loan to a new borrower (unrelated to the original borrower) who has purchased the real property, or
- A prudently underwritten new amortizing permanent loan at market terms to the original borrower – including an appropriate interest rate, maturity, and loan-to-value ratio – that is no longer dependent on the sale of the property for repayment. The loan should have a clearly identified ongoing source of repayment sufficient to service the required principal and interest payments over a reasonable and customary period relative to the type of property securing the new loan. A new loan to the original borrower not meeting these criteria (including a new loan on interest-only terms or a new loan with a short-term balloon maturity that is inconsistent with the ongoing source of repayment criterion) should continue to be reported as a "Construction, land development, and other land loan" in the appropriate subitem of Schedule RC-C, Part I, item 1.a.

Exclude loans to finance construction and land development that are not secured by real estate (report in other items of Schedule RC-C, Part I, as appropriate).

**1.a.(1)** **1-4 family residential construction loans.** Report the amount outstanding of 1-4 family residential construction loans, i.e., loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term "1-4 family residential properties" is defined in Schedule RC-C, Part I, item 1.c, below. "1-4 family residential construction loans" include:

- Construction loans to developers secured by tracts of land on which 1-4 family residential properties, including townhouses, are being constructed.
- Construction loans secured by individual parcels of land on which single 1-4 family residential properties are being constructed.
- Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
- Construction loans secured by duplex units and townhouses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.
- Construction loans secured by buildings in which individual condominium dwelling units or individual cooperative housing units are being constructed, even if the buildings have five or more units, where repayment will come from sales of individual condominium dwelling units or interests in individual cooperative housing units, which are 1-4 family residential properties.
- Combination land and construction loans on 1-4 family residential properties, regardless of the current stage of construction or development.
- Combination construction-permanent loans on 1-4 family residential properties until construction is completed or principal amortization payments begin, whichever comes first.
- Loans secured by apartment buildings undergoing conversion to condominiums or cooperatives, regardless of the extent of planned construction or renovation, where repayment will come from sales of individual condominium dwelling units or interests in individual cooperative housing units, which are 1-4 family residential properties.
- Bridge loans to developers on 1-4 family residential properties where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

# SCHEDULE RC-F – OTHER ASSETS

## General Instructions

Institutions that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should report assets reportable in Schedule RC-F that fall within the scope of the standard net of any applicable allowances for credit losses.

## Item Instructions

**Item No. Caption and Instructions**

**1** **Accrued interest receivable.** Report the amount of recorded accrued interest on interest-bearing assets applicable to current or prior periods that has not yet been collected. Exclude accrued interest receivable on interest-bearing assets that is reported elsewhere on Schedule RC, Balance Sheet.

Institutions that have adopted ASU 2016-13 should report amounts in this item net of any applicable allowance for credit losses.

Exclude retained interests in accrued interest receivable related to securitized credit cards (report in Schedule RC-F, item 6, "All other assets").

**2** **Net deferred tax assets.** Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in Schedule RC-G, item 2, "Net deferred tax liabilities." If the result for each tax jurisdiction is a net credit balance, enter a zero in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)

For further information on calculating deferred taxes for different tax jurisdictions, see the Glossary entry for "income taxes."

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

As defined in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended), an interest-only strip receivable is the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset. This includes, for example, contractual rights to future interest cash flows that exceed contractually specified servicing fees on financial assets that have been sold. Report in the appropriate subitem interest-only strips receivable not in the form of a security that are measured at fair value like available-for-sale securities.[1] Report unrealized gains (losses) on these interest-only strips receivable in Schedule RC, item 26.b, "Accumulated other comprehensive income."

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

| Item No. | Caption and Instructions |
|---|---|
| **3** (cont.) | Exclude from this item interest-only strips receivable in the form of a security, which should be reported as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate. Also exclude interest-only strips not in the form of a security that are held for trading, which should be reported in Schedule RC, item 5. |
| **4** | **Equity investments without readily determinable fair values.** Report the reporting institution's equity securities and other equity investments without readily determinable fair values that are not reportable in other items on the Call Report balance sheet (Schedule RC). An equity security does not have a readily determinable fair value if sales prices or bid-and-asked quotations are not currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or are not publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. The fair value of an equity security traded only in a foreign market is not readily determinable if that foreign market is not of a breadth and scope comparable to one of the U.S. markets referred to above. |

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

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

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

Include in this item:

(1) Federal Reserve Bank stock.

(2) Federal Home Loan Bank stock.

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

(4) "Restricted stock," as defined in ASC Topic 320, i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year.

# SCHEDULE RC-K – QUARTERLY AVERAGES

## General Instructions

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

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

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

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

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

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

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

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

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

Institutions that have adopted FASB Accounting Standards Update No. 2016-13, which governs the accounting for credit losses, should not deduct allowances for credit losses, if any, from the related amortized cost amounts when calculating quarterly averages for interest-bearing balances due from depository institutions, debt securities, federal funds sold and securities purchased under agreements to resell, loans, and lease financing receivables for Schedule RC-K, items 1 through 8 and Memorandum item 1. However, such institutions should deduct allowances for credit losses from the related amortized cost amounts when calculating the quarterly average for total assets for Schedule RC-K, item 9.

**Item Instructions**

| Item No. | Caption and Instructions |
|---|---|

**ASSETS**

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

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

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

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

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

6 **Loans:**

6.a **Total loans.** Report the quarterly average for total loans held for investment and held for sale (as defined for Schedule RC-C, Part I, sum of items 1 through 9, less item 11).

6.b **Loans secured by real estate:**

6.b.(1) **Loans secured by 1-4 family residential properties.** Report the quarterly average for loans secured by 1-4 family residential properties (as defined for Schedule RC-C, Part I, item 1.c).

Exclude "1-4 family residential construction loans" (as defined for Schedule RC-C, Part I, item 1.a.(1)).

6.b.(2) **All other loans secured by real estate.** Report the quarterly average for all construction, land development, and other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, Part I, items 1.a.(1), 1.a.(2), 1.b, 1.d, 1.e.(1), and 1.e.(2)).

Exclude loans "Secured by 1-4 family residential properties" (as defined for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b)).

**Item No.** **Caption and Instructions**

**6.c** **Commercial and industrial loans.** Report the quarterly average for commercial and industrial loans (as defined for Schedule RC-C, Part I, item 4).

**6.d** **Loans to individuals for household, family, and other personal expenditures:**

**6.d.(1)** **Credit cards.** Report the quarterly average for credit cards (as defined for Schedule RC-C, Part I, item 6.a).

**6.d.(2)** **Other.** Report the quarterly average for loans to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule RC-C, Part I, items 6.b, 6.c, and 6.d).

**7** Not applicable.

**8** **Lease financing receivables (net of unearned income).** Report the quarterly average for lease financing receivables, net of unearned income (as defined for Schedule RC-C, Part I, item 10).

**9** **Total assets.** Report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12, except that this quarterly average should reflect:

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

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

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

This item 9 is <u>not</u> the sum of Schedule RC-K, items 1 through 8 above.

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**Item No.** **Caption and Instructions**

NOTE: Schedule RC-M, item 4, is to be completed only by insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities"). Other institutions should leave Schedule RC-M, item 4, blank.

**4** **Cost of equity securities with readily determinable fair values not held for trading.** Report the cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered" for purposes of Section 362.3(a) of the FDIC's regulations. The cost basis should reflect the effect of any write-downs of equity securities reported in Schedule RC, item 2.c, resulting from other-than-temporary impairments recognized by the institution before its adoption of FASB Accounting Standards Update No. 2016-01.

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

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

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

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

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

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

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

| Item No. | Caption and Instructions |
|---|---|
| **5** (cont.) | Advances and other borrowings with a fixed rate that are puttable at the option of the bank should be reported according to their remaining maturity without regard to put dates if the bank has not exercised the put. If a put on an advance or other borrowing with a fixed rate has been exercised but the advance or other borrowing has not yet been repaid, the advance or other borrowing should be reported based on the amount of time remaining until the actual put date. Advances and other borrowings with a floating rate that are puttable should be reported on the basis of their next repricing date without regard to their next put date unless the put has actually been exercised. If a put on an advance or other borrowing with a floating rate has been exercised but the advance or other borrowing has not yet been repaid, the advance or other borrowing should be reported on the basis of its next repricing date or its actual put date, whichever is earlier.<br><br>Convertible advances should be reported based on the amount of time until the Federal Home Loan Bank can next opt to convert the rate on the borrowing to a floating rate or the contractual maturity date, whichever is earlier.<br><br>Other borrowings that are noninterest-bearing should be treated as fixed rate and reported according to the amount of time remaining until the final contractual maturity. |
| **5.a** | **Federal Home Loan Bank advances.** Report in the appropriate subitem the specified information about outstanding advances obtained from a Federal Home Loan Bank. As defined in 12 CFR Section 900.2, an "advance" is "a loan from a [Federal Home Loan] Bank that is:<br><br>(1) Provided pursuant to a written agreement;<br>(2) Supported by a note or other written evidence of the borrower's obligation; and<br>(3) Fully secured by collateral in accordance with the [Federal Home Loan Bank] Act and part 950 of this chapter."<br><br>Exclude from advances borrowings from a Federal Home Loan Bank in the form of securities repurchase agreements (report in Schedule RC, item 14.b, "Securities sold under agreements to repurchase") and federal funds purchased (report in Schedule RC, item 14.a). |
| **5.a.(1)** | **Advances with a remaining maturity or next repricing date of.** Report the amount of the bank's fixed rate advances from a Federal Home Loan Bank in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Report the amount of the bank's floating rate advances from a Federal Home Loan Bank in the appropriate subitems according to their next repricing dates. |
| **5.a.(1)(a)** | **One year or less.** Report the amount of:<br><br>• fixed rate Federal Home Loan Bank advances with a remaining maturity of one year or less, and<br>• floating rate Federal Home Loan Bank advances with a next repricing date occurring in one year or less.<br><br>Include all overnight advances in this item. |

# 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.

**These instructions exclude updates pertaining to the regulatory capital-related interim final rules (IFRs) issued by the banking agencies from March through June 2020. During the third quarter of 2020, the agencies finalized several of the capital-related IFRs with no changes or only limited changes. See the separate standalone December 2020 COVID-19 Related Supplemental Instructions (Call Report) for instructional changes related to these IFRs.**

## Part I. Regulatory Capital Components and Ratios

### Contents – Part I. Regulatory Capital Components and Ratios



## General Instructions for Schedule RC-R, Part I.

***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

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

through 38.c, and makes that election in 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.

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;[1] 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). 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.

A qualifying institution with a leverage ratio that exceeds 9 percent 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.[2]

Ceasing to Have a CBLR Greater Than 9 Percent or Failing to Meet Any of the Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the greater than 9 percent leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution maintains a leverage ratio greater than 8 percent. At the end of the grace period (see below), the institution must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution with a leverage ratio of 8 percent or less is not eligible for the grace period and must comply with the generally applicable capital rule, i.e., for the calendar quarter in which the institution reports a leverage ratio of 8 percent or less, by completing all of Schedule RC-R, Parts I and II, 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 will end after two consecutive calendar quarters. For example, if the CBLR electing institution no longer meets one of the qualifying criteria as of February 15, 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 March 31. The institution may continue to use the community bank leverage ratio framework as of June 30, but will need to comply fully with the generally applicable rule (including the associated Schedule RC-R reporting requirements) as of September 30, unless the institution once again meets all qualifying criteria of the CBLR framework, including a leverage ratio of greater than 9 percent, before that time.

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[1] 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.

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

**Part I. (cont.)**

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

(ii) The amount of DTLs that the institution nets against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs) and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

An institution may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination (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.

**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 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.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|
| **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.<br><br>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.<br><br>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.

**9.f** **To be completed only by institutions that entered "0" for No in Schedule RC-R, Part I, item 3.a:**

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

**Part I. (cont.)**

**Item No. Caption and Instructions**

**10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:**

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

**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.

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.

**Part I. (cont.)**

| Item No. | Caption and Instructions |
|---|---|

**24** (cont.)

**(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 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, report the difference across items 13, 24, or 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. Depending on 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 Schedule RC-R, Part I, item 13, or be deducted and reported in Schedule RC-R, Part I, item 24 or 45.
(3) If the amount in (1) is less than 25 percent of Schedule RC-R, Part I, item 12, no deduction is needed.

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

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).

CBLR 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.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**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, 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. For example, 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 1 in the instructions for Schedule RC-R, Part I, item 2).

**28** **LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.**

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

***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

**Part I. (cont.)**

**Item No.** **Caption and Instructions**

**29** (cont.) 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 – 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.

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.

**Part I. (cont.)**

**Item No.** **Caption and Instructions**

**29** (cont.) ***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.

**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.

**Part I. (cont.)**

**Item No. Caption and Instructions**

**41**
(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* |

**42** **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 applicable AACL transitional amount

**Part I. (cont.)**

| **Item No.** | **Caption and Instructions** |
|---|---|
| **42** (cont.) | in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should reduce the amount of its AACL includable in tier 2 capital 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 1 in the instructions for Schedule RC-R, Part I, item 2).<br><br>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 (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.<br><br>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, 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. |
| **43** | Not applicable. |

**Part I. (cont.)**

**Item No.** **Caption and Instructions**

**44** **Tier 2 capital before deductions.** Report the sum of Schedule RC-R, Part I, items 39 through 42.

**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. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 44 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, 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 item 46, "Tier 2 capital."

**(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.

**Part I. (cont.)**

| **Item No.** | **Caption and Instructions** |
|---|---|

**45** (cont.)

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, report the difference across Schedule RC-R, Part I, item 13, item 24, or item 45, depending on the tier of capital for which the investments in the capital of 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 Schedule RC-R, Part I, item 13, or be deducted and reported in Schedule RC-R, Part I, item 24 or item 45.
(3) If the amount in (1) is less than 25 percent of Schedule RC-R, Part I, item 12, no deduction is needed.

See Schedule RC-R, Part I, item 13, 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.

**46** **Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 44 less item 45, or zero.

## Total Capital

**47** **Total capital.** Report the sum of Schedule RC-R, Part I, items 26 and 46.

## Total Risk-Weighted Assets

**48** **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).

## Risk-Based Capital Ratios

**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. Divide Schedule RC-R, Part I, item 19 by item 48.

**50** **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 48.

**51** **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 47 by item 48.

## Part II. Risk-Weighted Assets

**These instructions exclude updates pertaining to the regulatory capital-related interim final rules (IFRs) issued by the banking agencies from March through June 2020. During the third quarter of 2020, the agencies finalized several of the capital-related IFRs with no changes or only limited changes. See the separate standalone December 2020 COVID-19 Related Supplemental Instructions (Call Report) for instructional changes related to these IFRs.**

### Contents – Part II. Risk-Weighted Assets

**Part II. (cont.)**

***Community Bank Leverage Ratio Framework***

A qualifying community banking organization that decides to opt into the community bank leverage ratio (CBLR) framework (i.e., has a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part II. All other institutions should complete Schedule RC-R, Part II. 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. Please refer to the General Instructions for Schedule RC-R, Part I, for information on the reporting requirements that apply when an institution ceases to have a leverage ratio greater than 9 percent or fails to meet any of the qualifying criteria and is no longer in the grace period.

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

NOTE: Schedule RC-R, Part II, items 1 through 25, columns A through U, as applicable, are to be completed semiannually in the June and December reports only. Items 26 through 31 are to be completed quarterly.

The instructions for Schedule RC-R, Part II, items 1 through 22, provide general directions for the allocation of bank balance sheet assets, credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk-weight categories in columns C through Q (and, for items 1 through 10 only, to the adjustments to the totals in Schedule RC-R, Part II, column A, to be reported in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk-weighted assets, which comprises the denominator of the risk-based capital ratios.

These instructions should provide sufficient guidance for most banks for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Banks should review the regulatory capital rules of their primary federal supervisory authority for the complete description of capital requirements.

**Part II. (cont.)**

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

### Exposure Amount Subject to Risk Weighting

In general, banks need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

(1) For the on-balance sheet component of an exposure,[1] the bank's carrying value[2] of the exposure.

(2) For a security[3] classified as AFS or HTM where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value of the exposure (including net accrued but uncollected interest and fees)[4] less any net unrealized gains on the exposure plus any net unrealized losses on the exposure included in AOCI.

(3) For the off-balance sheet component of an exposure,[5] the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor in §.33 of the regulatory capital rules.

(4) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 or §.132 of the regulatory capital rules.

(5) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 or §.133 of the regulatory capital rules.

For derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date, a banking organization does not need to report such notional amounts for derivatives that have matured for purposes of Schedule RC-R, Part II.

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[1] Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

[2] As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means, with respect to an asset, the value of the asset on the balance sheet of the bank determined in accordance with U.S. generally accepted accounting principles (GAAP). For all assets other than available-for-sale debt securities or purchased credit-deteriorated assets, the carrying value is not reduced by any associated credit loss allowance that is determined in accordance with U.S. GAAP.

[3] Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under U.S. GAAP.

[4] Where the bank has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule RC, item 11, "Other assets," associated with AFS or HTM debt securities that are not securitization exposures should be reported in Schedule RC-R, Part II, item 8, "All other assets."

[5] Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

**Part II. (cont.)**

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

(6) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the bank calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.

(7) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

### Amounts to Report in Column B

The amount to report in column B will vary depending upon the nature of the particular item.

For items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include the amount of the reporting bank's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital such as goodwill; other intangible assets; gain on sale of securitization exposures; threshold deductions above the 25 percent individual limits for (1) deferred tax assets (DTAs) arising from temporary differences that could not be realized through net operating loss carrybacks, (2) mortgage servicing assets (MSAs), net of associated deferred tax liabilities (DTLs), and (3) investments in the capital of unconsolidated financial institutions; and any other assets that must be deducted in accordance with the requirements of a bank's primary federal supervisory authority.

Column B should also include items that are excluded from the calculation of risk-weighted assets, such as the allowance for loan and lease losses or allowances for credit losses, as applicable; allocated transfer risk reserves; and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under "Exposure Amount Subject to Risk Weighting." *Note: For items 1 through 8 and 11 of Schedule RC-R, Part II, the sum of columns B through R must equal the balance sheet asset amount reported in column A.*

For items 9.a through 9.d of Schedule RC-R, Part II, the amount a reporting bank should report in column B will depend upon the risk-weighting approach it uses to risk weight its securitization exposures and whether the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. For each of items 9.a through 9.d, a mathematical relationship similar to the one described above will hold true, such that the sum of columns B through Q must equal the balance sheet asset amount reported in column A.

- If a bank uses the 1,250 percent risk weight approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the difference between the carrying value of the exposure and the exposure amount that is to be risk weighted. For example, if a bank has a securitization exposure that is an AFS debt security with a $105 carrying value (i.e., fair value) including a $5 unrealized gain (in other words, a $100 amortized cost), the bank would report the following:
  - o If the bank has not made (or cannot make) the AOCI opt-out election, the bank would report zero in item 9.b, column B. The bank would report the $105 exposure amount to be risk weighted in item 9.b, column Q–1250% risk weight.
  - o If the bank has made the AOCI opt-out election, the bank would report any unrealized gain as a positive number in item 9.b, column B, and any unrealized loss as a negative number in item 9.b, column B. Therefore, in this example, the bank would report $5 in item 9.b, column B. Because

**Part II. (cont.)**

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

- *10 percent risk weight:* May be assigned to an exposure to an OTC derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized by an exposure to a sovereign that qualified for a zero percent risk weight under §.32.

(2) Collateral Haircut Approach: can be used only for repo-style transactions, eligible margin loans, collateralized derivative transactions, and single-product netting sets of such transactions. Under this approach, banks would apply either standard supervisory haircuts or own internal estimates for haircuts to the value of the collateral. See §.37(c) of the regulatory capital rules for a description of the calculation of the exposure amount, standard supervisory market price volatility haircuts, and requirements for using own internal estimates for haircuts.

Banks may use any approach described in §.37 that is valid for a particular type of exposure or transaction; however, they must use the same approach for similar transactions or exposures.

If an exposure is partially secured, that is, the market value (or in cases of using the Collateral Haircut Approach, the adjusted market value) of the financial collateral is less than the face amount of an asset or off-balance sheet exposure, only the portion that is covered by the market value of the collateral is to be reported in the risk-weight category item appropriate to the type of collateral. The uncovered portion of the exposure continues to be assigned to the initial risk-weight category item appropriate to the exposure. The face amount of an exposure secured by multiple types of qualifying collateral is to be reported in the risk-weight category items appropriate to the collateral types, apportioned according to the market value of the types of collateral.

*Exposures collateralized by deposits at the reporting institution*
The portion of any exposure collateralized by deposits at the reporting institution would be eligible for a zero percent risk weight. The remaining portion of the exposure that is not collateralized by deposits should be risk-weighted according to the regulatory capital rules.

b. Guarantees and Credit Derivatives

The rules for recognition of guarantees and credit derivatives are in §.36 and pertinent definitions are in §.2 of the regulatory capital rules. A bank may recognize the credit risk mitigation benefits of an eligible guarantee or eligible credit derivative by substituting the risk weight associated with the protection provider for the risk weight assigned to the exposure. Please refer to the definitions of *eligible guarantee, eligible guarantor,* and *eligible credit derivative* in §.2 of the regulatory capital rules. Note that in the definition of eligible guarantee, where the definition discusses contingent guarantees, only contingent guarantees of the U.S. government or its agencies are recognized.

The coverage amount provided by an eligible guarantee or eligible credit derivative will need to be adjusted downward if:

- The residual maturity of the credit risk mitigant is less than that of the hedged exposure (maturity mismatch adjustment), see §.36(c);

- The credit risk mitigant does not include as a credit event a restructuring of the hedged exposure involving forgiveness or postponement of principal, interest, or fees that results in a credit loss event (that is, a charge-off, specific provision, or other similar debit to the profit and loss account), see §.36(d); or

- The credit risk mitigant is denominated in a currency different from that in which the hedged exposure is denominated (currency mismatch adjustment, see §.36(e).

**Part II. (cont.)**

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

For further information on credit derivatives, refer to the instructions for Schedule RC-L, item 7, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

*Exposures covered by Federal Deposit Insurance Corporation (FDIC) loss-sharing agreements*
The portion of any exposure covered by an FDIC loss-sharing agreement would be eligible for a 20 percent risk weight. The remaining uncovered portion of the exposure should be risk weighted according to the regulatory capital rules.

**Treatment of Equity Exposures**

The treatment of equity exposures is outlined in §.51 through §.53 of the regulatory capital rules. Banks must use different methodologies to determine risk-weighted assets for their equity exposures:

- The Simple Risk Weight Approach, which must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund, and
- Full look-through, simple modified look-through, and alternative modified look-through approaches for equity exposures to mutual funds and other investment funds.

*Treatment of stable value protection*
The regulatory capital rules define stable value protection (SVP) in §.51(a)(3).

A bank that purchases SVP on an investment in a separate account must treat the portion of the carrying value of the investment attributable to the SVP as an exposure to the provider of the protection. The remaining portion of the carrying value of the investment must be treated as an equity exposure to an investment fund.

A bank that provides SVP must treat the exposure as an equity derivative with an adjusted carrying value equal to the sum of the on-balance and off-balance sheet adjusted carrying value.

*Adjusted carrying value*
The adjusted carrying value of an equity exposure is equal to:

- **On-balance sheet equity exposure:** The carrying value of the exposure.
- **Off-balance sheet portion of an equity exposure (that is not an equity commitment):** The effective notional principal amount[1] of the exposure minus the adjusted carrying value of the on-balance sheet component of the exposure.

For an equity commitment (a commitment to purchase an equity exposure), the effective notional principal amount must be multiplied by the following credit conversion factors: 20 percent for conditional equity commitments with an original maturity of one year or less, 50 percent for conditional equity commitments with an original maturity of more than one year, and 100 percent for unconditional equity commitments.

*Equity exposure risk weighting methodologies*
(1) Simple Risk Weight Approach: Must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund. Under this approach, banks must determine the risk weighted asset amount of an individual equity exposure by multiplying (1) the adjusted

[1] The regulatory capital rules define the "effective notional principal amount" as an exposure of equivalent size to a hypothetical on-balance sheet position in the underlying equity instrument that would evidence the same change in fair value (measured in dollars) given a small change in the price of the underlying equity instrument.

**Part II. (cont.)**

**Item No. Caption and Instructions**

**2.a** (cont.)

- ○ Any securities reported as "structured financial products" in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
- o The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- o Also include all other HTM securities that do not qualify as securitization exposures reported in Schedule RC, item 2.a, that are not included in columns C through H and J.

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- For HTM securities that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposures and must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part, II, item 2.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**2.b** **Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading.** Report in column A the sum of:

(1) The fair value of AFS debt securities reported in Schedule RC, item 2.b; and

(2) The fair value of equity securities with readily determinable fair values not held for trading reported in Schedule RC, item 2.c;

excluding the fair value of those debt and equity securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules, which must be reported in Schedule RC-R, Part II, item 9.b, column A. The sum of Schedule RC-R, Part II, items 2.b and 9.b, column A, must equal the sum of Schedule RC, items 2.b and 2.c.

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

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

- **For a debt security:** the carrying value, which is the value of the asset reported on the balance sheet of the bank determined in accordance with GAAP (i.e., the fair value of the AFS debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.[1]

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

**Part II. (cont.)**

| **Item No.** | **Caption and Instructions** |
|---|---|

**2.b** (cont.) Exposure amount to be used for purposes of risk weighting by a bank that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:
For a security reported in Schedule RC-R, Part II, item 2.b, column A, where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is:

- **For a debt security:** the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.
- **For equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values:** the adjusted carrying value.[1]

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

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

**Part II. (cont.)**

**Item No. Caption and Instructions**

**2.b** (cont.)

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

a. $105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.

b. $5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)

c. $100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.

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

- *In column B*, include the amount of investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 13, item 24, and item 45.

- *In column C–0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization

**Part II. (cont.)**

**Item No. Caption and Instructions**

**2.b** (cont.)

exposures that qualify for the zero percent risk weight. Such debt securities may include portions of, but may not be limited to:

- Item 1, "U.S. Treasury securities,"
- Item 2, those obligations issued by U.S. Government agencies,
- Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
- Portions of item 4.b.(1), Other residential mortgage-backed securities (MBS) "Issued or guaranteed by U.S. Government agencies or sponsored agencies," such as GNMA exposures,
- Item 4.c.(1)(a), certain portions of commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
- Item 4.c.(2)(a), certain portions of commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
- The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 2, those obligations issued by U.S. Government-sponsored agencies (exclude interest-only securities),
  - Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
  - Item 4.a.(1), those residential mortgage pass-through securities issued by FNMA and FHLMC (exclude interest-only securities),
  - Item 4.b.(1), Other residential MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies," (exclude interest-only securities)
  - Item 4.c.(1)(a), those commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent FHLMC and FNMA securities (exclude interest-only securities),
  - Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent FHLMC and FNMA securities (exclude interest-only securities),
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude interest-only securities), and
  - Any securities categorized as "structured financial products" on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets. Exclude interest-only securities.
  - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

**Part II. (cont.)**

**Item No.** **Caption and Instructions**

**2.b** (cont.)

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

- *In column I–100% risk weight,* include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranched for credit risk; those should be reported as securitization exposures in Schedule RC-R, Part II, item 9.b.
  - Item 4.c.(1)(b), “Other [commercial mortgage] pass-through securities,”
  - Item 4.c.(2)(b), “All other commercial MBS,”
  - Item 5.a, "Asset-backed securities,"
  - Any securities reported as “structured financial products” in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets.
  - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - All other AFS debt securities that do not qualify as securitization exposures reported in Schedule RC, item 2.b, that are not included in columns C through H, J through N, or R.

**Part II. (cont.)**

**Item No.** **Caption and Instructions**

**2.b** (cont.)

Also include in *column I–100% risk weight* the exposure amounts of publicly traded equity exposures with readily determinable fair values and equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.c, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report the exposure amount of its equity exposures to investments funds with readily determinable fair values (including mutual funds) in column R (and the risk-weighted asset amount of such AFS equity exposures in column S) and the exposure amount of its other equity exposures with readily determinable fair values in either columns L or N, as appropriate. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules.

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column C, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In column L–300% risk weight*, for publicly traded equity securities with readily determinable fair values reported in Schedule RC, item 2.c (except equity securities to investment firms), include the fair value of these equity securities as reported in Schedule RC, item 2.c.

- *In column N–600% risk weight*, or equity securities to investment firms with readily determinable fair values reported in Schedule RC, item 2.c, include the fair value of these equity securities as reported in Schedule RC, item 2.c.

- *In columns R and S—Application of Other Risk-Weighting Approaches*, include the bank's equity exposures to investment funds with readily determinable fair values

**Part II. (cont.)**

**Item No.** **Caption and Instructions**

**2.b** (cont.) (including mutual funds) reported in Schedule RC, item 2.c, if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.

- For available-for-sale debt securities and equity securities with readily determinable fair values not held for trading that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposures and must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part, II, item 2.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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

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

- *In column C–0% risk weight,* include the portion of Schedule RC, item 3.a, that is directly and unconditionally guaranteed by U.S. Government agencies. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- *In column G–20% risk weight*, include exposures to U.S. depository institution counterparties. Also include the portion of any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- *In column H – 50% risk weight*, include any exposure reported in Schedule RC, item 3.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

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

**Part II. (cont.)**

**Item No.** **Caption and Instructions**

**3.a** (cont.)

- For federal funds sold that that are directly and unconditionally guaranteed by foreign central governments or exposures to foreign banks and must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Accounting Changes (cont.):**

For purposes of the Consolidated Reports of Condition and Income, all banks should follow the sound accounting practices described in SAB 108 and SAB 99. Accordingly, banks should quantify the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on their current year reports by applying both the “rollover” and “iron curtain” approaches and evaluating the impact of the error measured under each approach. When the misstatement that exists after recording the adjustment in the current year Consolidated Reports of Condition and Income is material (considering all relevant quantitative and qualitative factors), the appropriate prior year report(s) should be amended, even though such revision previously was and continues to be immaterial to the prior year report(s). If the misstatement that exists after recording the adjustment in the current year Consolidated Reports of Condition and Income is not material, then amending the immaterial errors in prior year reports would not be necessary.

When a bank's primary federal bank regulatory agency determines that the bank's Consolidated Reports of Condition and Income contain a material accounting error, the bank may be directed to file amended condition and/or income report data for each prior period that was significantly affected by the error. Normally, such refilings will not result in restatements of reports for periods exceeding five years. If amended reports are not required, the bank should report the effect of such corrections on retained earnings at the beginning of the year, net of applicable income taxes, in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and in Schedule RI-E, item 4. The effect of such corrections on income and expenses since the beginning of the year in which the error is discovered should be reflected in each affected income and expense account on a year-to-date basis in the next quarterly Consolidated Report of Income to be filed and not as a direct adjustment to retained earnings.

In addition, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error. When such a change is implemented, the cumulative effect that applies to prior periods, calculated in the same manner as described above for other changes in accounting principles, should be reported in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and in Schedule RI-E, item 4. In most cases of this kind undertaken voluntarily by the reporting bank in order to adopt more acceptable accounting practices, such a change will not result in a request for amended reports for prior periods unless substantial distortions in the bank's previously reported results are in evidence.

In the Consolidated Reports of Condition and Income in which the correction of an error is first reflected, the bank is encouraged to include an explanation of the nature and reason for the correction in Schedule RI-E, item 7, “Other explanations,” or in the “Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income.”

For further information on these three topics, see ASC Topic 250, Accounting Changes and Error Corrections (formerly FASB Statement No. 154, "Accounting Changes and Error Corrections").

**Accounting Errors, Corrections of:** See "accounting changes."

**Accounting Estimates, Changes in:** See "accounting changes."

**Accounting Principles, Changes in:** See "accounting changes."

**Accrued Interest Receivable:** Accrued interest receivable is the recorded amount of interest that has been earned in current or prior periods on interest-bearing assets that has not yet been collected.

For institutions that have not adopted ASC Topic 326, Financial Instruments–Credit Losses, refer to the Glossary entry on “Nonaccrual Status” for the treatment of previously accrued interest. Accrued interest receivable that is not reported elsewhere on Schedule RC, Balance Sheet, as a component of the balance sheet amount of the associated financial asset should be reported in Schedule RC-F, item 1, “Accrued interest receivable.”

**Accrued Interest Receivable (cont.):**

For institutions that have adopted ASC Topic 326, ASC Topic 326 permits a series of accounting policy elections related to accrued interest receivable. These elections are made upon adoption of ASC Topic 326 and may differ by class of financing receivable or major security type. The available accounting policy elections are:

(1) Institutions may elect to present accrued interest receivable separately from the related financial asset. The accrued interest receivable is presented net of an allowance for credit losses (ACL), if any. An institution that elects to present accrued interest receivable separately from the amount reported for the related financial asset (e.g., loans, leases, debt securities, and other interest-bearing assets) on Schedule RC, Balance Sheet (rather than as a component of the balance sheet amount reported for the related financial asset), should report the accrued interest receivable in Schedule RC-F, item 1, "Accrued interest receivable."

(2) Institutions that charge off uncollectible accrued interest receivable in a timely manner, i.e., in accordance with the Glossary entry for "Nonaccrual Status," may elect, at the class of financing receivable or the major security-type level, not to measure an ACL for accrued interest receivable. If an institution does not make this policy election for a particular class of financing receivable or major security type, the institution should measure an ACL on accrued interest receivable for that class of financing receivable or major security type.

(3) An institution may make a separate policy election, at the class of financing receivable or major security-type level, to charge off any uncollectible accrued interest receivable by reversing interest income, recognizing credit loss expense (i.e., provision expense), or a combination of both. If an institution reverses interest income, the institution should debit (i.e., reduce) the appropriate category of interest income on Schedule RI, Income Statement, for the amount of uncollectible accrued interest receivable being charged off. Furthermore, for purposes of these reports, an institution may charge off uncollectible accrued interest receivable against an ACL by debiting (i.e., reducing) the ACL.

See also the Glossary entries for "Allowance for Loan and Lease Losses" or "Allowance for Credit Losses," as applicable, "Amortized Cost Basis," and "Nonaccrual Status."

**Accrued Interest Receivable Related to Credit Card Securitizations:** In a typical credit card securitization, an institution transfers a pool of receivables and the right to receive the future collections of principal (credit card purchases and cash advances), finance charges, and fees on the receivables to a trust. If a securitization transaction qualifies as a sale under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended), the selling institution removes the receivables that were sold from its reported assets and continues to carry any retained interests in the transferred receivables on its balance sheet. The "accrued interest receivable" (AIR) asset typically consists of the seller's retained interest in the investor's portion of (1) the accrued fees and finance charges that have been billed to customer accounts, but have not yet been collected ("billed but uncollected"), and (2) the right to finance charges that have been accrued on cardholder accounts, but have not yet been billed ("accrued but unbilled").

While the selling institution retains a right to the excess cash flows generated from the fees and finance charges collected on the transferred receivables, the institution generally subordinates its right to these cash flows to the investors in the securitization. Since investors are paid from these cash collections before the selling institution receives the amount of AIR that is due, the seller may or may not realize the full amount of its AIR asset.

For further information on the accounting and reporting for the AIR asset, refer to the Glossary entry for "accrued interest receivable related to credit card securitizations" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Revenue from Contracts with Customers (cont.):**
sector, such as interest income, fair value adjustments, gains and losses on sales of financial instruments, and loan origination fees, are not within the scope of ASC Topic 606. However, the provisions of ASC Topic 606 may affect the timing for the recognition of, and the presentation of, those revenue streams within the scope of this accounting standard, such as certain fees associated with credit card arrangements, underwriting fees and costs, and deposit-related fees.

To achieve the core principle described above when accounting for transactions within the scope of ASC Topic 606, an institution should apply the following steps as set forth in Topic 606:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the institution satisfies a performance obligation.

For further guidance on applying these steps, refer to ASC Topic 606.

**Savings Deposits:** See "deposits."

**Securities Activities:** Institutions should categorize their investments in debt securities as trading, available-for-sale, or held-to-maturity consistent with ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as amended). Management should periodically reassess its security categorization decisions to ensure that they remain appropriate.

For purposes of the Consolidated Reports of Condition and Income, debt and equity securities that are intended to be held principally for the purpose of selling them in the near term should be classified as trading assets. Trading activity includes active and frequent buying and selling of securities for the purpose of generating profits on short-term fluctuations in price. Securities held for trading purposes must be reported at fair value on the balance sheet in Schedule RC, item 5, with unrealized gains and losses recognized in current earnings and regulatory capital.

Institutions may also elect to report debt securities within the scope of ASC Topic 320 at fair value in accordance with ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”). For purposes of the Consolidated Reports of Condition and Income, debt securities for which the fair value option is elected should be classified as trading assets and reported on the balance sheet in Schedule RC, item 5, with unrealized gains and losses recognized in current earnings and regulatory capital. In general, the fair value option may be elected for an individual security only when it is first recognized; this election is irrevocable.

Held-to-maturity securities are debt securities that an institution has the positive intent and ability to hold to maturity. Held-to-maturity securities, which are generally reported at amortized cost, should be reported on the balance sheet in Schedule RC, item 2.a. The amortized cost and fair value of held-to-maturity securities are reported by securities category in Schedule RC-B, columns A and B, respectively. Debt securities not categorized as trading or held-to-maturity must be reported as available-for-sale. An institution must report its available-for-sale debt securities at fair value on the balance sheet, generally in Schedule RC, item 2.b, but unrealized gains and losses on such securities are excluded from earnings and reported in a separate component of equity capital (i.e., in Schedule RC, item 26.b, “Accumulated other comprehensive income”). The amortized cost and fair value of available-for-sale debt securities are reported by securities category in Schedule RC-B, columns C and D, respectively.

FASB Accounting Standards Update No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01), added ASC Topic 321, Investments – Equity Securities, to the

**Securities Activities (cont.):**

ASC. ASU 2016-01 eliminated the classification of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities, which were measured at fair value with changes in fair value generally recognized in other comprehensive income. As a consequence, all institutions must measure investments in equity securities, except those accounted for under the equity method and those that result in consolidation, at fair value with changes in fair value recognized in net income. However, for an equity security not held for trading that does not have a readily determinable fair value, ASC Topic 321 permits an institution to elect to measure the security at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When this measurement alternative is elected for an equity security without a readily determinable fair value not held for trading, ASC Topic 321 requires the equity security to be written down to its fair value, with a charge to earnings, if a qualitative assessment indicates the security is impaired and the fair value of the security is less than its carrying value. For each equity security accounted for using this measurement alternative, the qualitative assessment must be made each reporting period by qualitatively considering impairment indicators to evaluate whether the security is impaired. Impairment indicators that an institution should consider include, but are not limited to, the indicators identified in ASC Subtopic 321-10.

Except for equity investments accounted for under the equity method and those that result in consolidation, equity securities with readily determinable fair values not held for trading should be reported at fair value on the balance sheet in Schedule RC, item 2.c, and equity investments without readily determinable fair values not held for trading should be reported at fair value or using the measurement alternative described above in Schedule RC-F, item 4. In addition, insured state banks that have received FDIC approval in accordance with Section 362.3(a) of the FDIC's regulations to hold certain equity investments ("grandfathered equity securities") should report in Schedule RC-M, item 4, the aggregate cost basis of all equity securities with readily determinable fair values not held for trading that are reported in Schedule RC, item 2.c, not just the cost basis of those equity securities that are treated as "grandfathered."

The measurement guidance for investments in equity securities in ASC Topic 321 described above also applies to investments in other ownership interests, such as interests in partnerships, unincorporated joint ventures, and limited liability companies. However, the measurement guidance does not apply to Federal Home Loan Bank stock or Federal Reserve Bank stock, which should be reported in Schedule RC-F, item 4.

Other-Than-Temporary Impairment (ASC Topic 320) – For institutions that have adopted ASC Topic 326, Financial Instruments–Credit Losses, this section is no longer applicable. Refer to the "Impairment of Individual Available-for-Sale Debt Securities (ASC Topic 326)" and "Accounting for Held-to-Maturity Debt Securities (ASC Topic 326)" sections below, as applicable.

Until an institution has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which applies to held-to-maturity and available-for-sale debt securities, when the fair value of a debt security (not held for trading) is less than its amortized cost basis, the security is impaired and the impairment is either temporary or other than temporary. Under ASC Topic 320, institutions must determine whether an impairment of an individual available-for-sale or held-to-maturity debt security is other than temporary. To make this determination, institutions should apply applicable accounting guidance including, but not limited to, ASC Topic 320 and ASC Subtopic 325-40, Investments–Other – Beneficial Interests in Securitized Financial Assets.

Under ASC Topic 320, if an institution intends to sell a debt security, or it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis, an other-than-temporary impairment has occurred and the entire difference between the security's amortized cost basis and its fair value at the balance sheet date must be recognized in earnings. In these cases, the fair value of the debt security would become its new amortized cost basis.

In addition, under ASC Topic 320, if the present value of cash flows expected to be collected on a debt security is less than its amortized cost basis, a credit loss exists. In this situation, if an institution does

**Securities Activities (cont.):**

not intend to sell the security and it is not more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, an other-than-temporary impairment has occurred. The amount of the total other-than-temporary impairment related to the credit loss must be recognized in earnings, but the amount of the total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes.

Until an institution has adopted ASU 2016-13, other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that must be recognized in earnings should be included in Schedule RI, items 6.a and 6.b, respectively. Other-than-temporary impairment losses that are to be recognized in other comprehensive income, net of applicable taxes, should be reported in item 10 of Schedule RI-A, Changes in Bank Equity Capital, and included on the balance sheet in Schedule RC, item 26.b, "Accumulated other comprehensive income." The amount of other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings during the current calendar year-to-date reporting period should be reported in Schedule RI, Memorandum item 14. For a held-to-maturity debt security on which the institution has recognized an other-than-temporary impairment loss related to factors other than credit loss in other comprehensive income, the institution should report the carrying value of the debt security in Schedule RC, item 2.a, and in column A of Schedule RC-B, Securities. Under ASC Topic 320, this carrying value should be the fair value of the held-to-maturity debt security as of the date of the most recently recognized other-than-temporary impairment loss adjusted for subsequent accretion of the impairment loss related to factors other than credit loss.

Impairment of Individual Available-for-Sale Debt Securities (ASC Topic 326) – This section of this Glossary entry applies to institutions that have adopted ASC Topic 326. Institutions that have not adopted ASC Topic 326 should continue to refer to the "Other-Than-Temporary Impairment (ASC Topic 320)" section above. For additional information on the maintenance of appropriate allowances for credit losses, institutions should refer to the Interagency Policy Statement on Allowances for Credit Losses issued in May 2020.

Standards for the accounting for impairment of available-for-sale debt securities are set forth in ASC Subtopic 326-30, Financial Instruments–Credit Losses–Available-for-Sale Debt Securities. Under this subtopic, an available-for-sale debt security is impaired if its fair value is less than its amortized cost basis. Thus, as of the end of each quarter, or more frequently if warranted, an institution must determine whether a decline in fair value below the amortized cost basis of an individual available-for-sale debt security has resulted from a credit loss or other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method to compare the present value of the cash flows expected to be collected with the amortized cost basis of the security. An ACL is established, with a charge to the provision for credit losses, to reflect the credit loss component of the decline in fair value below amortized cost. The ACL for an available-for-sale debt security is limited by the amount that the fair value is less than the amortized cost basis, which is referred to as the fair value floor. Noncredit impairment on an available-for-sale debt security that is not required to be recorded through the ACL should be reported, net of applicable income taxes, in Schedule RI-A, item 10, "Other comprehensive income."

An institution must reassess the credit losses on an individual available-for-sale debt security each quarter when there is an ACL on the security. The institution should record subsequent changes in the ACL in the period of the change with a corresponding adjustment recorded through a provision for credit losses included in Schedule RI, item 4. A previously recorded ACL on an available-for-sale debt security should not be reversed to an amount below zero.

When evaluating impairment for available-for-sale debt securities, an institution may evaluate the amortized cost basis including accrued interest receivable, or may evaluate the accrued interest receivable separately from the remaining amortized cost basis. If evaluated separately, accrued interest receivable is excluded from both the fair value of the available-for-sale debt security and its amortized cost basis.

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**When-Issued Securities Transactions (cont.):**

Trading in when-issued securities normally begins when the U.S. Treasury or some other issuer of securities announces a forthcoming issue. (In some cases, trading may begin in anticipation of such an announcement and should also be reported as described herein.) Since the exact price and terms of the security are unknown before the auction date, trading prior to that date is on a "yield" basis. On the auction date the exact terms and price of the security become known and when-issued trading continues until settlement date, when the securities are delivered and the issuer is paid. If physical delivery is taken on settlement date and settlement date accounting is used, the securities purchased by the bank shall be reported on the balance sheet as held-to-maturity securities in Schedule RC, item 2.a; available-for-sale debt securities in Schedule RC, item 2.b; or trading assets in Schedule RC, item 5, as appropriate.

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