Board of Governors of the Federal Reserve System

Instructions for Preparation of

Consolidated Financial Statements for Bank Holding Companies

Reporting Form FR Y-9C

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Contents for Y-9C Instructions

Organization of the Instruction Book

The instruction book is divided into three sections:

(1) The General Instructions describing overall reporting requirements.

(2) The Line Item Instructions for each schedule of the report for the consolidated bank holding company.

(3) The Glossary presenting, in alphabetical order, definitions and discussions of accounting treatments under generally accepted accounting principles (GAAP) and other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of these reports.

In determining the required treatment of particular transactions or portfolio items or in determining the definitions and scope of the various items, the General Instructions, the line item instructions, and the Glossary (all of which are extensively cross-referenced) must be used jointly. A single section does not necessarily give the complete instructions for completing all the items of the reports. The instructions and definitions in section (2) are not necessarily self-contained; reference to more detailed treatments in the Glossary may be needed. However, the Glossary is not, and is not intended to be, a comprehensive discussion of accounting principles or reporting.

Additional copies of this instruction book may be obtained from the Federal Reserve Bank in the district where the reporting bank holding company submits its FR Y-9C reports, or may be found on the Federal Reserve Board's public website (www.federalreserve.gov).

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Instructions for Preparation of Financial Statements for Bank Holding Companies
FR Y–9C

Who Must Report

A. Reporting Criteria

All bank holding companies, regardless of size, are required to submit financial statements to the appropriate Federal Reserve Bank, unless specifically exempted (see description of exemptions below).

The specific reporting requirements for each bank holding company depend upon the size of the holding company, whether the holding company engages in a nonbank activity (either directly or indirectly) involving financial leverage or engages in credit extending activities, or whether the holding company has debt outstanding to the general public. Bank holding companies must file the appropriate forms as described below:

(1) **Bank Holding Companies with Total Consolidated Assets of $150 Million or More and All Multibank Holding Companies with Debt Outstanding to the General Public[1] or Engaged in Certain Nonbanking Activities.[2]** Bank holding companies with total consolidated assets of $150 million or more (the top tier of a multi-tiered holding company, when applicable) and all multibank bank holding companies (i.e., owning or controlling more than one bank as defined in Regulation Y) with debt outstanding to the general public, or engaged in certain nonbanking activities (as defined above) regardless of size, must file:

(a) the *Consolidated Financial Statements for Bank Holding Companies (FR Y-9C)* quarterly, as of the last calendar day of March, June, September, and December.

(b) the *Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP)* quarterly, as of the last calendar day of March, June, September, and December.

Each bank holding company that files the FR Y-9C must submit the FR Y-9LP for its parent company.

For tiered bank holding companies. When bank holding companies with total consolidated assets of $150 million, or more, or, multibank holding companies with debt outstanding to the general public or engaged in certain nonbank activities (as defined) own or control, or are owned or controlled by, other bank holding companies (i.e., are tiered bank holding companies), only the top-tier holding company must file the FR Y-9C for the consolidated bank holding company organization.

Exception. If a bank holding company owns or controls other bank holding companies that have total consolidated assets of $1 billion or more, that top-tier bank holding company must submit a FR Y-9C for each such lower-tiered banking organization.

In addition, such tiered bank holding companies, regardless of the size of the subsidiary bank holding company, must also submit, or have the bank holding company subsidiary submit, a separate FR Y-9LP for each lower-tier bank holding company.

(2) **Bank Holding Companies that are Employee Stock Ownership Plans.** Bank holding companies that are employee stock ownership plans (ESOPs) as

1. Debt outstanding to the general public is defined to mean debt held by parties other than financial institutions, officers, directors, and controlling shareholders of the banking organization or their related interests.

2. Engaged in certain nonbanking activities is defined to mean engaged in a nonbank activity (either directly or indirectly) involving financial leverage or engaged in credit extending activities. Financial leverage is the use of debt to supplement the equity in a company's capital structure.

of the last calendar day of the calendar year must file the *Financial Statements for Employee Stock Ownership Plan Bank Holding Companies* (FR Y-9ES) on an annual basis, as of December 31. No other FR Y-9 series form is required. However, bank holding companies that are subsidiaries of ESOP bank holding companies (i.e., a tiered bank holding company) must submit the appropriate FR Y-9 series in accordance with bank holding company reporting requirements.

(3) **One Bank Holding Companies with Total Consolidated Assets of Less Than $150 Million.** One bank holding companies with total consolidated assets of less than $150 million must file the *Parent Company Only Financial Statements for Small Bank Holding Companies* (FR Y-9SP) on a semiannual basis, as of the last calendar day of June and December.

(4) **Multibank Holding Companies with Total Consolidated Assets of Less Than $150 Million, Without Debt Outstanding to the General Public and Not Engaged in Certain Nonbanking Activities (as Defined).** These organizations may file the *Parent Company Only Financial Statements for Small Bank Holding Companies* (FR Y-9SP) on a semiannual basis, as of the last calendar day of June and December. However, the Reserve Bank with whom the reporting bank holding company (meeting the criteria described above) files its reports may require that the consolidated report be submitted to meet supervisory needs.

For tiered bank holding companies. When bank holding companies with total consolidated assets of less than $150 million, without any debt outstanding to the general public and not engaged in certain nonbank activities (as defined), own or control, or are owned or controlled by, other bank holding companies (i.e., are tiered bank holding companies), the top-tier holding company must file the FR Y-9SP for the top-tier parent company of the bank holding company. In addition, such tiered bank holding companies must also submit, or have the bank holding company subsidiary submit, a separate FR Y-9SP for each lower-tier bank holding company.

When a bank holding company that has total consolidated assets of less than $150 million is a subsidiary of a bank holding company with total consolidated assets of $150 million or more, the bank holding company that has total consolidated assets of less than $150 million would report on the FR Y-9LP rather than the FR Y-9SP.

The instructions for the FR Y-9LP, FR Y-ES, and the FR Y-9SP are not included in this booklet but may be obtained from the Federal Reserve Bank in the district where the bank holding company files its reports www.federalreserve.gov.

B. Exemptions from Reporting the Bank Holding Company Financial Statements

The following bank holding companies do not have to file bank holding company financial statements:

(1) a bank holding company that has been granted an exemption under Section 4(d) of the Bank Holding Company Act; or

(2) a ‘‘qualified foreign banking organization’’ as defined by Section 211.23(a) of Regulation K (12 CFR 211.23(a)) that controls a U.S. subsidiary bank.

Bank holding companies that are not required to file under the above criteria may be required to file this report by the Federal Reserve Bank of the district in which they are registered.

C. Shifts in Reporting Status

A one bank holding company that acquires ownership or control of a second bank (i.e., becomes a multibank holding company), either directly or indirectly through the merger with another bank holding company, should continue to file the FR Y-9SP if its total consolidated assets remain at less than $150 million and it does not have any debt outstanding to the general public and is not engaged in certain nonbanking activities (as defined).

When a one bank holding company acquires ownership or control of a second bank (i.e., becomes a multibank holding company), either directly or indirectly through the merger with another bank holding company and also has debt outstanding to the general public or engages in certain nonbanking activities (as defined), it must begin to file the FR Y-9C and FR Y-9LP (rather than the FR Y-9SP) report forms for the first quarterly report date following the acquisition or merger.

General Instructions

A one bank holding company that reaches $150 million or more in total consolidated assets should begin reporting on the FR Y-9C report form in the quarter following the report on which its total consolidated assets reaches or exceeds $150 million. In general, once a bank holding company reaches or exceeds $150 million in total assets and begins filing the FR Y-9C, it should always file a complete FR Y-9C.

When a multibank holding company through the consolidation or sale of its banks becomes a one bank holding company, it may file the FR Y-9SP (rather than the FR Y-9C and FR Y-9LP) if its total consolidated assets are below $150 million. However, the Reserve Bank with whom the reporting bank holding company files its reports may require, after notifying the holding company, that a complete consolidated report be submitted to meet supervisory needs.

Where to Submit the Reports

The reports are to be submitted for each report date on the report forms provided by the Federal Reserve Bank in the district where the majority of the top-tier bank holding company's subsidiary commercial bank deposits are located or where the bank holding company has traditionally reported.

FR Y-9Cs that are filed for lower-tiered bank holding companies with total consolidated assets of $1 billion or more are to be submitted to the Federal Reserve Bank where the top-tier bank holding company submits its reports.

When to Submit the Reports

The Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) are required to be submitted as of March 31, June 30, September 30, and December 31.

The term ''submission date'' is defined as the date by which the appropriate Reserve Bank must receive the bank holding company's Consolidated Financial Statements (FR Y-9C). The submission date is 45 calendar days after the as of date unless that day falls on a weekend or holiday (subject to the timely filing provisions). For example, the March 31 report must be received by May 15 and the June 30 report by August 14.

If the submission deadline falls on a weekend or holiday, the report must be received on the first business day after the Saturday, Sunday, or holiday.

Earlier submission aids the Federal Reserve in reviewing and processing the reports and is encouraged. No extensions of time for submitting reports are granted.

The reports are due by the end of the reporting day on the submission date (5:00 P.M. at each of the Reserve Banks). The filing of a bank holding company's completed consolidated financial statements will be considered timely, regardless of when the reports are received by the appropriate Federal Reserve Bank, if these reports are mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a bank holding company whose completed FR Y-9C is received late may be called upon to provide proof of timely mailing. A ''Certificate of Mailing'' (U.S. Postal Service Form 3817) may be used to provide such proof. If an overnight delivery service is used, entry of the completed original reports into the delivery system on the day before the submission deadline will constitute timely submission. In addition, the hand delivery of the completed original reports on or before the submission deadline to the location to which the reports would otherwise be mailed is an acceptable alternative to mailing such reports.

How to Prepare the Reports

A. Applicability of GAAP, Consolidation Rules and SEC Consistency

Bank holding companies are required to prepare and file the Consolidated Financial Statements for Bank Holding Companies in accordance with generally accepted accounting principles (GAAP) and these instructions. All reports shall be prepared in a consistent manner. The bank holding company's financial records shall be maintained in such a manner and scope so as to ensure that the Consolidated Financial Statements for Bank Holding Companies can be prepared and filed in accordance with these instructions and reflect a fair presentation of the bank holding company's financial condition and results of operations.

Bank holding companies should retain workpapers and other records used in the preparation of these reports.

Scope of the "consolidated bank holding company" to be reported in the submitted reports

For purposes of this report, the bank holding company should consolidate its subsidiaries on the same basis as it does for its annual reports to the SEC or, for those bank holding companies that do not file reports with the SEC, on the same basis as described in generally accepted accounting principles (GAAP). Generally, under the rules for consolidation established by the SEC and by GAAP, bank holding companies should consolidate any company in which it owns more than 50 percent of the outstanding voting stock.

Each bank holding company shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank holding company exercises significant influence according to the equity method of accounting, as prescribed by GAAP. The equity method of accounting is described in Schedule HC, item 8. (Refer to the Glossary entry for "subsidiaries" for the definitions of the terms subsidiary, associated company, and corporate joint venture.)

Rules of consolidation

For purposes of these reports, all offices (i.e., branches and subsidiaries) that are within the scope of the consolidated bank holding company as defined above are to be reported on a consolidated basis. Unless the report form captions or the line item instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the caption shown. As part of the consolidation process, the results of all transactions and all intercompany balances (e.g., outstanding asset/debt relationships) between offices, subsidiaries, and other entities included in the scope of the consolidated bank holding company are to be eliminated in the consolidation and must be excluded from the Consolidated Financial Statements for Bank Holding Companies. (For example, eliminate in the consolidation: (1) loans made by the bank holding company to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank holding company, (2) a consolidated subsidiary's deposits in another consolidated bank holding company subsidiary and the corresponding cash or interest-bearing asset balance of the subsidiary, and (3) the intercompany interest income and expense related to such loans and deposits of the bank holding company and its consolidated subsidiaries.)

Subsidiaries of Subsidiaries. For a subsidiary of a bank holding company that is in turn the parent of one or more subsidiaries:

(1) Each subsidiary shall consolidate its majority-owned subsidiaries in accordance with the consolidation requirements set forth above.

(2) Each subsidiary shall account for any investments in unconsolidated subsidiaries, corporate joint ventures over which the bank holding company exercises significant influence, and associated companies according to the equity method of accounting.

Minority Interests. A minority interest arises when the reporting bank holding company owns less than 100 percent of the stock of a consolidated subsidiary. The minority interest consists of the shares of stock not owned by the reporting bank holding company. Report minority interests in the reporting bank holding company's consolidated subsidiaries in Schedule HC, item 22, "Minority interest in consolidated subsidiaries and similar items." Report income (or loss) associated with such minority interests in item 10, "Minority interest" in Schedule HI, "Consolidated Income Statement."

Reporting by type of office (for bank holding companies with foreign offices)

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

Exclusions from coverage of the consolidated report

Equity securities acquired for debts previously contracted. For purposes of this report, the equity securities of an unaffiliated bank, bank holding company, or any other unaffiliated company acquired by the reporting bank holding company or its consolidated subsidiaries for debts previously contracted should be reported on the balance sheet as third party transactions in the appropriate line item(s). These unaffiliated companies should not be reported as an investment in a subsidiary nor should they be consolidated, for purposes of this report, even when the equity securities represent a majority of the outstanding stock of the company.

Subsidiaries held on a temporary basis. If control of a majority-owned subsidiary by the bank holding company is likely to be temporary or does not rest with the bank holding company because of legal or other reasons (e.g., the subsidiary is in bankruptcy), the subsidiary is not required to be consolidated for purposes of the report. Thus, the bank holding company's investments in such subsidiaries are not eliminated in consolidation but will be reflected in the reports in the balance sheet item for ''Investments in unconsolidated subsidiaries and associated companies'' (Schedule HC, item 8) and other transactions of the bank holding company with such subsidiaries will be reflected in the appropriate items of the reports in the same manner as transactions with unrelated outside parties. Additional guidance on this topic is provided in accounting standards, including Financial Accounting Standards Board Statement No. 94 and SEC Staff Accounting Bulletin No. 92.

Custody accounts. All custody and safekeeping activities (i.e., the holding of securities, jewelry, coin collections, and other valuables in custody or in safekeeping for customers) should not to be reflected on any basis in the balance sheet of the Consolidated Financial Statements for Bank Holding Companies unless cash funds held by the bank in safekeeping for customers are commingled with the general assets of the reporting bank holding company. In such cases, the commingled funds would be reported in the Consolidated Financial Statements for Bank Holding Companies as deposit liabilities of the bank holding company.

For bank holding companies that file financial statements with the Securities and Exchange Commission (SEC), major classifications including total assets, total liabilities, total equity capital and net income should generally be the same between the FR Y-9C report filed with the Federal Reserve and the financial statements filed with the SEC.

B. Report Form Captions, Non-applicable Items and Instructional Detail

No caption on the report forms shall be changed in any way. No item is to be left blank. An entry must be made for each item, i.e., an amount, a zero, or a ''N/A.''

An amount or a zero should be entered for all items except in those cases where (1) the reporting bank holding company does not have any foreign offices; (2) the reporting company does not have any depository institutions that are subsidiaries other than commercial banks; or (3) the reporting bank holding company has no consolidated subsidiaries that render services in any fiduciary capacity and its subsidiary banks have no trust departments. If the reporting bank holding company has only domestic offices, then a ''N/A'' should be entered for Schedule HC, items 13(b)(1) and 13(b)(2), and for Schedule HI, items 1(a)(2) and 2(a)(2). If the reporting company does not have any depository institutions that are subsidiaries other than commercial banks, then a ''N/A'' should be entered for Schedule HC-E, items 2(a) through 2(e). If the reporting company does not have any trust activities, then a ''N/A'' should be entered for Schedule HI, item 5(a). Bank holding company should enter a ''N/A'' in memorandum items 9(a) through 9(d) of Schedule HI if the reporting bank holding company does not have average trading assets of $2 million or more (reported on Schedule HC-K, item 4(a)) as of the March 31st report date of the current calendar year.

In addition, bank holding companies who are not required to report on the following schedules may fulfill their reporting requirements by entering a ''N/A'' only on the first line item of each schedule: Schedule HC-D, (page 14, item 1), and Schedule HC-R (page 24, item 1).

All reports shall be made out clearly and legibly by typewriter or in ink. Reports completed in pencil will not be accepted. Bank holding companies may submit computer printouts in a format identical to that of the report form, including all item and column captions and other identifying numbers.

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

Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the appropriate Federal Reserve Bank (that is, the Federal Reserve Bank in the district where the bank holding company submits this report).

C. Rounding

For bank holding companies with total assets of less than $10 billion, all dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Items less than $500 will be reported as zero. For bank holding companies with total assets of $10 billion or more, all dollar amounts may be reported in thousands, but each bank holding company, at its option, may round the figures reported to the nearest million, with zeros reported in the thousands column. For bank holding companies exercising this option, amounts less than $500,000 will be reported as zero.

Rounding could result in details not adding to their stated totals. However, to ensure consistent reporting, the rounded detail items should be adjusted so that the totals and the sums of their components are identical.

On the Consolidated Financial Statements for Bank Holding Companies, ''Total assets'' (Schedule HC, item 12) and ''Total liabilities, minority interest, and equity capital'' (Schedule HC, item 29), which must be equal, must be derived from unrounded numbers and then rounded to ensure that these two items are equal as reported.

D. Negative Entries

Except for the items listed below, negative entries are generally not appropriate on the FR Y-9C and should not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. Items for which negative entries may be made, include:

(1) Schedule HI, memorandum item 6, ''Other noninterest income (itemize and describe the three largest amounts that exceed 1 percent of the sum of Schedule HI, item 1(h) and 5(m)).''

(2) Schedule HI, memorandum item 7 ''Other noninterest expense (itemize and describe the three largest amounts that exceed 1 percent of Schedule HI, items 1(h) and 5(m)).''

(3) Schedule HI, item 5(e), ''Venture capital revenue.''

(4) Schedule HI, item 5(f), ''Net servicing fees.''

(5) Schedule HI, item 5(g), ''Net securitization income.''

(6) Schedule HI-A, item 12, ''Other comprehensive income.''

(7) Schedule HC, item 8, ''Investments in unconsolidated subsidiaries and associated companies.''

(8) Schedule HC, item 26(a), ''Retained earnings.''

(9) Schedule HC, item 26(b), ''Accumulated other comprehensive income.''

(10) Schedule HC, item 27, ''Other equity capital components. ''

(11) Schedule HC, item 28, ''Total equity capital.''

(12) Schedule HC-C, item 10, ''Lease financing receivables (net of unearned income).''

(13) Schedule HC-R, item 1, ''Total equity capital.''

(14) Schedule HC-R, item 2, ''Net unrealized gains (losses) on available-for-sale securities.''

(15) Schedule HC-R, item 4, ''Accumulated net gains (losses) on cash flow hedges.''

(16) Schedule HC-R, item 10, ''Other additions to (deductions from) Tier 1 capital.''

(17) Schedule HC-R, item 11, ''Tier 1 capital.''

(18) Schedule HC-R, item 21, ''Total risk-based capital.''

(19) Schedule HC-R, Column B, ‘‘Items Not Subject to Risk-Weighting,’’ for asset categories in items 34 through 43.

When negative entries do occur in one or more of these items, they shall be recorded in parentheses rather than with a minus (−) sign.

On the Consolidated Income Statement (Schedule HI), negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

E. Confidentiality

The completed version of this report generally is available to the public upon request on an individual basis. However, a reporting bank holding company may request confidential treatment for the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) if the bank holding company is of the opinion that disclosure of specific commercial or financial information in the report would likely result in substantial harm to its competitive position, or that disclosure of the submitted information would result in unwarranted invasion of personal privacy.

A request for confidential treatment must be submitted in writing concurrently with the submission of the report. The request must discuss in writing the justification for which confidentiality is requested and must demonstrate the specific nature of the harm that would result from public release of the information. Merely stating that competitive harm would result or that information is personal is not sufficient.

WHEN CONFIDENTIAL TREATMENT IS REQUESTED, THE FR Y-9C COVER SHEET SHOULD BE LABELED ‘‘CONFIDENTIAL.’’ THIS INFORMATION SHOULD BE SPECIFICALLY IDENTIFIED AS BEING CONFIDENTIAL.

Information for which confidential treatment is requested may subsequently be released by the Federal Reserve System if the Board of Governors determines that the disclosure of such information is in the public interest.

F. Verification and Signatures

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting materials should be cross-checked to corresponding items elsewhere in the reports. Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports.

The Consolidated Financial Statements for Bank Holding Companies must be signed by one director of the bank holding company. This individual should also be a senior official of the bank holding company. In the event that the bank holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign this report at the places and in the manner indicated on the forms.

Bank holding companies that are unable to obtain the required directors’ signatures on their completed original reports in sufficient time to file these reports so that they are received by the submission deadline may contact the district Federal Reserve Bank to which they mail their original reports to arrange for the timely submission of their report data and the subsequent filing of their signed reports.

Signatures for lower-tier bank holding companies required to file Consolidated Financial Statements for Bank Holding Companies (FR Y-9C). FR Y-9Cs filed for lower-tiered bank holding companies with total consolidated assets of $1 billion or more should be signed by a director of the lower-tiered bank holding company who is also a senior official of the company. However, if this requirement delays timely submission of the report from the lower-tier bank holding company, an authorized official of the top-tier bank holding company may sign the report to facilitate submission. However, a copy of the completed report signed by a director who is also a senior official of the lower tier holding company shall be kept on file at the lower-tier bank holding company.

Hard Copy Report Submission. If submitting a hard copy the original must be manually signed. Each Reserve Bank may specify how many copies are needed.

Any copies shall bear the same signatures as on the originals, but these signatures may be facsimiles or photocopies.

Electronic submission of Report Forms. Beginning with the FR Y-9C and FR Y-9LP reports submitted for

December 31, 1991 reporting date, some Federal Reserve Banks are offering a limited number of bank holding companies the option of submitting their completed reports electronically. Beginning with the March 1992 reports, some Federal Reserve Banks will offer all holding companies in their Districts the option of submitting their FR Y-9C and FR Y-9LP electronically. Any bank holding company interested in submitting the FR Y-9C and FR Y-9LP electronically should contact the Federal Reserve Bank in the district where the majority of the top-tier bank holding company's commercial bank deposits are located or where the bank holding company has traditionally reported. Bank holding companies choosing to submit these reports electronically must maintain in their files a manually signed and attested printout of the data submitted. The cover page of the Reserve Bank supplied report forms received for that report date should be used to fulfill the signature and attestation requirement and this page should be attached to the printout placed in the bank holding company's files.

G. Amended Reports

When the Federal Reserve's interpretation of how GAAP or these instructions should be applied to a specified event or transaction (or series of related events or transactions) differs from the reporting bank holding company's interpretation, the Federal Reserve may require the bank holding company to reflect the event(s) or transaction(s) in its FR Y-9C in accordance with the Federal Reserve's interpretation and to amend previously submitted reports. The Federal Reserve will consider the materiality of such event(s) or transaction(s) in making a determination about requiring the bank holding company to apply the Federal Reserve's interpretation and to amend previously submitted reports. Materiality is a qualitative characteristic of accounting information which is defined in FASB Concepts No. 2 as ''the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.''

The Federal Reserve may require the filing of amended Consolidated Financial Statements for Bank Holding Companies if reports as previously submitted contain significant errors. In addition, a bank holding company should file an amended report when internal or external auditors make audit adjustments that result in a restatement of financial statements previously submitted to the Federal Reserve. The Federal Reserve also requests that bank holding companies that have restated their prior period financial statements as a result of an acquisition accounted for on a pooling of interest basis submit revised reports for the prior year-ends. While information to complete all schedules to the FR Y-9C may not be available, bank holding companies are requested to provide the Consolidated Balance Sheet (Schedule HC) and the Consolidated Income Statement (Schedule HI) for the prior year-ends. In the event that certain of the required data are not available, bank holding companies should contact the appropriate Reserve Bank for information on submitting revised reports.

LINE ITEM INSTRUCTIONS FOR THE

Consolidated Report of Income
Schedule HI

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.

General Instructions

Report in accordance with these instructions all income and expense of the consolidated bank holding company 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.

Bank holding companies that began operating during the reporting period should report in the appropriate items of Schedule HI all income earned and expense incurred since commencing operations. The bank holding company 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.''

If the bank holding company entered into a business combination which became effective during the reporting period and which has been accounted for as a pooling of interests, report the income and expense of the combined business for the entire year-to-date. If the bank holding company entered into a business combination which became effective during the reporting period and which has been accounted for as a purchase, report the income and expense of the acquired bank or business only after its acquisition. Refer to the Glossary entry for ''business combinations'' for further information.

Line Item 1 Interest income.

Line Item 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 HC-C, 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, subject to repurchase, or pledged as collateral for any purpose.

(2) All yield-related fees on loans held in the consolidated bank holding company's portfolio. Report only the consolidated bank holding company's proportional share of yield-related fees collected in connection with a loan syndication or participation that are not passed through to another lender.

(3) Loan commitment fees recognized and described under the Glossary entry for ''loan fees.''

(4) Investigation and service charges, fees representing a reimbursement of loan processing costs, renewal and past-due charges, and fees charged for the execution of mortgages or agreements securing the consolidated bank holding company's loans.

(5) Accretion of discount on acceptances, commercial paper, loans secured by real estate (including points charged), and other loans. Deduct amortization of premium on loans secured by real estate or other loans from gross interest on loans.

(6) Charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest. See exclusion (5) below.

(7) Report all interest, fees, and similar charges levied against or associated with all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards (in domestic offices) reportable in Schedule HC-C, item 6(a), ''Credit cards.'' Include in this item any reversals of uncollectible credit card fees and finance charges and any additions to a contra-asset account for uncollectible credit card fees and finance charges

that the bank holding company maintains and reports separately from its allowance for loan and lease losses.

Exclude from interest and fee income on loans:

(1) Fees for servicing real estate mortgages or other loans which are not assets of the consolidated bank holding company (report in item 5(f), ''Net servicing fees'').

(2) Charges to merchants for the bank holding company or its consolidated subsidiaries' handling of credit card or charge sales when the bank holding company or its consolidated subsidiaries do not carry the related loan accounts on its books (report in item 5(l), ''Other noninterest income'').

(3) Net gains or losses from the sale of all assets reportable as loans (report net gains in item 5(i), ''Net gains (losses) on sales of loans.'' Refer to the Glossary entry for ''transfers of financial assets.''

(4) Reimbursements for out-of-pocket expenditures (e.g., for the purchase of fire insurance on real estate securing a loan) made by the consolidated bank holding company for the account of its customers. If the consolidated bank holding company's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same expense accounts.

(5) Transaction or per item charges levied against deposit accounts for the processing of checks drawn against insufficient funds that a depository institution subsidiary of the bank holding company assesses regardless of whether it decides to pay, return, or hold the check, so-called ''NSF check charges'' (report in item 5(b), ''Service charges on deposit accounts in domestic offices'' for deposits in domestic offices'' or item 5(l), ''Other noninterest income'' for deposit accounts in foreign offices). See inclusion (6) above.

(6) Annual or other periodic fees paid by holders of credit cards issued by the bank holding company (report in Schedule HI, item 5(l), ''Other noninterest income'').

Line Item 1(a)(1) Interest and fee income on loans in domestic offices.

Report all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule HC-C, items 1 through 9, column B for bank holding companies with foreign offices and reportable in Schedule HC-C, items 1 through 9, for bank holding companies with domestic offices only.

Line Item 1(a)(2) Interest and fee income on loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.

Report all interest, fees, and similar charges levied against or associated with all loans in foreign offices, Edge and Agreement subsidiaries, and IBFs reportable in Schedule HC-C, column A, items 1 through 9.

Line Item 1(b) Income from lease financing receivables.

Report income from direct financing and leveraged leases reportable in Schedule HC-C, item 10, ''Lease financing receivables (net of unearned income).'' (See Glossary entry for ''lease accounting.'')

Exclude:

(1) Any investment tax credit associated with leased property (include in item 9, ''Applicable income taxes.'')

(2) Provision for possible losses on leases (report in item 4, ''Provision for loan and lease losses'').

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

Line Item 1(c) Interest income on balances due from depository institutions.

Report all income on assets reportable in Schedule HC, item 1(b), ''Interest-bearing balances due from depository institutions.''

Line Item 1(d) Interest and dividend income on securities.

Report in the appropriate subitem all income on assets that are reportable in Schedule HC-B, Securities. Include accretion of discount on securities for the current period. Deduct current amortization of premium on securities. (Refer to the Glossary entry for ''premiums and discounts.'')

Include interest and dividends on securities held in the consolidated bank holding company's portfolio, loaned, sold subject to repurchase, or pledged as collateral for any purpose.

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

Do not deduct accrued interest included in the purchase price of securities from income on securities and do not charge to expense. Record such interest in a separate asset account (to be reported in Schedule HC, 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 item 1(d)(3) as interest and dividend income on ''All other securities.'' Refer to the Glossary entry for ''coupon stripping, Treasury receipts, and STRIPS.''

Exclude from interest and dividend income on securites:

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

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

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

Line Item 1(d)(1) U.S. Treasury securities and U.S. government agency obligations (excluding mortgage-backed securities).

Report income from all securities reportable in Schedule HC-B, item 1, ''U.S. Treasury securities,'' and item 2, ''U.S. government agency obligations.'' Include accretion of discount on U.S. Treasury bills.

Line Item 1(d)(2) Mortgage-backed securities.

Report all income from securities reportable in Schedule HC-B, item 4, ''Mortgage-backed securities.''

Line Item 1(d)(3) All other securities.

Report in the appropriate subitem income from all other debt securities and from all equity securities of companies domiciled in the U.S. that are reportable in Schedule HC-B, item 3, ''Securities issued by states and political subdivisions in the U.S.,'' item 5, ''Asset-backed securities (ABS),'' item 6, ''Other debt securities,'' and item 7, ''Investments in mutual funds and other equity securities with readily determinable fair values.''

Exclude from interest and dividend income on all other securities:

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

(2) The consolidated bank holding company's proportionate share of the net income or loss from its common stock investments in domestic unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the consolidated bank holding company exercises significant influence (report income or loss before extraordinary items and other adjustments in the appropriate subitem of item 5 and report extraordinary items, net of applicable taxes and minority interest, in item 12).

Line Item 1(e) Interest income from trading assets.

Report the interest income earned on assets reportable in Schedule HC, item 5, ''Trading assets.''

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

Exclude trading gains and losses and fees from assets held in trading accounts (report in item 5(c)).

Line Item 1(f) Interest income on federal funds sold and securities purchased under agreements to resell.

Report the gross revenue from assets reportable in Schedule HC, item 3, ''Federal funds sold and securities purchased under agreements to resell.''

Report the expense of federal funds purchased and securities sold under agreements to repurchase in item 2(b); do not deduct from the gross revenue reported in this item.

Line Item 1(g) Other interest income.

Report all interest income not properly reported in items 1(a) through 1(f) above. Other interest income includes, but is not limited to:

(1) Interest income on real estate sales contracts reportable in Schedule HC, item 7, ''Other real estate owned.''

(2) Interest income from advances to, or obligations of, majority-owned subsidiaries not consolidated on this report, associated companies, and those corporate joint ventures over which the consolidated bank holding company exercises significant influence.

Exclude the consolidated bank holding company's proportionate share of the income or loss before extraordinary items and other adjustments from its common stock investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank holding company exercises significant influence (report in item 5(l), ''Other noninterest income'') and the consolidated bank holding company's proportionate share of material extraordinary items and other adjustments of these entities (report in item 12, ''Extraordinary items net of applicable taxes and minority interest'').

(3) Interest received on other assets not specified above.

Line Item 1(h) Total interest income.

Report the sum of items 1(a) through 1(g).

Line Item 2 Interest expense.

Line Item 2(a) Interest on deposits.

Report in the appropriate subitem all interest expense, including amortization of the cost of merchandise or property offered in lieu of interest payments, on deposits reportable in Schedule HC, item 13(a)(2), ''Total interest-bearing deposits in domestic offices'' and item 13(b)(2), ''Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.''

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

Include as interest expense on the appropriate category of deposits finders' fees and brokers' fees that represent an adjustment to the interest rate paid on deposits that the banking subsidiaries of the consolidated bank holding company acquire through brokers. If material, such fees should be capitalized and amortized over the term of the related deposits. However, exclude fees levied by brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on brokered deposits (report in item 7(d), ''Other noninterest expense'').

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

Do not deduct any credits resulting from the capitalization of an imputed interest rate associated with the internal financing of the cost of constructing buildings of the bank holding company or its consolidated subsidiaries (deduct from item 7(d), ''Other noninterest expense''). (See the Glossary entry for ''capitalization of interest.'')

Line Item 2(a)(1) Interest on deposits in domestic offices.

Line Item 2(a)(1)(a) Interest on time deposits of $100,000 or more.

Report interest expense on all time deposits reportable in Schedule HC-E, items 1(e) and 2(e), ''Time deposits of $100,000 or more'' in domestic offices of commercial banks and in domestic offices of other depository institutions.

Line Item 2(a)(1)(b) Interest on time deposits of less than $100,000.

Report in this item all interest expense reportable in Schedule HC-E, items 1(d) and 2(d), ''Time deposits of less than $100,000'' in domestic offices of subsidiary commercial banks and in domestic offices of other subsidiary depository institutions.

Line Item 2(a)(1)(c) Interest on other deposits.

Report interest expense on all deposits reportable in Schedule HC, item 13(a)(2), ''Interest-bearing deposits in domestic offices,'' excluding interest on time deposits in domestic offices of subsidiary commercial banks and in domestic offices of other subsidiary depository institutions, which are reportable in items 2(a)(1)(a) or 2(a)(1)(b) above.

Line Item 2(a)(2) Interest on deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.

Report interest expense on all deposits in foreign offices reportable in Schedule HC, item 13(b)(2), ''Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.''

Line Item 2(b) Expense of federal funds purchased and securities sold under agreements to repurchase.

Report the gross expense of all liabilities reportable in Schedule HC, item 14, ''Federal funds purchased and securities sold under agreements to repurchase.''

Report the income of federal funds sold and securities purchased under agreements to resell in item 1(f); do not deduct from the gross expense reported in this item.

Line Item 2(c) Interest on trading liabilities and other borrowed money (excluding subordinated notes and debentures).

Report the interest expense on all liabilities reportable in Schedule HC, item 15, ''Trading liabilities,'' and item 16, ''Other borrowed money.'' Include the interest expense on mortgage indebtedness and obligations under capitalized leases, which is reported in Schedule HC, item 16.

Line Item 2(d) Interest on subordinated notes and debentures and on mandatory convertible securities.

Report the interest expense on all liabilities reportable in Schedule HC, item 19, ''Subordinated notes and debentures.''

Include the interest expense of mandatory convertible securities associated with gross equity contract notes and gross equity commitment notes.

Include amortization of expenses incurred in the issuance of notes and debentures subordinated to deposits and of expenses incurred in the issuance of any other debt that is designated as subordinated in its indenture agreement.

Capitalize such expenses, if material, and amortize them over the life of the related notes and debentures.

Line Item 2(e) Other interest expense.

Report in this item the interest expense on all other liabilities not reported in items 2(a) through 2(d) above.

Line Item 2(f) Total interest expense.

Report the sum of items 2(a) through 2(e).

Line Item 3 Net interest income.

Report the difference between item 1(h), ''Total interest income'' and item 2(f), ''Total interest expense.'' If the amount is negative, enclose it in parentheses.

Line Item 4 Provision for loan and lease losses.

Report the amount needed to make the allowance for loan and lease losses, as reported in Schedule HC, item 4(c), adequate to absorb estimated credit losses, based upon management's evaluation of the loans and leases that the reporting bank holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff. Also include in this item any provision for allocated transfer risk related to loans and leases. The amount reported in this item must equal Schedule HI-B, Part II, item 4, ''Provision for loan and lease losses.'' Enclose negative amounts in parentheses.

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

The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes. (Refer to the Glossary entry for ''allowance for loan and lease losses'' for additional information.)

Line Item 5 Noninterest income:

Line Item 5(a) Income from fiduciary activities.

Report gross income from services rendered by the trust departments of the bank holding company's banking subsidiaries or by any of the bank holding company's consolidated subsidiaries acting in any fiduciary capacity.

Include commissions and fees on the sales of annuities by these entities that are executed in a fiduciary capacity.

Exclude commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when they are not handled by the trust departments of the holding company's subsidiary banks (report in item 5(b), ''Service charges on deposit accounts in domestic offices'').

Report ''N/A'' if the subsidiary banks of the reporting bank holding company have no trust departments and the bank holding company has no consolidated subsidiaries that render services in any fiduciary capacity.

Line Item 5(b) Service charges on deposit accounts in domestic offices.

Report in this item amounts charged depositors in domestic offices:

(1) For the maintenance of their deposit accounts with the bank holding company or its consolidated subsidiaries, so-called ''maintenance charges.''

(2) For their failure to maintain specified minimum deposit balances.

(3) Based on the number of checks drawn on and deposits made in their deposit accounts.

(4) For checks drawn on so-called ''no minimum balance'' deposit accounts.

(5) For withdrawals from nontransaction deposit accounts.

(6) For the closing of savings accounts before a specified minimum period of time has elapsed.

(7) For accounts which have remained inactive for extended periods of time or which have become dormant.

(8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units.

(9) For the processing of checks drawn against insufficient funds, so-called ''NSF check charges,'' that the subsidiary banks of the bank holding company assess regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of item 1(a)(1), ''Interest and fee income on loans in domestic offices'').

(10) For issuing stop payment orders.

(11) For certifying checks.

(12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when not handled by the trust departments of subsidiary banks of the reporting bank holding company.

Report such commissions and fees received for accounts handled by the trust departments of the holding company's banking subsidiaries or by other consolidated subsidiaries in item 5(a), ''Income from fiduciary activities.''

Exclude penalties paid by depositors for the early withdrawal of time deposits (report in item 5(l), ''Other noninterest income,'' or deduct from the interest expense of the related category of time deposits, as appropriate).

Line Item 5(c) Trading revenue.

Report the net gain or loss from trading cash instruments and off-balance-sheet derivative contracts (including commodity contracts) that has been recognized during the calendar year-to-date. The amount reported in this item must equal the sum of Schedule HI, Memoranda item 9(a) through 9(d).

Include as trading revenue:

(1) Revaluation adjustments to the carrying value of assets and liabilities reportable in Schedule HC, item 5, ''Trading assets,'' and Schedule HC, item 15, ''Trading liabilities,'' resulting from the periodic marking to market of such assets and liabilities.

(2) Revaluation adjustments from the periodic marking to market of interest rate, foreign exchange, equity derivative, and commodity and other contracts reportable in Schedule HC-L, item 12, ''Total gross amount of derivative contracts held for trading, and credit derivative contracts reportable in Schedule HC-L, item 7, that are held for trading purposes.''

(3) Incidental income and expense related to the purchase and sale of assets and liabilities reportable in Schedule HC, item 5, ''Trading assets,'' and Schedule HC, item 15, ''Trading liabilities,'' and off-balance-sheet derivative contracts reportable in Schedule HC-L, item 12, ''Total gross amount of derivative contracts held for trading,'' and credit derivatives contracts reportable in Schedule HC-L, item 7, that are held for trading purposes.

If the amount to be reported in this item is a net loss, enclose it in parentheses.

Line Item 5(d) Investment banking, advisory, brokerage, and underwriting fees and commissions.

Report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the sale of annuities to bank holding company customers by securities brokerage firms, from the purchase and sale of securities and money market instruments where the bank holding company is acting as agent for other banking institutions or customers and from the lending of securities owned by the bank holding company or its customers (if these fees and commissions are not included in Schedule HI, item 5(a), ''Income from fiduciary activities,'' or item 5(c), ''Trading revenue'').

Also include the bank holding company's proportionate share of the income or loss before extraordinary items and other adjustments from its investment in:

(1) Unconsolidated subsidiaries,

(2) Associated companies, and

(3) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence

that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities.

Line Item 5(e) Venture capital revenue.

In general, venture capital activities involve 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. The primary objective of these investments is capital growth.

Report as venture capital revenue market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities). Include any fee income from venture capital activities that is not reported in one of the preceding items of Schedule HI—Income Statement.

Also include the bank holding company's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:

(1) Unconsolidated subsidiaries,

(2) Associated companies, and

(3) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence that are principally engaged in venture capital activities.

Line Item 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. Bank holding companies should report servicing income net of the related servicing assets' amortization expense. Include impairments recognized on servicing assets. Also include increases in servicing liabilities recognized when subsequent events have increased the fair value of the liability above its carrying amount. For further information on servicing, see the Glossary entry for ''servicing assets and liabilities.''

Line Item 5(g) Net securitization income.

Report net gains (losses) on assets sold in securitization transactions, i.e., net of transaction costs. Include fees (other than servicing fees) earned from the bank holding company's securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions. Exclude income from servicing securitized assets (report in Schedule HI, item 5(f), above) and from seller's interests and residual interests retained by the bank holding company (report in the appropriate subitem of Schedule HI, item 1, ''Interest income'').

Line Item 5(h)(1) Insurance and reinsurance underwriting income.

Report the amount of premiums earned by bank holding company subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business.

Also include the bank holding company's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance underwriting or reinsurance activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence.

Exclude income from insurance product sales and referrals (see the instructions for Schedule HI, item 5(h)(2), below, for information on reporting such income).

Insurance premiums are the consideration paid by policyholders to insurance underwriters in exchange for the provision of defined future benefits or for the indemnification against specified insured losses. Insurance premiums should be reported net of any premiums conveyed in conjunction with reinsurance transfers to or from other insurance underwriters/reinsurers. Revenues related to long-term life and annuity products are generally recognized when due, while revenues on property, casualty, health, accident and short-term life insurance coverage are recognized *pro rata* over the term of the contract.

Line Item 5(h)(2) Income from other insurance and reinsurance activities.

Report income from insurance product sales and referrals, including:

(1) Service charges, commissions, and fees earned from insurance and reinsurance sales including credit, life, health, property, casualty, and title insurance products as well as annuities (fixed, variable, and deferred).

(2) Fees earned from customer referrals for insurance products and annuities to insurance companies and insurance agencies external to the consolidated bank holding company.

Also include management fees earned from separate accounts, deferred annuities, and universal life products.

However, *exclude* commissions and fees from sales of annuities by the bank holding company's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule HI, item 5(a), "Income from fiduciary activities"). Also *exclude* commissions and fees that the bank holding company earns from the sale of annuities to bank holding company customers by a securities brokerage entity that is within the bank holding company organization (report in Schedule HI, item 5(d), ''Investment banking, advisory, brokerage, and underwriting fees and commissions'').

Also *include* the bank holding company's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance and annuity sales. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence.

Line Item 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 HC-C), including unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale. Exclude net gains (losses) on loans and leases sold in securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions (report these gains (losses) in Schedule HI, item 5(g), ''Net securitization income'').

Line Item 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 HC, 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.

Line Item 5(k) Net gains (losses) on sales of other assets (excluding securities).

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 HI). 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 loans and leases (either directly or through securitization), other real estate owned, securities, and trading assets (report these net gains (losses) in the appropriate items of Schedule HI).

Line Item 5(l) Other noninterest income.

Report all operating income of the bank holding company for the calendar year to date not required to be reported elsewhere in Schedule HI. Disclose in Schedule HI, Memoranda item 6, the three largest components of other noninterest income, and the dollar amount of such component, that exceeds 1 percent of the sum of the bank holding company's total interest income (from Schedule HI,item 1(h)) and its total noninterest income (from Schedule HI, item 5(m)). For each component of other noninterest income that exceeds this disclosure threshold, describe the component with a clear but concise caption. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as other noninterest income:

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

- (a) The rental of safe deposit boxes.
- (b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Schedule HI, item 5(a), ''Income from fiduciary activities'').
- (c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks.
- (d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange.
- (e) The redemption of U.S. savings bonds.
- (f) The handling of food stamps and the U.S. Treasury Tax and Loan Account, including fees recieved in connection with the issuance of interest-bearing demand notes by a depository institution that is a consolidated subsidiary of the reporting bank holding company.
- (g) The execution of acceptances and the issuance of commercial letters of credit, standby letters of credit, defered payment letters of credit, and letters of credit issued for cash or its equivalent. *Exclude* income on bankers acceptances and trade acceptances (report such income in the appropriate subitem of Schedule HI, item 1(a), ''Interest and fee income on loans,'' or in Schedule HI, item 1(e), ''Interest income from trading assets,'' as appropriate).
- (h) The notarizing of forms and documents.
- (i) The negotiation or management of loans from other lenders for customers or correspondents.
- (j) The providing of consulting and advisory services to others. *Exclude* income from investment advisory services, which is to be reported in Schedule HI, item 5(d).
- (k) The use of the bank holding company subsidiary bank's automated teller machines or remote service units by depositors of other depository institutions.

(2) Income and fees from the sale and printing of checks.

(3) Gross rentals and other income from all real estate reportable in Schedule HC, item 7, ''Other real estate owned.''

(4) Earnings on or other increases in the value of the cash surrender values of life insurance policies owned by the bank holding company's subsidiary bank(s).

(5) Annual or other periodic fees paid by holders of credit cards issued by the bank holding company or its consolidated subsidairies. Fees that are periodically charged to cardholders shall be deferred and recognized on a straight-line basis over the period the fee entitles the cardholder to use the card.

(6) Charges to merchants for the bank's handling of credit card or charge sales when the bank holding company does not carry the related loan accounts on its books. Bank holding companies may report this income net of the expenses (except salaries) related to the handling of these credit card sales.

(7) Interchange fees earned from credit card transactions.

(8) Gross income received for performing data processing services for others. Do *not* deduct the expense of performing such services for others (report in the appropriate items of noninterest expense).

(9) Loan commitment fees that are recognized during the commitment period (i.e., fees retrospectively determined and fees for commitments where exercise is remote) or included in income when the commitment expires and loan syndication fees that are not required to be deferred. Refer to the Glossary entry for ''loan fees'' for further information.

(10) Service charges on deposit accounts in foreign offices.

(11) Net tellers' overages (shortages), net recoveries (losses) on forged checks, net recoveries (losses) on payment of checks over stop payment orders, and similar recurring operating gains (losses) of this type. Bank holding companies should consistently report these gains (losses) either in this item or in Schedule HI, item 7(d).

(12) Net gains (losses) from the sale or other disposal of branches (i.e., where the reporting bank holding company sells a branch's assets to another depository institution, which assumes the deposit liabilities of the branch). Bank holding companies should consistently report these net gains (losses) either in this item or in Schedule HI, item 7(d).

(13) Net gains (losses) from all transactions involving foreign currency or foreign exchange other than trading transactions. Bank holding companies should consistently report these net gains (losses) either in this item or in Schedule HI, item 7(d).

(14) Rental fees applicable to operating leases for furniture and equipment rented to others.

(15) Interest recieved on tax refunds.

(16) Life insurance proceeds on policies for which the bank holding company or its subsidiaries are the beneficiary.

(17) Credits resulting from litigation or other claims.

(18) Portions of penalties for early withdrawals of time deposits that *exceed* the interest accrued or paid on the deposit to the date of withdrawal, if material. Penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid *to* the date of withdrawal are a reduction of interest expense and should be deducted from the gross interest expense of the appropriate category of time deposits in Schedule HI, item 2(a), ''Interest on deposits.''

(19) Interest income from advances to, or obligations of, and the bank holding company's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:

(a) Unconsolidated subsidiaries,

(b) Associated companies, and

(c) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence,

other than those that are principally engaged in investment banking, advisory, brokerage, or securites underwriting activities; venture capital activities; or insurance underwriting, reinsurance, or insurance sales activities (the income from which should be reported in Schedule HI, items 5(d), 5(e), 5(h)(1) and 5(h)(2), respectively). *Exclude* the bank holding company's proportionate share of material extraordinary items and other adjustments of these entities (report in Schedule HI, item 12, ''Extraordinary items and other adjustments, net of income taxes'').

(20) Ineffective portions of gains (losses) on derivative hedging instruments and the components of these derivatives' gains (losses), if any, excluded from assessments of hedge effectiveness. Bank holding companies should consistently report these net gain (losses) either in this item or in Schedule HI, item 7(d). For further information, see the Glossary entry for ''derivative contracts.''

(21) Net gains (losses) on nonhedging derivative instruments held for purposes other than trading. Bank holding companies should consistently report these net gains (losses) either in this item or in Schedule HI, item 7(d). For further information, see the Glossary entry for ''derivative contracts.''

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

(23) Income from ground rents and air rights.

Line Item 5(m) Total noninterest income.

Report the sum of items 5(a) through 5(l).

Line Item 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 HC, item 2(a), ''Held-to-maturity securities.'' The realized gain or loss is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and the amortized cost. Also include in this item the write-downs of the cost basis of individual held-to-maturity securities for other-than-temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses.

Do not adjust for applicable income taxes (income taxes applicable to gains (losses) on held-to-maturity securities are to be included in the applicable income taxes reported in item 9 below).

Exclude:

(1) Realized gains (losses) on available-for-sale securities (report in Schedule HI, item 6(b) below) and trading securities (report in Schedule HI, item 5(c) above).

(2) Net gains (losses) from the sale of detached securities coupons and the sale of ex-coupon securities (report in item 5(l), ''Other noninterest income,'' or item 7(d), ''Other noninterest expense,'' as appropriate). (Refer to the Glossary entry for ''coupon stripping'' for further information.)

Line Item 6(b) Realized gains (losses) on available-for-sale securities.

Report the net gain or loss realized during the calendar year-to-date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule HC, item 2(b), ''Available-for-sale securities.'' The realized gain or loss is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and the amortized cost. Also include in this item write-downs of the cost basis of individual available-for-sale securities for other-than-temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses.

Do not adjust for applicable income taxes (income taxes applicable to gains (losses) on available-for-sale securities are to be included in the applicable income taxes reported in item 9 below).

Exclude:

(1) The change in net unrealized holding gains (losses) on available-for-sale securities during the calendar year to date (report in Schedule HI-A, item 12).

(2) Realized gains (losses) on held-to-maturity securities (report in Schedule HI, item 6(a) above) and on trading securities (report in Schedule HI, item 5(c) above).

(3) Net gains (losses) from the sale of detached securities coupons and the sale of ex-coupon securities (report in item 5(l), ''Other noninterest income,'' or item 7(d), ''Other noninterest expense,'' as appropriate). (Refer to the Glossary entry for ''coupon stripping'' for further information.)

Line Item 7 Noninterest expense:

Line Item 7(a) Salaries and employee benefits.

Report salaries and benefits of all officers and employees of the bank holding company 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 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 consolidated bank holding company.

(3) Contributions to the consolidated bank holding company's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan.

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

(5) Cost of office temporaries whether hired directly by the bank holding company or its consolidated subsidiaries or through an outside agency.

(6) Workmen's compensation insurance premiums.

(7) The net cost to the bank holding company or its consolidated subsidiaries 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.

Exclude from salaries and employee benefits (report in item 7(d), ''Other noninterest expense''):

(1) Amounts paid to attorneys, accountants, management consultants, investment counselors, and other professionals who are not salaried officers or employees of the bank holding company or its consolidated subsidiaries.

(2) The cost of bank holding company or consolidated subsidiary newspapers and magazines prepared for distribution to bank holding company or its consolidated subsidiaries' officers and employees.

(3) Premiums on life insurance policies for which the bank holding company or its consolidated subsidiaries are the beneficiary.

(4) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.

Line Item 7(b) Expenses of premises and fixed assets.

Report all noninterest expenses related to the use of premises, equipment, furniture, and fixtures, net of rental income, that are reportable in Schedule HC, item 6, ''Premises and fixed assets.'' If this net amount is a credit balance, enclose it in parentheses.

Deduct rental income from gross premises and fixed asset expense. Rental income includes all rentals charged for the use of buildings not incident to their use by the reporting bank holding company or its consolidated subsidiaries, including rentals by regular tenants of the bank holding company's or its consolidated subsidiaries' buildings, income received from short-term rentals of other facilities of the bank holding company or its consolidated subsidiaries, and income from sub-leases. Also deduct income from assets that indirectly represent premises, equipment, furniture, or fixtures reportable in Schedule HC, item 6, ''Premises and fixed assets.''

Include as expenses of premises and fixed assets:

(1) Normal and recurring depreciation and amortization charges against assets reportable in Schedule HC, item 6, ''Premises and fixed assets,'' including capital lease assets, which are applicable to the calendar year-to-date, whether they represent direct reductions in the carrying value of the assets or additions to accumulated depreciation or amortization accounts. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on the Accelerated Cost Recovery System (ACRS) used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

(2) All operating lease payments made by the bank holding company or its consolidated subsidiaries on premises (including parking lots), equipment

(including data processing equipment), furniture, and fixtures.

(3) Cost of ordinary repairs to premises (including leasehold improvements), equipment, furniture, and fixtures.

(4) Cost of service or maintenance contracts for equipment, furniture, and fixtures.

(5) Cost of leasehold improvements, equipment, furniture, and fixtures charged directly to expense and not placed on the consolidated bank holding company's books as assets.

(6) Insurance expense related to the use of premises, equipment, furniture, and fixtures including such coverages as fire, multi-peril, boiler, plate glass, flood, and public liability.

(7) All property tax and other tax expense related to premises (including leasehold improvements), equipment, furniture, and fixtures, including deficiency payments, net of all rebates, refunds, or credits.

(8) Any portion of capital lease payments representing executory costs such as insurance, maintenance, and taxes.

(9) Cost of heat, electricity, water, and other utilities connected with the use of premises and fixed assets.

(10) Cost of janitorial supplies and outside janitorial services.

(11) Fuel, maintenance, and other expenses related to the use of bank holding company- or consolidated subsidiary-owned automobiles, airplanes, and other vehicles for bank holding company or consolidated subsidiaries' business.

Exclude from expenses of premises and fixed assets:

(1) Salaries and employee benefits (report such expenses for all officers and employees of the bank holding company and its consolidated subsidiaries in item 7(a), ''Salaries and employee benefits'').

(2) Interest on mortgages, liens, or other encumbrances on premises or equipment owned, including the portion of capital lease payments representing interest expense (report in item 2(c), ''Interest on trading liabilities and other borrowed money'').

(3) All expenses associated with other real estate owned (report in item 7(d), ''Other noninterest expense'').

(4) Gross rentals from other real estate owned and fees charged for the use of parking lots properly reported as other real estate owned, as well as safe deposit box rentals and rental fees applicable to operating leases for furniture and equipment rented to others (report in item 5(l), ''Other noninterest income'').

Line Item 7(c)(1) Goodwill impairment losses.

Report any impairment losses recognized during the period on goodwill (as defined for Schedule HC, item 10(a)). Exclude the amortization expense of and any impairment losses on any unidentifiable intangible assets recorded in accordance with FASB Statement No. 72 (report such amortization expense in Schedule HI, item 7(c)(2)). Also exclude goodwill impairment losses associated with discontinued operations (report such losses on a net-of-tax basis in Schedule HI, item 12, ''Extraordinary items, net of applicable taxes and minority interest'').

Impairment losses on goodwill should be tested at the consolidated bank holding company level in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets,* if there is impairment losses at a subsidiary level using the subsidiary's reporting units. If goodwill impairment loss is recognized at a subsidiary level, then goodwill of the reporting unit or units (at the higher consolidated level) in which the subsidiary's reporting unit with impaired goodwill resides must be tested for impairment if the events or conditions that gave rise to the loss at the subsidiary level would more likely than not reduce the fair value of the reporting unit (at the higher consolidated level) below its carrying amount. Only if goodwill at that higher-level reporting unit is impaired would a goodwill impairment loss be recognized at the consolidated level.

Goodwill is considered impaired when the amount of goodwill exceeds its implied fair value at the reporting unit level. If the carrying amount of reporting unit goodwill exceeds its implied fair value, an impairment loss must be recognized in earnings in an amount equal to that excess and reported in this item. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill shall be its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is completed.

Goodwill of a reporting unit must be tested for impairment annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include a significant adverse change in the business climate, unanticipated competition, a loss of key personnel, and an expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of. In addition, goodwill must be tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit must be included in the carrying amount of the reporting unit in determining the gain or loss on disposal. When a portion of a reporting unit that constitutes a business is to be disposed of, goodwill associated with that business must be included in the carrying amount of the business in determining the gain or loss on disposal. Otherwise, a bank holding company may not remove goodwill from its balance sheet, for example, by ''selling'' or ''dividending'' this asset to its parent holding company or another affiliate.

Until interpretive guidance concerning the application of the purchase method of accounting for business combinations between two or more mutual institutions is issued by the FASB and takes effect, mutual institutions must continue to amortize goodwill and test goodwill for impairment in accordance with APB Opinion No. 17. Mutual institutions should report this goodwill amortization expense and any goodwill impairment losses in this item.

Line Item 7(c)(2) Amortization expense and impairment losses for other intangible assets.

Report the amortization expense of and any impairment losses on ''Other intangible assets'' (as defined for Schedule HC, item 10(b)). Under FASB Statement No. 142, intangible assets that have indefinite useful lives should not be amortized but must be tested at least annually for impairment. Intangible assets that have finite useful lives must be amortized over their useful lives and must be reviewed for impairment in accordance with FASB Statement No. 144.

Include in this item the amortization expense of and any impairment losses on any unidentifiable intangible assets recorded in accordance with FASB Statement No. 72. However, exclude the amortization expense of and any impairment losses on servicing assets, which should be netted against the servicing income reported in Schedule HI, item 5(f), ''Net servicing fees,'' above.

Line Item 7(d) Other noninterest expense.

Report all operating expenses of the consolidated bank holding company for the calendar year-to-date not required to be reported in items 2(a) through 2(e), 6, and 7(a) through 7(c).

Disclose in Schedule HI, Memoranda item 6, the three largest components of other noninterest expense, and the dollar amount of such components, that exceeds 1 percent of the sum of the bank holding company's total interest income (from Schedule HI, item 1(h)) and its total noninterest income (from Schedule HI, item 5(m)). For each component of other noninterest expense that exceeds the disclosure threshold, describe the component with a clear but concise caption. These descriptions should not exceed 50 characters in length (including spacing between words).

Include as other noninterest expense:

(1) Fees paid to directors and advisory directors for attendance at board of directors or committee meetings (including travel and expense allowances).

(2) Premiums on fidelity insurance (blanket bond, excess employee dishonesty bond), directors' and officers' liability insurance, and life insurance policies for which the bank holding company or its consolidated subsidiaries are the beneficiary.

(3) Federal deposit insurance and Comptroller of the Currency assessment expense net of all assessment credits during the period.

(4) Legal fees and other direct costs incurred in connection with foreclosures and subsequent noninterest expenses related to holdings of real estate owned other than bank holding company (or its consolidated subsidiaries) premises (including depreciation charges or other write-downs if prescribed by law or by regulatory agencies or if otherwise appropriate).

(5) Sales taxes, taxes based on the number of shares of bank holding company stock outstanding, taxes based on the consolidated bank holding company's total assets or total deposits, taxes based on the bank's gross revenues or gross receipts, capital stock taxes, and other taxes not included in other categories of expense. Exclude any foreign, state, and local taxes based on a net amount of revenues less expenses (report as applicable income taxes in item 9 or include as applicable income taxes on extraordinary items in item 12, as appropriate).

(6) Cost of data processing services performed for the consolidated bank holding company by others.

(7) Advertising, promotional, public relations, and business development expenses. Also include the cost of athletic activities in which officers and employees participate when the purpose may be construed to be for public relations with employee benefits only incidental to the activities.

(8) Costs of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account.

(9) Fees levied by deposit brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. However, report as interest expense on the appropriate category of deposits those finders' fees and brokers' fees that do represent an adjustment to the interest rate paid on brokered deposits.

(10) Research and development costs and costs incurred in the internal development of computer software.

(11) Net losses (gains) from all transactions involving foreign currency or foreign exchange other than trading transactions. Bank holding companies should consistently report these net losses (gains) either in this item or in Schedule HI, item 5(l) above.

(12) Charges resulting from litigation or other claims.

(13) Charitable contributions including donations by Clifford Trusts.

(14) Retainer fees, legal fees, audit fees, and other fees and expenses paid to attorneys, accountants, management consultants, investment counselors, and other professionals who are not officers or employees of the bank holding company or its consolidated subsidiaries.

(15) Office supplies purchased, printing, and postage.

(16) Telephone and telegraph expenses.

(17) Examination and other fees levied by the Federal Reserve.

(18) Net tellers' shortages, forged check losses, losses on payment of checks over stop payment orders, losses from counterfeit money, and similar recurring operating losses of this type.

(19) Losses from robberies, defalcations, and other criminal acts not covered by the consolidated bank holding company's blanket bond.

(20) Travel and entertainment expenses, including costs incurred by officers and employees of the bank holding company or its consolidated subsidiaries for attending meetings and conventions.

(21) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.

(22) Civil money penalties and fines.

(23) All service charges, commissions, and fees levied by others for the repossession of assets and the collection of the consolidated bank holding company's loans or other assets, including charged-off loans or other charged-off assets.

(24) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank holding company or its consolidated subsidiaries do not carry the related loan accounts on its books. Bank holding companies are also permitted to net these expenses against their charges to merchants for the bank holding company's handling of these sales reported in item 5(l) above.

(25) The cost of newspapers and magazines of the bank holding company or its consolidated subsidiaries prepared for distribution to bank officers and employees or to others.

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

(27) Cost of checks provided to depositors.

(28) 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 provision of FASB Statement No. 86.

(29) Net losses (gains) on nonhedging derivative instruments held for purposes other than trading. Bank holding companies should consistently report these net losses (gains) either in this item or in Schedule HI, item 5(l). For further information, see the Glossary entry for ''derivative contracts.''

(30) Net tellers' shortages (overages), net losses (recoveries) on forged checks, net losses (recoveries) on payment of checks over stop payment orders, and similar recurring operating losses (gains) of this type. Bank holding companies should consistently report these losses (gains) either in this item or in Schedule HI, item 5(l).

(31) Benefit, losses and expenses from insurance-related activities. (Also report separately in Schedule HI, memorandum item 12(c)).

Exclude from other noninterest expense:

(1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures and report the expense in item 2(d) ''Interest on subordinated notes and debentures and on mandatory convertible securities'').

(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 HI-A, item 5(a), ''Sale of perpetual preferred stock, gross'' and item 6(a), ''Sale of common stock, gross'' as appropriate.)

(3) Depreciation and other expenses related to the use of automobiles owned by the bank holding company or its consolidated subsidiaries, airplanes, and other vehicles for bank holding company (or its consolidated subsidiaries) business (report in item 7(b), ''Expenses on premises and fixed assets, net of rental income'').

(4) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in Schedule HI, item 6(a), ''Realized gains (losses) on held-to-maturity securities,'' and item 6(b), ''Realized gains (losses) on available-for-sale securities,'' respectively).

Line Item 7(e) Total noninterest expense.

Report the sum of items 7(a) through 7(d).

Line Item 8 Income (loss) before income taxes, extraordinary items, and other adjustments.

Report the consolidated bank holding company's pretax operating income. This amount will generally be determined by taking item 3, ''Net interest income,'' minus item 4, ''Provision for loan and lease losses,'' plus item 5(m), ''Total noninterest income,'' plus or minus item 6(a), ''Realized gains (losses) on held-to-maturity securities,'' plus or minus item 6(b), ''Realized gains (losses) on available-for-sale securities,'' minus item 7(e), ''Total noninterest expense.'' If the result is negative, enclose it in parentheses.

Line Item 9 Applicable income taxes (on item 8).

Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, ''Income (loss) before income taxes and extraordinary items and other adjustments,'' including the tax effects of gains (losses) on securities not held in trading accounts (i.e., available-for-sale securities and held-to-maturity securities). Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, enclose it in parentheses.

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

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

Include tax benefits from operating loss carrybacks realized during the reporting period. If the consolidated bank holding company has realized tax benefits from operating loss carryforwards during the reporting period, do not net the dollar amount of these benefits against the income taxes which would be applicable to item 8, ''Income (loss) before income taxes and extraordinary items and other adjustments.'' Report the dollar amount of income taxes applicable to item 8 in this item and report the realized tax benefits of operating loss carryforwards gross in item 12, ''Extraordinary items, net of applicable taxes and minority interest.''

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

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

(1) Item 12, ''Extraordinary items, net of applicable income taxes and minority interest.''

(2) Schedule HI-A, item 2, ''Restatements due to corrections of material accounting errors and changes in accounting principles.''

(3) Schedule HI-A, item 12, ''Other comprehensive income.''

Line Item 10 Minority interest.

Report the minority interests in the net income or loss of the reporting bank holding company's consolidated subsidiaries.

Line Item 11 Income (loss) before extraordinary items and other adjustments.

Report the difference between item 8, ''Income (loss) before income taxes and extraordinary items and other adjustments'' and the sum of item 9, ''Applicable income taxes (on item 8),'' and item 10, ''Minority interest.'' If the amount is negative, enclose it in parentheses.

Line Item 12 Extraordinary items, net of applicable income taxes and minority interest.

Report the total of the transactions listed below, if any, net of any applicable income taxes (including federal, state and local, and foreign taxes). If the amount reported in this item is a net loss, enclose it in parentheses.

Include as extraordinary items and other adjustments:

(1) The material effects of any extraordinary items. Extraordinary items are very rare and the criteria which must be satisfied in order for an event or transaction to be reported as an extraordinary item are discussed in the Glossary entry for ''extraordinary items.''

(2) Material aggregate gains on troubled debt restructurings of the consolidated bank holding company's own debt, as determined in accordance with the provisions of FASB Statement No. 15.

(3) The cumulative effect of all changes in accounting principles except those required to be reported in Schedule HI-A, item 2, ''Restatements due to corrections of material accounting errors and changes in accounting principles.'' Refer to the Glossary entry for ''accounting changes'' for further discussion of changes in accounting principles.

(4) The results of discontinued operations as determined in accordance with the provisions of FASB Statement No. 144.

Exclude from extraordinary items and other adjustments:

(1) Net gains or losses on sales or other disposals of:

   (a) All assets reportable as loans and leases in Schedule HC-C.

   (b) Premises and fixed assets.

   (c) Other real estate owned.

   (d) Personal property acquired for debts previously contracted (such as automobiles, boats, equipment and appliances).

   (e) Coins, art, and other similar assets.

   (f) Branches (i.e., where the consolidated bank holding company sells a branch's assets to another depository institution which assumes the deposit liabilities of the branch).

For the first five categories above, bank holding companies should report net gains (losses) in the appropriate category of ''Noninterest income'' in Schedule HI, item 5. For the final category above, bank holding companies should consistently report net gains (losses) from branch sales as ''Other noninterest income'' in Schedule HI, item 5(l), or as ''Other noninterest expense'' in Schedule HI, item 7(d).

(2) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in Schedule HI, item 6(a), ''Realized gains (losses) on held-to-maturity securities,'' and item 6(b), ''Realized gains (losses) on available-for-sale securities,'' respectively).

Line Item 13 Net income (loss).

Report the sum of items 11, and 12. This item must equal Schedule HI-A, item 4, ''Net income (loss).'' If this amount is a net loss, enclose it in parentheses.

Memoranda

Line Item M1 Net interest income (item 3 above) on a fully taxable equivalent basis.

Report net interest income (Schedule HI, item 3 above) on a fully taxable equivalent basis. The amount reported in this item should reflect what net interest income of the reporting bank holding company would be if all its interest income was subject to federal and state income taxes.

The following accounts on which the interest income is fully or partially tax-exempt, should be adjusted to a ''taxable equivalent'' basis in order that the holding company can compute its net interest income on a fully taxable equivalent basis:

(1) interest income on tax-exempt obligations (other than securities) of states and political subdivisions in the U.S. (included in Schedule HI, item 1(a));

(2) income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in Schedule HI, item 1(d)(3));

(3) income on lease financing receivables that is tax-exempt (included in Schedule HI, item 1(b)); and

(4) any other interest income (such as interest income earned on loans to an Employee Stock Ownership Plan), which under state or federal laws is partially or in its entirety exempt from income taxes.

The changes to the 1986 Tax Reform Act must be taken into consideration when computing net interest income on a fully taxable equivalent basis. The 1986 Act, in general, disallowed 100% of the interest expense allocable to tax-exempt obligations acquired after August 7, 1986. Previous to that date, and after December 31, 1982, the disallowance percentage was 20%; previous to December 31, 1982, the disallowance was 0%.

Line Item M2 Net income before income taxes, extraordinary items, and other adjustments (item 8 above) on a fully taxable equivalent basis.

Report net income before income taxes, extraordinary items, and other adjustments (item 8 above) on a fully taxable equivalent basis. The amount reported in this item should reflect what net income of the reporting bank holding company would be if all its income was subject to federal and state income taxes. For purposes of this item, include net interest income on a fully taxable equivalent basis as reported in memoranda item 1 above plus all other income and expense adjusted to reflect the holding company's net income on a fully taxable equivalent basis.

Line Item M3 Income on tax-exempt loans and leases to states and political subdivisions in the U.S. (included in items 1(a) and 1(b) above).

Report the bank holding company's best estimate of the income from all tax-exempt loans and leases extended to states and political subdivisions in the U.S. that is included in items 1(a) and 1(b) above.

Tax-exempt loans and leases are those loans and leases to states and political subdivisions in the U.S. whose income is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan or lease must be included in the bank holding company's alternative minimum taxable income and regardless of the federal income tax treatment of the expense incurred to carry the loan or lease.

Line Item M4 Income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in item 1(d)(3) above).

Report the bank holding company's best estimate of the income from all tax-exempt securities issued by states and political subdivisions in the U.S. that is included in item 1(d)(3) above.

Line Item M5 Number of full-time equivalent employees at end of current period.

Report the number of full-time equivalent employees on the payroll of the bank holding company and its consolidated subsidiaries as of the report date.

To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting bank holding company.)

Line Item M6 Other noninterest income (only report amounts that exceed 1 percent of the sum of Schedule HI, items 1(h) and 5(m) above):

Disclose in memoranda items 6(a) through 6(h) each component of Schedule HI, item 5(l), ‘‘Other noninterest income,’’ and the dollar amount of such component, that exceeds 1 percent of the sum of ‘‘Total interest income’’ and ‘‘Total noninterest income’’ (Schedule HI, item 1(h) plus item 5(m)).

Preprinted captions have been provided for the following categories of ‘‘Other noninterest income’’:

- M6(a), ‘‘Income and fees from the printing and sale of checks,’’
- M6(b), ‘‘Earnings on/increase in value of cash surrender value of life insurance,’’
- M6(c), ‘‘Income and fees from automated teller machines (ATMs),’’
- M6(d), ‘‘Rent and other income from other real estate owned,’’
- M6(e), ‘‘Safe deposit box rent.’’

For other components of ‘‘other noninterest income’’ that exceed the disclosure threshold, list and briefly describe these components in memoranda items 6(f) through 6(h).

If losses have been reported in Schedule HI, item 5(m), use the absolute value of such losses to determine whether the amount of the losses exceeds one percent of the total amount reported in items 1(h) plus 5(m) and whether such losses should be reported in this memorandum item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount is a net gain or loss.) If losses are reported in this memorandum item, enclose in parentheses. A sample of the types of items that may require disclosure has been included in the instructions to item 5(l) above. The description of each item reported in memoranda items 6(f) through 6(h) should be reported in the area marked as ‘‘text’’ on the report form in **a clear and concise manner** and limited to 132 characters per item (including punctuation and spaces). Do not use words such as ‘‘miscellaneous’’ or ‘‘other’’ to describe these items. The dollar amount should be reported in the adjacent column on the right. If there are no reportable amounts for memoranda items 6(f) through 6(h), enter ‘‘zero’’ (-0-) in the right-hand column of memoranda item 6(f).

Line Item M7 Other noninterest expense (only report amounts that exceed 1 percent of the sum of Schedule HI, items 1(h) and 5(m) above):

Disclose in memoranda items 7(a) through 7(j) each component of Schedule HI, item 7(d), ‘‘Other noninterest expense,’’ and the dollar amount of such component, that exceeds 1 percent of the sum of ‘‘Total interest income’’ and ‘‘Total noninterest income’’ (Schedule HI, item 1(h) plus item 5(m)).

Preprinted captions have been provided for the following categories of ‘‘Other noninterest expense’’:

- M7(a), ‘‘Data processing expenses,’’
- M7(b), ‘‘Advertising and marketing expenses,’’
- M7(c), ‘‘Directors’ fees,’’
- M7(d), ‘‘Printing, stationery, and supplies,’’
- M7(e), ‘‘Postage,’’
- M7(f), ‘‘Legal fees and expenses,’’
- M7(g), ‘‘FDIC deposit insurance assessments.’’

For other components of ‘‘other noninterest expense’’ that exceed the disclosure threshold, list and briefly describe these components in memoranda items 7(h) through 7(j).

Do not itemize ‘‘Benefits, losses, and expenses from insurance-related activities.’’ These amounts are reported separately in Schedule HI, memorandum item 12(c).

If gains have been reported in Schedule HI, item 7(d), use the absolute value of such gains to determine whether the amount of the gains exceeds one percent of the total amount reported in items 1(h) plus 5(l) and whether such gains should be reported in this memorandum item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount is a net gain or loss.) If gains are reported in this memorandum item, enclose in parentheses. A sample of the types of items that may require disclosure has been included in the instructions to item 7(d) above. The description of each item reported in memoranda items 7(h) through 7(j) should be reported in the area marked as ‘‘text’’ on the report form **in a clear and concise manner** and limited to 132 characters per item (including punctuation and spaces). Do not use words such as ‘‘miscellaneous’’ or ‘‘other’’ to describe these items. The dollar amount should be reported in the adjacent column on the right. If there are no reportable amounts for memoranda items 7(h) through 7(j), enter ‘‘zero’’ (-0-) in the right-hand column of memoranda item 7(h).

Line Item M8 Extraordinary items and other adjustments.

List and briefly describe in items M8(a) through M8(c) below each extraordinary item or adjustment included in item 12, ‘‘Extraordinary items, net of applicable income taxes and minority interest’’ below. However, each item should be reported separately, gross of income taxes and the income tax effect separately reported, as indicated.

If an extraordinary item or other adjustment is a loss or otherwise reduces the bank holding company's income, enclose the dollar amount reported in parentheses. If an applicable income tax effect is a tax benefit (rather than a tax expense), enclose the dollar amount reported in parentheses.

Included as extraordinary items and other adjustments:

(1) The material effects of any extraordinary items. Extraordinary items are very rare and the criteria which must be satisfied in order for an event or transaction to be reported as an extraordinary item are discussed in the Glossary entry for ‘‘extraordinary items.’’

(2) Material aggregate gains or losses from extinguishments of the consolidated bank holding company's own debt unrelated to sinking fund requirements, as determined in accordance with the provisions of FASB Statement No. 4.

(3) Material aggregate gains on troubled debt restructurings of the consolidated bank holding company's own debt, as determined in accordance with the provisions of FASB Statement No. 15.

(4) The cumulative effect of all changes in accounting principles except those required to be reported in Schedule HI-A, item 2, ‘‘Restatements due to corrections of material accounting errors and changes in accounting principles.’’ Refer to the Glossary entry for ‘‘accounting changes’’ for further discussion of changes in accounting principles.

(5) Material aggregate gains or losses from disposals of segments of the consolidated bank holding company's business, as determined in accordance with the provisions of APB Opinion No. 30.

(6) Material net gains or losses from disposals of significant assets within two years after a pooling of interests business combination.

Line Item M9 Trading revenue (from cash instruments and derivative instruments).

This item is to be completed by bank holding companies that reported average trading assets (Schedule HC-K, item 4(a)) of $2 million or more for any quarter of the preceding calendar year.

Report in the appropriate item below, a breakdown of trading revenue that has been included in the body of the income statement in Schedule HI, item 5(c). For each of the four types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and derivative instruments. For purposes of Memorandum item 9, the reporting bank holding company should determine the underlying risk exposure category in which to report the trading revenue from cash instruments and derivative instruments in the same manner that the bank holding company makes this determination for other financial reporting purposes. The sum of the amounts reported in Memorandum items 9(a) through 9(d) must equal the amount reported in item 5(c) above.

Line Item M9(a) Interest rate exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank holding company manages as interest rate exposures. Interest rate exposures may arise from cash debt instruments (e.g., U.S. Treasury securities) and interest rate contracts. Interest rate contracts are those contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). Interest rate contracts include single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude trading revenue on contracts involving the exchange of foreign currencies (e.g., cross-currency swaps and currency options) that the reporting bank holding company manages as foreign exchange exposures. Report such trading revenue in Memorandum item 9(b).

Line Item M9(b) Foreign exchange exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank holding company manages as foreign exchange exposures. Foreign exchange exposures may arise from cash instruments (e.g., debt securities) denominated in non-U.S. currencies and foreign exchange rate contracts. Foreign exchange rate contracts are those contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market (i.e., on an organized exchange or in an over-the-counter market). A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange rate contracts include cross-currency interest rate swaps where there is an exchange of principal, forward and spot foreign exchange contracts, and currency futures and currency options.

Line Item M9(c) Equity security and index exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank holding company manages as equity security and index exposures. Equity security or index exposures may arise from equity securities and equity security or index (i.e., equity derivative) contracts. Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Line Item M9(d) Commodity and other exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank holding company manages as commodity or other exposures. Commodity or other exposures may arise from commodities and off-balance-sheet commodity and other contracts not reported as interest rate, foreign exchange, or equity derivative contracts. Commodity and other contracts are contracts that have a return, or a portion of their return, linked to the price or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, or equity derivative contracts.

Line Item M10 Impact on income of derivatives held for purposes other than trading.

For derivatives held for purposes other than trading, report in the appropriate subitem the impact that these contracts had on the bank holding company's income as reported in Schedule HI.

Line Item M10(a) Net increase (decrease) to interest income.

Report the net sum of all amounts reported in Schedule HI interest income items (items 1(a) through 1(g)) which were recognized from derivative transactions used to hedge or adjust interest income from assets. If the net sum is a net decrease to interest income, enclose this amount in parentheses.

Line Item M10(b) Net (increase) decrease to interest expense.

Report the net sum of all amounts reported in Schedule HI interest expense items (items 2(a) through 2(e)) which were recognized from derivative transactions used to hedge or adjust interest expense from liabilities. If the net sum is a net increase to interest expense, enclose this amount in parentheses.

Line Item M10(c) Other (noninterest) allocations.

Report the net sum of all amounts reported in the noninterest items of Schedule HI, i.e., items 5 and 7, resulting from the bank holding company's use of derivatives held for purposes other than trading. If the net sum is a net expense or loss, enclose this amount in parentheses.

Include gains (losses) on nonhedging derivative instruments held for purposes other than trading. Bank holding companies should consistently report these nonhedging derivative gains (losses) in either ''Other noninterest income'' (Schedule HI, item 5(l)) or ''Other noninterest expense'' (Schedule HI, item 7(d)).

Line Item M11 Credit losses on derivatives.

Report the consolidated bank holding company's year-to-date credit losses (e.g., charge-offs) incurred on derivative contracts (as defined for Schedule HC-L, items 7 and 11). The amount reported in this item should include all credit losses regardless of whether the consolidated bank holding company charged such losses directly to income (e.g., trading revenue) or to another account (e.g., allowance for credit losses on derivatives).

Line Item M12(a) Income from the sale and servicing of mutual funds and annuities (in domestic offices).

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

Include in this item:

(1) Income earned in connection with mutual funds and annuities that are sold on the premises of the reporting bank holding company or its subsidiaries, or that are sold by the reporting bank holding company, a subsidiary, or by affiliated or unaffiliated entities from whom the reporting bank holding company reports income on a consolidated basis in the FR Y-9C. This income may be in the form of fees or sales commissions at the time of the sale or fees, including a share of another entity's fees, that are earned over the duration of the account (e.g., annual fees, Rule 12b-1 fees or ''trailer fees,'' and redemption fees). Commissions should be reported as income as earned at the time of the sale (i.e., on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.

(2) Income that is reported on a consolidated basis in the FR Y-9C from leasing arrangements with affiliated and unaffiliated entities who lease space in offices of the reporting bank holding company or its subsidiaries for use in selling mutual funds and annuities. Income from leasing arrangements should be reported as income as earned (i.e., on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.

(3) Fees for providing investment advisory services for mutual funds and annuities.

(4) Fees for providing securities custody, transfer agent, and other operational and ancillary services to mutual funds and annuities that are sold on the premises of the reporting bank holding company, or sold by the reporting bank holding company or its subsidiaries, through a subsidiary, or by affiliated or unaffiliated entities from whom the bank holding company reports income on a consolidated basis in the FR Y-9C at the time of the sale or over the duration of the account.

Also include income from sales conducted through the reporting bank holding company's trust department that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator) but exclude income from sales conducted by the trust department that are executed in a fiduciary capacity.

In general, this income will have been included in Schedule HI, item 5(d), ''Investment banking, advisory, brokerage, and underwriting fees and commissions'' (for mutual funds) and item 5(h)(2), ''Income from other insurance and reinsurance activities'' (for annuities). However, income from leasing arrangements, or the portion thereof, that is fixed in amount and does not vary based on sales volume may have been reported as a deduction from Schedule HI, item 7(b), ''Expenses of premises and fixed assets, net of rental income.'' Thus, the income to be included in this item should be reported gross rather than net of expenses incurred by the reporting bank holding company or a consolidated subsidiary.

Exclude fees earned for providing securities custody, transfer agent, and other operational and ancillary services to third party mutual funds and annuities that are not sold on the premises of the reporting bank holding company or its consolidated subsidiaries and are not otherwise sold by the reporting bank holding company, through a subsidiary, or by affiliated or unaffiliated entities from whom the reporting bank holding company receives income at the time of the sale or over the duration of the account.

Line Item M12(b) Premiums.

Report in memoranda items 12(b)(1) and 12(b)(2) premium revenues from the insurance and reinsurance **underwriting** operations of the bank holding company and its affiliates. Do not include any commission and fee income from the sale of insurance products.

Line Item M12(b)(1) Premiums on insurance related to the extension of credit.

Report the amount of premiums from insurance and reinsurance underwriting reported in item 5(h)(1) above that were earned by property casualty and health insurers or written by life insurers on life, health, accident, involuntary unemployment and property casualty insurance coverage related to an extension of credit or lease financing, e.g., credit life and mortgage insurance. Include title insurance premiums in this line item but exclude all insurance agency related income.

Line Item M12(b)(2) All other insurance premiums.

Report the amount of insurance premiums from insurance and reinsurance underwriting reported in item 5(h)(1) above that were earned by property casualty and health insurers or written by life insurers other than the credit related insurance premiums reported in item M12(b)(1) above. Insurance agency related income should not be included in this line item.

Line Item M12(c) Benefits, losses, and expenses from insurance-related activities.

Report current and future insurance benefits, interest credited to contractholders, policyholder dividends, amortization of deferred acquisition cost, claims and claims adjustment expenses and any other operating expenses, excluding salaries and overhead expense (except salaries and benefits expense included in claims adjustment expense), which should be reported in item 7(a) above.

Line Item M13 Does the reporting bank holding company have a Subchapter S election in effect for federal income tax purposes for the current tax year? (Enter "1" for yes; enter "0" for no.)

Indicate whether the bank holding company has elected, for federal income tax purposes, an "S corporation" status, as defined in Internal Revenue Code Section 1361 as of the report date. Enter "1" for yes; enter "0" for no. In order to be an S corporation, the bank holding company must have a valid election with the Internal Revenue Service and obtain the consent of all of its shareholders. In addition, the bank holding company must meet specific criteria for federal income tax purposes at all times during which the election remains in effect. These specific criteria include, for example, having no more than 75 qualifying shareholders and having only one class of stock outstanding.

Line Item M14 Stock-based employee compensation expense (net of tax effects).

Report the stock-based employee compensation cost, net of related tax effects, in the determination of net income as reported, in conformity with FASB Statement No. 123, *Accounting for Stock-Based Compensation* as amended by FASB Statement No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure.* This amount corresponds to the FASB requirements for interim disclosure. Stock-based employee compensation plans include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. Examples are stock purchase plans, stock options, restricted stock, and stock appreciation rights. Note: The actual amount to be reported in this line item is the after-tax equivalent of stock-based employee compensation expense that is included in Schedule HI, item 7(e).

Line Item M15 Stock-based employee compensation expense (net of tax effects) calculated for all awards under the fair value method.

For institutions that voluntarily adopt a fair value based method, report the stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards, in conformity with FASB Statement No. 123 as amended by FASB Statement No. 148. This amount corresponds to the FASB requirements for interim disclosure. For purposes of reporting in this item, *all awards* refers to awards granted, modified, or settled in fiscal periods beginning after December 15, 1994.

LINE ITEM INSTRUCTIONS FOR THE

Changes in Equity Capital

Schedule HI-A

General Instructions

Total equity capital includes perpetual preferred stock, common stock, capital surplus, retained earnings, accumulated other comprehensive income and other equity capital components such as treasury stock and unearned Employee Stock Ownership Plan Shares. All amounts in Schedule HI-A, other than those reported in items 1, 3, and 12, should represent net aggregate changes for the calendar year-to-date. Enclose all net decreases and losses (net reductions of equity capital) in parentheses.

Line Item 1 Equity capital most recently reported for the end of previous calendar year.

Report the consolidated bank holding company's total equity capital balance most recently reported for the previous calendar year-end after the effect of all corrections and adjustments to total equity capital that were made in any amended report(s) for the previous calendar year-end.

For bank holding companies opened since January 1 of the current calendar year, report the word ''none'' in this item. Report the consolidated bank holding company's opening (original) total equity capital in items 5(a), ''Sale of perpetual preferred stock, gross'' or 6(a), ''Sale of common stock, gross'' as appropriate.

Do not enter the consolidated bank holding company's total equity capital ending balance from the Report of Income for the preceding quarter when preparing the June 30, September 30, or December 31 report.

Line Item 2 Restatements due to corrections of material accounting errors and changes in accounting principles.

Report the sum of all corrections, net of applicable income taxes, resulting from material accounting errors which were made in prior years' Consolidated Financial Statements for Bank Holding Companies and not corrected by the filing of an amended report for the period in which the error was made. Include only those corrections which result from:

(1) Mathematical mistakes.

(2) Mistakes in applying accounting principles.

(3) Improper use of information which existed when the prior Consolidated Financial Statements for Bank Holding Companies were prepared.

(4) A change from an accounting principle that is neither accepted nor sanctioned by the Federal Reserve to one that is acceptable to the Federal Reserve.

The effect of accounting errors differs from the effect of changes in accounting estimates. Changes in accounting estimates are an inherent part of the accrual accounting process. Report the effect of any changes in accounting estimates in the appropriate line items of Schedule HI, Consolidated Income Statement. For further information on corrections of errors and changes in estimates, refer to the Glossary entry for ''accounting changes.''

Also report the cumulative effect, net of applicable income taxes, of those changes in accounting principles which are properly accounted for by restating prior years' financial statements.

The cumulative effect of a change in accounting principle is the difference between (1) the balance in the retained earnings account at the beginning of the year in which the change is made and (2) the balance in the retained earnings account that would have been reported at the beginning of the year had the newly adopted accounting principle been applied in all prior periods.

The cumulative effect of all other changes in accounting principles adopted during the calendar year-to-date must be reported in Schedule HI, item 12, ''Extraordinary items, net of applicable taxes and minority interest.''

Refer to the Glossary entry for ''accounting changes'' for information on how to determine the amount of the cumulative effect of a change in accounting principle.

Line Item 3 Balance end of previous calendar year as restated.

Report the sum of items 1 and 2.

Line Item 4 Net income (loss).

Report the net income (loss) for the calendar year-to-date as reported in Schedule HI, item 13, ''Net income (loss).''

Line Item 5 Sale of perpetual preferred stock.

Report the changes in the consolidated bank holding company's total equity capital resulting from the sale of the bank holding company's perpetual preferred stock. Limited-life preferred stock is not included in equity capital; any proceeds from the sale of limited-life preferred stock during the calendar year-to-date are not to be reported in this item. (Include limited-life preferred stock in Schedule HC, item 19.)

Line Item 5(a) Sale of perpetual preferred stock, gross.

Report in this item the total amount of new perpetual preferred stock issued, net of any expenses associated with the issuance of the stock.

Exclude the conversion of convertible debt and limited-life preferred stock into perpetual preferred stock, as well as the exercise of stock options (report in item 5(b)).

Line Item 5(b) Conversion or retirement of perpetual preferred stock.

Report in this item the changes in the consolidated bank holding company's total equity capital resulting from:

(1) The conversion of convertible debt or limited-life preferred stock into perpetual preferred stock.

(2) Exercise of stock options, including:

  (a) Any income tax benefits to the consolidated bank holding company resulting from the sale of the bank holding company's own stock acquired under a qualified stock option within three years of its purchase by the employee who had been granted the option.

  (b) Any tax benefits to the consolidated bank holding company resulting from the exercise (or granting) of nonqualified stock options (on the bank holding company's stock) based on the difference between the option price and the fair market value of the stock at the date of exercise (or grant).

(3) Retirement of perpetual preferred stock.

Include:

(1) The net decrease in equity capital which 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.

Line Item 6 Sale of common stock.

Report the changes in the consolidated bank holding company's total equity capital resulting from the sale of the bank holding company's common stock.

Line Item 6(a) Sale of common stock, gross.

Report the total amount of new common stock issued by the consolidated bank holding company, net of any expenses associated with the issuance of such stock.

Line Item 6(b) Conversion or retirement of common stock.

Report in this item the changes in the consolidated bank holding company's total equity capital resulting from:

(1) the conversion of convertible debt, limited-life preferred stock, or perpetual preferred stock into common stock.

(2) Exercise of stock options, including:

  (a) Any income tax benefits to the consolidated bank holding company resulting from the sale of the bank holding company's own stock acquired under a qualified stock option within three years of its purchase by the employee who had been granted the option.

  (b) Any tax benefits to the consolidated bank holding company resulting from the exercise (or granting) of nonqualified stock options (on the bank holding company's stock) based on the difference between the option price and the fair market value of the stock at the date of exercise (or grant).

(3) Retirement of common stock.

Include:

(1) The net decrease in equity capital which 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. Do not include dividends declared during the previous calendar year but paid in the current period.

Refer to the Glossary entry for ''dividends'' for further information on cash dividends.

Line Item 7 Sale of treasury stock.

Report the resale or other disposal of the bank holding company's own perpetual preferred stock or common stock, i.e., treasury stock transactions (see the Glossary entry for ''treasury stock'').

Line Item 8 LESS: Purchase of treasury stock.

Report the acquisition (without retirement) of the bank holding company's own perpetual preferred stock or common stock, i.e., treasury stock transactions (see the Glossary entry for ''treasury stock''). Report the amount as an absolute value; do not enclose the amount in parentheses or use a minus (–) sign.

Line Item 9 Changes incident to business combinations, net.

If the bank holding company has entered into a business combination which became effective during the reporting period and which has been accounted for as a pooling of interests, report the historical equity capital balances of the consolidated bank holding company or other business acquired as of the end of the previous calendar year. For further information on poolings of interests, refer to the Glossary entry for ''business combinations.''

If the consolidated bank holding company purchased another bank or business during the reporting period, report the fair value of any perpetual preferred or common shares issued (less the direct cost of issuing the shares) less any goodwill charged against undivided profits. If for any reason goodwill is charged off, a net reduction of equity capital may result. 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.

Include any retroactive adjustments that result from the realization of income tax benefits of preacquisition operating loss carryforwards of purchased subsidiaries and other purchased businesses.

Line Item 10 LESS: Cash dividends declared on preferred stock.

Report all cash dividends declared on preferred stock (including limited-life preferred stock) during the calendar year-to-date, including dividends not payable until after the report date. Report the amount as an absolute value; do not enclose the amount in parentheses or use a minus (–) sign.

Do not include dividends declared during the previous calendar year but paid in the current period.

Refer to the Glossary entry for ''dividends'' for further information on cash dividends.

Line Item 11 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. Report the amount as an absolute value; do not enclose the amount in parentheses or use a minus (–) sign.

Do not include dividends declared during the previous calendar year but paid in the current period.

For further information on cash dividends, see the Glossary entry for ''dividends.''

Line Item 12 Other comprehensive income.

Report the bank holding company's other comprehensive income for the calendar year-to-date. If the amount to be reported represents a reduction in the bank holding company's equity capital, enclose it in parentheses.

Other comprehensive income includes:

(1) The change during the calendar year-to-date in net

unrealized holding gains (losses) on the bank holding company's available-for-sale securities.

(2) The change during the calendar year-to-date in the bank holding company's accumulated net gains (losses) on cash flow hedges.

(3) The increase or decrease during the calendar year-to-date in the bank holding company's cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains or losses, net of applicable income taxes, if any. Refer to the Glossary entry for ''foreign currency transactions and translation'' for further information on accounting for foreign currency translation.

(4) The change during the calendar year-to-date in any minimum pension liability adjustment recognized in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions*.

Line Item 13 Change in the offsetting debit to the liability for Employee Stock Ownership Plan (ESOP) debt guaranteed by the bank holding company.

Report an amount in this item only if the consolidated bank holding company has guaranteed the debt of its ESOP. The amount reported in this item should reflect any changes during the calendar year-to-date to the offsetting debit to the liability recorded by the bank holding company in connection with ESOP debt guaranteed by the reporting company (that is, the equity contra account). The changes in this account result either: (1) from the booking of an offsetting debit to any new ESOP debt guaranteed by the consolidated bank holding company; or (2) from any reduction in the equity contra account as existing guaranteed ESOP debt is amortized.

As the ESOP's debt is amortized, the equity contra account is reduced, thereby increasing the total amount of equity capital reported as outstanding by the reporting bank holding company. As the ESOP borrows more funds that are guaranteed by the reporting bank holding company, the offsetting debit increases the equity contra account, thereby reducing the total amount of equity capital reported as outstanding.

When the net impact of these changes to the equity contra account results in an overall decrease to that account, the amount of that decrease should be reported in this item as an increase in the total amount of equity capital by adding that amount when calculating ''changes in equity capital'' for this schedule. When the net impact of these changes to the equity contra account results in an overall increase to that account, the amount of that increase should be reported in this item as a decrease in the total amount of equity capital by placing that amount in parenthesis and subtracting it when calculating ''changes in equity capital'' for this schedule.

Line Item 14 Other adjustments to equity capital (not included above).

Report in this item all other adjustments to equity capital that are not properly reported in items 1 through 13. Included are contributions of capital made to the holding company when the company is a partnership.

For bank holding companies 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 holding company's inception until the date the bank holding company commenced operations should be reported in Schedule HI using one of the two following methods, consistent with the manner in which the bank holding company reports pre-opening income and expenses for other financial reporting purposes:

(1) The net amount of pre-opening income and expenses for the entire period from the bank holding company's inception until the date the bank holding company commenced operations should be reported in the appropriate items of Schedule HI, each quarter during the calendar year in which operations commenced; or

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

Line Item 15 Total equity capital end of current period.

Report the sum of items 3, 4, 5, 6, 7, 9, 12, 13, and 14, less items 8, 10, and 11. This item must equal Schedule HC, item 28.

LINE ITEM INSTRUCTIONS FOR THE

Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses

Schedule HI-B

Part I. Charge-Offs and Recoveries on Loans and Leases

General Instructions

This part has two columns. In column A report loans and leases charged off during the current calendar year-to-date. Also include in column A write-downs to fair value on loans (and leases) transferred to the held-for-sale account during the calendar year-to-date that occurred when (1) the reporting bank holding company decided to sell loans that were not originated or otherwise acquired with the intent to sell and (2) the fair value of those loans had declined for any reason other than a change in the general market level of interest or foreign exchange rates. In column B report amounts recovered during the current calendar year-to-date on loans and leases previously charged off. For those bank holding companies or consolidated subsidiaries required to establish and maintain an allocated transfer risk reserve, 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) and in any guidelines, or instructions issued by the Federal Reserve, columns A and B of part I include loans and leases charged-off against and amounts recovered, respectively, through the allocated transfer risk reserve.

These instructions should be read in conjunction with the Glossary entries for ''allowance for loan and lease losses'' and ''domicile.''

Line Item 1 Loans secured by real estate.

Report in the appropriate subitem and column loans secured by real estate (as defined in Schedule HC-C, item 1) charged off and recovered.

Line Item 1(a) Construction, land development, and other land loans in domestic offices.

Report in columns A and B, as appropriate, loans secured by real estate for construction, land development, and other land loan purposes in domestic offices (as defined for Schedule HC-C, item 1(a), ''Construction, land development, and other land loans'').

Line Item 1(b) Secured by farmland in domestic offices.

Report in columns A and B, as appropriate, loans secured by farmland in domestic offices (as defined for Schedule HC-C, item 1(b), ''Secured by farmland'').

Line Item 1(c) Secured by 1–4 family residential properties in domestic offices.

Report in columns A and B, as appropriate, in the subitems below, loans secured by 1–4 family residential properties in domestic offices (as defined for Schedule HC-C, item 1(c), ''Secured by 1–4 family residential properties'').

Line Item 1(c)(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit.

Report in columns A and B, as appropriate, all revolving, open-end loans in domestic offices secured by 1–4 family residential properties and extended under lines of credit. Corresponds to Schedule HC-C, item 1(c)(1).

Line Item 1(c)(2) Closed-end loans secured by 1–4 family residential properties in domestic offices.

Report in the appropriate subitem and column closed-end loans in domestic offices secured by 1–4 family residential properties charged-off and recovered.

Line Item 1(c)(2)(a) Secured by first liens.

Report in columns A and B, as appropriate, closed-end loans secured by first liens on 1–4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(a), column B) charged-off and recovered.

Line Item 1(c)(2)(b) Secured by junior liens.

Report in columns A and B, as appropriate, closed-end loans secured by junior liens on 1–4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(b), column B) charged-off and recovered. Include loans secured by junior liens in this item even if the bank holding company also holds a loan secured by a first lien on the same 1–4 family residential property and there are no intervening junior liens.

Line Item 1(d) Secured by multifamily (5 or more) residential properties in domestic offices.

Report in columns A and B, as appropriate, loans secured by multifamily (5 or more) residential properties in domestic offices (as defined for Schedule HC-C, item 1(d), ‘‘Secured by multifamily (5 or more) residential properties’’).

Line Item 1(e) Secured by nonfarm nonresidential properties in domestic offices.

Report in columns A and B, as appropriate, loans secured by nonfarm nonresidential properties in domestic offices (as defined for Schedule HC-C, item 1(e), ‘‘Secured by nonfarm nonresidential properties’’).

Line Item 1(f) In foreign offices.

Report in columns A and B, as appropriate, loans secured by real estate in foreign offices.

Line Item 2 Loans to depository institutions and acceptances of other banks.

Report in columns A and B, in the appropriate subitem, loans to depository institutions and acceptances of other banks (as defined for Schedule HC-C, item 2).

Line Item 2(a) To U.S. banks and other U.S. depository institutions.

Corresponds to Schedule HC-C, item 2(a).

Line Item 2(b) To foreign banks.

Corresponds to Schedule HC-C, item 2(b).

Line Item 3 Loans to finance agricultural production and other loans to farmers.

Report in columns A and B, as appropriate, agricultural loans (as defined for Schedule HC-C, item 3, ‘‘Loans to finance agricultural production and other loans to farmers’’).

Line Item 4 Commercial and industrial loans.

Line Item 4(a) To U.S. addressees.

Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule HC-C, item 4(a), ‘‘Commercial and industrial loans to U.S. addressees’’).

Line Item 4(b) To non-U.S. addressees.

Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule HC-C, item 4(b), ‘‘Commercial and industrial loans to non-U.S. addressees’’).

Line Item 5 Loans to individuals for household, family, and other personal expenditures.

Report in columns A and B, as appropriate, all extensions of credit under credit cards and related plans and all other loans to individuals for household, family, and other personal expenditures (as defined for Schedule HC-C, item 6, ‘‘Loans to individuals for household, family, and other personal expenditures’’).

Report in item 5(a) credit cards, and in item 5(b) related plans and all other loans to individuals for household, family, and other personal expenditures.

Line Item 5(a) Credit cards.

Corresponds to Schedule HC-C, item 6(a).

Line Item 5(b) Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).

Corresponds to Schedule HC-C, items 6(b) and 6(c).

Line Item 6 Loans to foreign governments and official institutions.

Report in columns A and B, as appropriate, all loans to foreign governments and official institutions (as defined for Schedule HC-C, item 7, ''Loans to foreign governments and official institutions'').

Line Item 7 All other loans.

Report in columns A and B, as appropriate, other loans as defined for Schedule HC-C, item 9, ''All other loans.''

Line Item 8 Lease financing receivables.

Line Item 8(a) To U.S. addressees (domicile).

Report in columns A and B, as appropriate, leases (as defined for Schedule HC-C, item 10(a), ''Lease financing receivables to U.S. addressees'').

Line Item 8(b) To non-U.S. addressees (domicile).

Report in columns A and B, as appropriate, leases (as defined for Schedule HC-C, item 10(b), ''Lease financing receivables to non-U.S. addressees'').

Line Item 9 Total.

Report in columns A and B the sum of items 1 through 8. The amount reported in column A must equal part II, item 3, ''Charge-offs,'' plus part II, item 4, ''write-downs arising from transfers of loans to a held-for-sale account,'' below, and the amount reported in column B must equal part II, item 2, ''Recoveries,'' below.

Memoranda

Line Item M1 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in items 4 and 7 above.

Report in columns A and B, as appropriate, loans to finance commercial real estate, construction, and land development activities not secured by real estate (as defined for Schedule HC-C, Memorandum item 2). Such loans will have been included in items 4 and 7 of Schedule HI-B, part I, above. Exclude from this item all loans secured by real estate included in item 1 of Schedule HI-B, part I, above.

Line Item M2 Loans secured by real estate to non-U.S. addressees (domicile).

Report in columns A and B, as appropriate, loans secured by real estate to non-U.S. addressees (as defined for Schedule HC-C, Memorandum item 3) included in Schedule HI-B, part I, item 1, above.

Line Item M3 Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for loan and lease losses).

This item is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies.

Outstanding credit card receivables are the sum of:

(a) Schedule HC-C, item 6(a), column A;

(b) Schedule HC-S, item 1, column C; and

(c) Schedule HC-S, item 6(a), column C.

Credit card specialty bank holding companies are defined as those bank holding companies that on a consolidated basis exceed 50 percent for the following two criteria:

(a) the sum of credit card loans (Schedule HC-C, item 6(a), column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C); and

(b) the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total assets (Schedule HC, item 12) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C).

Report the amount of fees and finance charges on credit cards (as defined for Schedule HC-C, item 6.a) that the bank holding company reversed against either interest and fee income or a separate contra-asset account during the calendar year-to-date. Report the amount of fees and finance charges that have been reversed on a gross basis, i.e., do *not* reduce the amount of reversed fees and finance charges by recoveries of these reversed fees and finance charges. *Exclude* from this item credit card fees and finance charges reported as charge-offs against the allowance for loan and lease losses in Schedule HI-B, part 1, item 5(a), column A.

Part II. Allowance for Loan and Lease Losses

General Instructions

Report the reconcilement of the allowance for loan and lease losses on a calendar year-to-date basis.

For those bank holding companies required to establish and maintain an allocated transfer risk reserve 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) and in any guidelines, or instructions issued by the Federal Reserve, the reconcilement should include the activity in the allocated transfer risk reserve during the calendar year-to-date that relates to loans and leases. For reporting during 2003, the balance of any allocated transfer risk reserve reported in the FR Y-9C for December 31, 2002, that relates to loans and leases should be included in Schedule HI-B, part II, item 1, ''Balance most recently reported at end of previous year.''

Exclude the balances of the allowance for credit losses on off-balance sheet credit exposures reported in Schedule HC-G, item 3, and any capital reserves included in Schedule HC, item 26(a), ''Retained earnings,'' and the effect of any transactions therein.

Refer to the Glossary entry for the ''allowance for loan and lease losses'' for further information.

If the consolidated bank holding company has entered into a business combination that became effective during the reporting period which has been accounted for as a pooling of interests, include the recoveries, losses, and provisions of the combined bank holding company or other business for the calendar year-to-date. Report the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the bank or other business acquired in the pooling in item 6, ''Adjustments.''

If the consolidated bank holding company purchased another bank or business during the reporting period, include the recoveries, losses, and provisions of the combined bank or other business only after its acquisition. Report the amount of the allowance for loan and lease losses of the bank or other business acquired as of the effective date of the business combination in item 6, ''Adjustments.'' (Refer to the Glossary entry for ''business combinations'' for further information.)

Line Item 1 Balance most recently reported at end of previous calendar year.

Report the balance in the allowance for loan and lease losses from the Consolidated Financial Statements for Bank Holding Companies most recently reported at the previous calendar year-end after the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end. For reporting during 2003, the balance of any allocated transfer risk reserve reported in the FR Y-9C for December 31, 2002, that relates to loans and leases should be included in Schedule HI-B, part II, item 1.

Line Item 2 Recoveries.

Report the amount credited to the allowance for loan and lease losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for loan and lease losses. Also include amounts credited to any portions of the allowance for credit losses related to off-balance-sheet credit exposures for recoveries on amounts previously charged-off against this allowance. The amount reported must equal part I, item 9, column B.

Line Item 3 LESS: Charge-offs.

Report the amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date. The amount reported in this item must equal Schedule HI-B, part I, item 9, column A, ''Total'' charge-offs, less Schedule HI-B, part II, item 4, ''LESS: Write-downs arising from transfers of loans to a held-for-sale account.''

Line Item 4 LESS: Write-downs arising from transfers of loans to a held-for-sale account.

Report the amount of write-downs to fair value charged against the allowance for loan and lease losses resulting from transfers of loans and leases to a held-for-sale account during the calendar year-to-date that occurred when:

(1) the reporting bank holding company decided to sell loans and leases that were not originated or otherwise acquired with the intent to sell, and

(2) the fair value of those loans and leases had declined

for any reason other than a change in the general market level of interest or foreign exchange rates.

Line Item 5 Provision for loan and lease losses.

Report the amount expensed as the provision for loan and lease losses during the calendar year-to-date. The provision for loan and lease losses represents the amount needed to make the allowance for loan and lease losses adequate to absorb estimated loan and lease losses based upon management's evaluation of the bank holding company's current loan and lease exposures. The amount reported must equal Schedule HI, item 4. If an amount is negative, enclose it in parentheses.

Line Item 6 Adjustments.

Report the net cumulative effect of all corrections and adjustments made to the amount originally reported as the ending balances of the allowance for loan and lease losses as of the previous calendar year-end.

Report the net cumulative effect of all changes in the allowance for loan and lease losses of a bank or other business acquired in a business combination during the reporting period. Determine those amounts in accordance with the General Instructions at the beginning of this part.

For bank holding companies with foreign offices, report any increases or decreases resulting from the translation into dollars of any portions of the allowance for loan and lease losses that are denominated in a foreign currency.

Report all other allowable adjustments made during the reporting period.

If the amount reported in this item is negative, enclose it in parentheses.

Line Item 7 Balance at end of current period.

Report the sum of item 1, 2, 5, and 6 less items 3 and 4 (must equal Schedule HC, item 4(c)).

Memoranda

Line Item M1 Allocated transfer risk reserve included in Schedule HI-B, part II, item 7.

Report the amount of any allocated transfer risk reserve related to loans and leases that the reporting bank holding company is required to establish and maintain that the bank holding company has included in the end-of-period balance of the allowance for loan and lease losses reported in Schedule HI-B, part II, item 7, and in Schedule HC, item 4(c).

Line Item M2 Separate valuation allowance for uncollectible retail credit card fees and finance charges.

This item is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies.

Outstanding credit card receivables are the sum of:

(a) Schedule HC-C, item 6(a), column A;

(b) Schedule HC-S, item 1, column C; and

(c) Schedule HC-S, item 6(a), column C.

Credit card specialty bank holding companies are defined as those bank holding companies that on a consolidated basis exceed 50 percent for the following two criteria:

(a) the sum of credit card loans (Schedule HC-C, item 6(a), column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C); and

(b) the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total assets (Schedule HC, item 12) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C).

Report the amount of any valuation allowance or contra-asset account that the bank holding company maintains separate from the allowance for loan and lease losses to account for uncollectible fees and finance charges on credit cards (as defined for Schedule HC-C, item 6(a). This memorandum item is only applicable to those bank holding companies that maintain an allowance or contra-asset account separate from the allowance for loan and lease losses. Do *not* include in this item the amount of any valuation allowance established for impairment in retained interests in accrued interest receivable related to securitized credit cards.

Line Item M3 Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges.

This item is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies.

Outstanding credit card receivables are the sum of:

(a) Schedule HC-C, item 6(a), column A;

(b) Schedule HC-S, item 1, column C; and

(c) Schedule HC-S, item 6(a), column C.

Credit card specialty bank holding companies are defined as those bank holding companies that on a consolidated basis exceed 50 percent for the following two criteria:

(a) the sum of credit card loans (Schedule HC-C, item 6(a), column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C); and

(b) the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total assets (Schedule HC, item 12) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C).

Report in this item the amount of the allowance for loan and lease losses that is attributable to outstanding fees and finance charges on credit cards (as defined for Schedule HC-C, item 6(a). This amount is a component of the amount reported in Schedule HC, item 4(c), and Schedule HI-B, part II, item 7. Do *not* include in this item the amount of any valuation allowance established for impairment in retained interests in accrued interest receivable related to securitized credit cards.

LINE ITEM INSTRUCTIONS FOR

Notes to the Income Statement—Predecessor Financial Items

General Instructions

This one-time reporting schedule is event-driven. An event for reporting the income statement items below is defined as a business combination that occurred during the quarter (that is, the BHC consummated a merger or acquisition within the quarter). Complete this schedule only if the combined assets of the acquired entity(ies) are at least equal to $10 billion or 5 percent of the reporting bank holding company's total consolidated assets at the previous quarter-end, whichever is less.

Report in accordance with these instructions the selected income statement information for any acquired company(ies), the predecessor, as described above. The information should be reported year to date of acquisition, that is, from January 1 of the current year to the last day prior to the acquisition date.

Only a single schedule should be completed with aggregated information for all entities acquired during the quarter. The combined assets of these firms should at least equal $10 billion or 5 percent of the respondent's total consolidated assets at the previous quarter-end, whichever is less.

The reporting BHC may report the items below, net of merger-related adjustments, if any.

In the unlikely event that only a portion of a firm was purchased and actual financial statements for the acquired operations are not readily available, the reporting BHC may provide estimates in lieu of inaccessible actual data.

If a single transaction business combination occurred where the acquiree was another BHC that filed the FR Y-9C in the preceding quarter, and the combination occurred on the first day of the quarter, that event is exempt from being reported on this schedule. This exemption also applies if all entities acquired on the first day of the quarter were FR Y-9C filers as of the prior quarter.

The line item instructions should be read in conjunction with the instructions for Schedule HI, ''Consolidated Report of Income.''

Line Item 1 Total interest income.

Report the total interest income of the acquired company for the year to date of acquisition.

Include as interest income:

(1) Interest and fee income on loans;

(2) Income from lease financing receivables;

(3) Interest income on balances due from depository institutions;

(4) Interest and dividend income on securities;

(5) Interest income from trading assets; and

(6) All other interest income.

Line Item 1(a) Interest income on loans and leases.

Report the amount of interest income on loans and leases.

Include as interest income on loans and leases:

(1) All interest, fees, and similar charges levied against or associated with all assets reportable as loans as defined in Schedule HC-C, items 1 through 9; and

(2) Income from direct financing and leveraging leases as defined in Schedule HC-C, item 10.

Line Item 1(b) Interest income on investment securities.

Report all income on assets that are reportable as securities as defined in Schedule HC-B.

Notes to the Income Statement—Predecessor Financial Items

Include as interest income on investment securities:

(1) Income from U.S. Treasury securities and U.S. government agency obligations;

(2) Income from mortgage-backed securities; and

(3) Income from all other securities.

Line Item 2 Total interest expense.

Report the total interest expense of the acquired company for the year to date of acquisition.

Include as interest expense:

(1) Interest on deposits;

(2) Expense on federal funds purchased and securities sold under agreements to repurchase;

(3) Interest on trading liabilities and other borrowed money;

(4) Interest on subordinated notes and debentures and on mandatory convertible securities; and

(5) All other interest expense.

Line Item 2(a) Interest expense on deposits.

Report all interest expense, including amortization of the cost of merchandise or property offered in lieu of interest payments, on deposits as defined in Schedule HC, item 13(a)(2) and 13(b)(2).

Include as interest expense on deposits:

(1) Interest on deposits in domestic offices including interest on time deposits and all other deposits; and

(2) Interest on deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.

Line Item 3 Net interest income.

Report the difference between item 1, ‘‘Total interest income’’ and item 2, ‘‘Total interest expense.’’ If the amount is negative, enclose it in parentheses.

Line Item 4 Provision for loan and lease losses.

Report the amount the acquired company needed to make the allowance for loan and lease losses, as defined in Schedule HC, item 4(c), adequate to absorb expected loan and lease losses, based upon management’s evaluation of the consolidated bank holding company’s loan and lease portfolio. Also include in this item any provision for allocated transfer risk related to loans and leases. Enclose negative amounts in parentheses.

Exclude provision for credit losses on off-balance sheet credit exposures.

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

Line Item 5 Total noninterest income.

Report the total noninterest income of the acquired company for the year to date of acquisition.

Include as noninterest income:

(1) Income from fiduciary activities;

(2) Service charges on deposit accounts in domestic offices;

(3) Trading revenue;

(4) Investment banking, advisory, brokerage and underwriting fees and commissions;

(5) Venture capital revenue;

(6) Net servicing fees;

(7) Net securitization income;

(8) Insurance commissions and fees;

(9) Net gains (losses) on sales of loans and leases;

(10) Net gains (losses) on sales of other real estate owned;

(11) Net gains (losses) on sales of other assets (excluding securities); and

(12) Other noninterest income.

Line Item 5(a) Income from fiduciary activities.

Report gross income from services rendered by the trust departments of the acquired company’s banking subsidiaries or by any of the acquired company’s consolidated subsidiaries acting in any fiduciary capacity. Include commissions and fees on the sales of annuities by these entities that were executed in a fiduciary capacity.

Exclude commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when they were not handled by the trust departments of the acquired entity’s subsidiary banks.

Notes to the Income Statement—Predecessor Financial Items

Report ''N/A'' if the subsidiary banks of the acquired company had no trust departments and the acquired company had no consolidated subsidiaries that rendered services in any fiduciary capacity.

Line Item 5(b) Trading revenue.

Report the net gain or loss from trading cash instruments and off-balance-sheet derivative contracts (including commodity contracts) that was recognized during the year to date of acquisition.

Include as trading revenue:

(1) Revaluation adjustments to the carrying value of trading assets and liabilities as defined in Schedule HC, items 5 and 15, resulting from the periodic marking to market of such assets and liabilities;

(2) Revaluation adjustments from the periodic marking to market interest rate, foreign exchange, equity derivative, and commodity and other contracts as defined in Schedule HC-L, item 12; and

(3) Incidental income and expense related to the purchase and sale of trading assets and liabilities as defined in Schedule HC, items 5 and 15, and off-balance-sheet derivative contracts as defined in Schedule HC-L, item 12.

If the amount to be reported in this item is a net loss, enclose it in parentheses.

Line Item 5(c) Investment banking, advisory, brokerage and underwriting fees and commissions.

Report fees and commissions from underwriting (or participating in the underwriting of) securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the sale of annuities to the acquired company's customers by securities brokerage firms, from the purchase and sale of securities and money market instruments where the acquired company was acting as agent for other banking institutions or customers and from the lending of securities owned by the predecessor company or its customers (if these fees and commissions are not included in Notes to the Income Statement - Predecessor Financial Items, item 5(a), ''Income from fiduciary activities,'' or item 5(b), ''Trading revenue'').

Also include the acquired company's proportionate share of the income or loss before extraordinary items and other adjustments from its investment in:

(1) Unconsolidated subsidiaries,

(2) Associated companies, and

(3) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the acquired company exercised significant influence that were principally engaged in investment banking, advisory, brokerage or securities underwriting activities.

Line Item 5(d) Venture capital revenue.

Report as venture capital revenue market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities).

Also include the acquired company's proportionate share of the income or loss before extraordinary items and other adjustments from its investment in:

(1) Unconsolidated subsidiaries,

(2) Associated companies, and

(3) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the acquired company exercised significant influence that were principally engaged in venture capital activities.

In general, venture capital activities involve 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. The primary objective of these investments is capital growth.

Line Item 5(e) Net securitization income.

Report net gains (losses) on assets sold in securitization transactions, (i.e., net of transaction costs). Include fees (other than servicing fees) earned from the acquired company's securitization transactions and unrealized losses (and recoveries or unrealized losses) on loans and leases held for sale in securitization transactions. Exclude income from servicing securitized assets and seller's interests and residual interests retained by the acquired company.

Line Item 5(f) Insurance commissions and fees.

Report the amount of premiums earned by bank holding company subsidiaries engaged in insurance underwriting and reinsurance activities, and income from insurance product sales and referrals, as defined in Schedule HI, items 5(h)(1) and 5(h)(2).

Line Item 6 Realized gains (losses) on held-to-maturity and available-for-sale securities.

Report the net gain or loss realized during the year to date of acquisition from the sale, exchange, redemption, or retirement of all securities as defined in Schedule HC, items 2(a) and 2(b). The realized gain or loss is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and the amortized cost. Also include in this item the write-downs of the cost basis of individual held-to-maturity or available-for-sale securities for other-than-temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses.

Do not adjust for applicable income taxes (income taxes applicable to gains (losses) on held-to-maturity or available-for-sale securities are to be reported in item 9, "Applicable income taxes (on item 8)," below).

Exclude from this item:

(1) Net gains (losses) from the sale of detached securities coupons and the sale of ex-coupon securities (report in item 5, "Total noninterest income," or item 7, "Total noninterest expense," as appropriate); and

(2) The change in net unrealized holding gains (losses) on available-for-sale securities during the year to date of acquisition.

Line Item 7 Total noninterest expense.

Report the total noninterest expense of the acquired company for the year to date of acquisition.

Include as noninterest expense:

(1) Salaries and employee benefits;

(2) Expenses of premises and fixed assets;

(3) Goodwill impairment losses;

(4) Amortization expense and impairment losses for other intangible assets; and

(5) Other noninterest expense.

Line Item 7(a) Salaries and employee benefits.

Report salaries and benefits of all officers and employees of the acquired company 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 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 consolidated acquired company;

(3) Contributions to the consolidated acquired company's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan;

(4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the consolidated acquired company was not the beneficiary;

(5) Cost of office temporaries whether hired directly by the acquired company or its consolidated subsidiaries or through an outside agency;

(6) Worker's compensation insurance premiums;

(7) The net cost to the acquired company or its consolidated subsidiaries for employee dining rooms, restaurants, and cafeterias;

(8) Accrued vacation pay earned by employees during the year to date of acquisition; and

(9) The cost of medical or health services, relocation programs and reimbursement programs, and other so-called fringe benefits for officers and employees.

Line Item 7(b) Goodwill impairment losses.

Report any impairment losses recognized during the year to date of acquisition on goodwill (as defined for Schedule HC, item 10(a)). See Schedule HI, item 7(c)(1) for further guidance.

Line Item 8 Income (loss) before income taxes, extraordinary items, and other adjustments.

Report the consolidated acquired company's pretax operating income. This amount will generally be determined by taking item 1, minus the sum of item 2 and item 4, plus item 5, plus or minus item 6, minus item 7. If the result is negative, enclose it in parentheses.

Line Item 9 Applicable income taxes.

Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, ''Income (loss) before income taxes, extraordinary items, and other adjustments,'' including the tax effects of gains (losses) on securities not held in trading accounts (i.e., held-to-maturity and available-for-sale securities). Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, enclose it in parentheses.

Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts.

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

Include tax benefits from operating loss carrybacks realized during the reporting period up to acquisition date. If the consolidated acquired company had realized tax benefits from operating loss carryforwards during this period, do not net the dollar amount of these benefits against the income taxes which would be applicable to item 8. Report the dollar amount of income taxes applicable to item 8 in this item and report the realized tax benefits of operating loss carryforwards gross in item 11, ''Extraordinary items, net of applicable income taxes and minority interest.''

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

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

(1) Item 11, ''Extraordinary items, net of applicable income taxes and minority interest'';

(2) Any restatements due to corrections of material accounting errors and changes in accounting principles; and

(3) Other comprehensive income.

Line Item 10 Minority interest.

Report the minority interest in the net income or loss of the acquired company's consolidated subsidiaries.

Line Item 11 Extraordinary items, net of applicable income taxes and minority interest.

Report the total of the transactions listed below, if any, net of any applicable income taxes (including federal, state and local, and foreign taxes). If the amount reported in this item is a net loss, enclose it in parentheses.

Include as extraordinary items and other adjustments:

(1) The material effects of any extraordinary items. Extraordinary items are very rare and the criteria which must be satisfied in order for an event or transaction to be reported as an extraordinary item are discussed in the Glossary entry for "extraordinary items."

(2) Material aggregate gains on troubled debt restructurings of the consolidated acquired company's own debt, as determined in accordance with the provisions of FASB Statement No. 15.

(3) The cumulative effect of all changes in accounting principles except those required to be reported in restatements due to corrections of material accounting errors and changes in accounting principles. Refer to the Glossary entry for "accounting changes" for further discussion of changes in accounting principles.

(4) The results of discontinued operations as determined in accordance with the provisions of FASB Statement No. 144.

Exclude from extraordinary items and other adjustments:

(1) Net gains or losses on sales or other disposals of:

 (a) All assets reportable as loans and leases in Schedule HC-C;

 (b) Premises and fixed assets;

 (c) Other real estate owned;

 (d) Personal property acquired for debts previously contracted (such as automobiles, boats, equipment and appliances);

 (e) Coins, art, and other similar assets; and

 (f) Branches (i.e., where the consolidated acquired company sold a branch's assets to another depository institution which assumes the deposit liabilities of the branch).

Report these items in noninterest income or noninterest expense, as appropriate, above.

(2) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in item 6).

Line Item 12 Net income (loss).

Report the difference between item 8 and the sum of item 9, item 10, and item 11. If the amount is negative, enclose it in parentheses.

Line Item 13 Cash dividends declared.

Report all cash dividends declared on common and preferred stock (including limited-life preferred stock) during the year to date of acquisition, including dividends not payable until after the acquisition date.

Do not include dividends declared during the previous calendar year but paid in the current period.

For further information on cash dividends, refer to the Glossary entry for ''dividends.''

Line Item 14 Net charge-offs.

Report in this item the difference between gross charge-offs (loans and leases charged by the acquired company against the allowance) and recoveries (amounts credited to the allowance for recoveries on loans and leases previously charged against the allowance) from January 1 to the last business day prior to the date of the BHC's merger with the acquired entity. Include in charged off loans and leases write-downs to fair value on loans and leases transferred to the held-for-sale account during the year to date of acquisition that occurred when (1) the acquired company decided to sell loans that were not originated or otherwise acquired with the intent to sell and (2) the fair value of those loans had declined for any reason other than a change in the general market level of interest or foreign exchange rates.

Line Item 15 Net interest income (item 3 above) on a fully taxable equivalent basis.

Report net interest income (Notes to the Income Statement - Predecessor Financial Items, item 3, ''Net interest income,'' above) on a fully taxable equivalent basis. The amount reported in this item should reflect what net interest income of the acquired company would have been if all its interest income were subject to federal and state income taxes.

The following accounts, on which the interest income is fully or partially tax-exempt, should be adjusted to a "taxable equivalent" basis in order that the acquired company's interest income can be computed on a fully taxable equivalent basis:

(1) Interest income on tax-exempt obligations (other than securities) of states and political subdivisions in the U.S. (included in Notes to the Income Statement - Predecessor Financial Items, item 1(a), ''Interest income on loans and leases'');

(2) Income on lease financing receivables that is tax-exempt (included in Notes to the Income Statement - Predecessor Financial Items, item 1(a), ''Interest income on loans and leases'');

(3) Income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in Notes to the Income Statement - Predecessor Financial Items, item 1(b), "Interest income on investment securities"); and

(4) Any other interest income (such as interest income earned on loans to an Employee Stock Ownership

Notes to the Income Statement—Predecessor Financial Items

Plan), which under state or federal laws is partially or in its entirety exempt from income taxes.

The changes to the 1986 Tax Reform Act must be taken into consideration when computing net interest income on a fully taxable equivalent basis. The 1986 Act, in general, disallowed 100% of the interest expense allocable to tax-exempt obligations acquired after August 7, 1986. Previous to that date, and after December 31, 1982, the disallowance percentage was 20%; previous to December 31, 1982, the disallowance was 0%.

Notes to the Income Statement—Other

This section has been provided to allow bank holding companies that so wish to explain the content of specific items in the income statement. The reporting bank holding company should include any transactions reported on Schedules HI through HI-B that it wishes to explain or that have been separately disclosed in the bank holding company's quarterly reports to its shareholders, in its press releases, or on its quarterly reports to the Securities and Exchange Commission (SEC).

Exclude, however, any transactions that have been separately disclosed under the reporting requirements specified in Memoranda items 6 through 8 to Schedule HI, the Consolidated Income Statement.

Also include any transactions which previously would have appeared as footnotes to Schedules HI through HI-B.

Report in the space provided the schedule and line item for which the holding company is specifying additional information, a description of the transaction and, in the column provided, the dollar amount associated with the transaction being disclosed.

LINE ITEM INSTRUCTIONS FOR THE

Consolidated Balance Sheet for Bank Holding Companies—Schedule HC

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 Book in the General Instructions.

Assets

Line Item 1 Cash and balances due from depository institutions.

Report in item 1(a) noninterest-bearing balances due from depository institutions and currency and coin and in item 1(b) interest-bearing balances due from depository institutions.

Depository institutions cover the following:

(1) Depository institutions in the U.S., i.e.,

- (a) U.S. branches and agencies of foreign banks (refer to the Glossary entry for ''banks, U.S. and foreign'' for the definition of this term);
- (b) U.S. branches of U.S. banks (refer to the Glossary entry for ''banks, U.S. and foreign'');
- (c) savings or building and loan associations, homestead associations, and cooperative banks;
- (d) mutual and stock savings banks; and
- (e) credit unions.

(2) Banks in foreign countries, i.e.,

- (a) foreign-domiciled branches of other U.S. banks; and
- (b) foreign-domiciled branches of foreign banks.

See the Glossary entry for ''banks, U.S. and foreign'' for a description of banks in foreign countries.

(3) Foreign central banks, i.e.,

- (a) foreign central banks in foreign countries;
- (b) departments of foreign central governments that have, as an important part of their functions, activities similar to those of a central bank;
- (c) nationalized banks and banking institutions owned by central governments that have, as an important part of their functions, activities similar to those of a central bank; and
- (d) the Bank for International Settlements (BIS).

Balances due from such institutions cover all interest-bearing and noninterest-bearing balances whether in the form of demand, savings, or time balances, including certificates of deposit, but excluding any balances held in the consolidated bank holding company's trading accounts. Balances with foreign central banks should include all balances with such entities, including reserve, operating, and investment balances. Balances should include ''placements and redeposits'' between foreign offices of the banking subsidiaries of the reporting bank holding company and foreign offices of other banks.

Treatment of reciprocal balances with depository institutions. Reciprocal balances arise when two depository institutions maintain balances with each other, i.e., each institution has both a ''due from'' and a ''due to'' balance with the other institution. For purposes of reporting on this schedule and on Schedule HC-E, Deposit Liabilities, reciprocal balances should be reported in accordance with generally accepted accounting principles.

For purposes of these reports, deposit accounts ''due from'' other depository institutions that are overdrawn are to be reported as borrowings in Schedule HC, item 16. For further information, refer to the Glossary entry for ''overdraft.''

Exclude from items 1(a) and 1(b) the following:

(1) All intracompany transactions, i.e., all transactions between any offices of the consolidated bank holding company.

(2) Claims on banks or other depository institutions held in the consolidated bank holding company's trading accounts.

(3) Deposit accounts ''due to'' other depository institutions that are overdrawn (report in Schedule HC-C, item 2, ''Loans to depository institutions and acceptances of other banks'').

(4) Loans to depository institutions (report in Schedule HC-C, item 2).

(5) Unavailable balances due from closed or liquidating banks or other depository institutions (report in Schedule HC, item 11, ''Other assets'').

Line Item 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 this report, the consolidated bank holding company's overdrafts on deposit accounts it holds with other depository institutions that are not consolidated on the reporting bank holding company's FR Y-9C (i.e., its ''due from'' accounts) are to be reported as borrowings in Schedule HC, item 16, except overdrafts arising in connection with checks or drafts drawn by subsidiary depository institutions of the reporting bank holding company 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 HC-E until the funds are remitted).

Noninterest-bearing balances include the following:

(1) Cash items in process of collection. Cash items in process of collection include the following:

(a) 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 country where the reporting bank holding company's office that is clearing or collecting the check or draft is located. This includes 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'') and checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.

(b) 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.

(c) 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 country where the reporting bank holding company's office which is clearing or collecting the item is located.

(2) Unposted debits, which are cash items in a subsidiary depository institution'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.

(3) Noninterest-bearing balances with depository institutions, i.e., whether in the form of demand, time, or savings balances, provided that the accounts pay no interest.

(4) Balances due from Federal Reserve Banks as shown by the subsidiary depository institutions on its books. This amount includes reserves and other balances.

(5) Currency and coin. Include both U.S. and foreign currency and coin owned and held in all offices of the consolidated bank holding company; currency and coin in transit to a Federal Reserve Bank or to any other depository institution for which the reporting bank holding company's subsidiaries have not yet received credit; and currency and coin in transit from a Federal Reserve Bank or from any other depository institution for which the accounts of the subsidiaries of the reporting bank holding company have already been charged. Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

Exclude from this item the following:

(1) Credit or debit card sales slips in process of collection (report as noncash items in Schedule HC,

item 11, ‘‘Other assets’’). However, when the reporting bank holding company or its consolidated subsidiaries have been notified that they have been given credit, the amount of such sales slips should be reported in this item.

(2) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule HC, item 11, ‘‘Other assets’’).

(3) 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 HC-C; if the drafts were received on a collection basis, they should be excluded entirely from the consolidated bank holding company’s balance sheet, Schedule HC, until the funds have actually been collected.)

Line Item 1(b) Interest-bearing balances.

Report the total of all interest-bearing balances due from depository institutions and foreign central banks that are held in offices of the bank holding company or its consolidated subsidiaries.

Line Item 1(b)(1) In U.S. offices.

Report the total of all interest-bearing balances due from depository institutions and foreign central banks that are held in offices of the bank holding company or its consolidated subsidiaries located in the fifty states of the United States and the District of Columbia. NOTE: This item should include balances due from unaffiliated U.S. and foreign banks and central banks wherever those institutions are located, provided that such balances are booked as assets in domestic offices of the bank holding company or of its consolidated subsidiaries.

Exclude balances held in Edge and Agreement subsidiaries or in international banking facilities (IBFs) of the reporting bank holding company, which are considered foreign offices of the bank holding company for purposes of this report. Such balances are to be reported in item 1(b)(2) below.

Line Item 1(b)(2) In foreign offices, Edge and Agreement subsidiaries, and IBFs.

This item is to be reported only by bank holding companies that have foreign offices or Edge or Agreement subsidiaries or whose consolidated subsidiaries have foreign offices, Edge or Agreement subsidiaries, or International Banking Facilities.

Report the total of all interest-bearing balances due from depository institutions, wherever located, provided that the reporting bank holding company or its consolidated subsidiaries book such balances as assets of offices that are located outside the fifty states of the United States and the District of Columbia. Also report all interest-bearing balances held in International Banking Facilities (IBFs) and in Edge and Agreement corporations of the reporting bank holding company or its consolidated subsidiaries.

Line Item 2 Securities.

Line Item 2(a) Held-to-maturity securities.

Report the amount from Schedule HC-B, item 8, column A, ‘‘Total amortized cost.’’

Line Item 2(b) Available-for-sale securities.

Report the amount from Schedule HC-B, item 8, column D, ‘‘Total fair value.’’

Line Item 3 Federal funds sold and securities purchased under agreements to resell.

Line Item 3(a) Federal funds sold in domestic offices.

Report the outstanding amount of federal funds sold, i.e., immediately available funds lent (in domestic offices) under agreements or contracts that *have an original maturity of one business day or roll over under a continuing contract*, excluding such funds lent in the form of securities purchased under agreements to resell (which should be reported in Schedule HC, item 3(b)) and overnight lending for commercial and industrial purposes (which generally should be reported in Schedule HC, 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 holding company 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 FASB Interpretation No. 39.

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 HC, item 4(b), ''Loans and leases, net of unearned income'').

(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 holding company 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 HC, 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 HC, 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, net of unearned income'').

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

Line Item 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 holding company to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.

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

Report securities purchased under agreements to resell on a gross basis, i.e., do *not* net them against securities sold under agreements to repurchase, except to the extent permitted under FASB Interpretation No. 41.

Exclude from this item:

(1) Resale agreements involving assets other than securities (report in Schedule HC, item 3(a), ''Federal funds sold,'' or item 4(b), ''Loans and leases, net of unearned income,'' 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 holding company that have not yet been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule HC, 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.''

Line Item 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 holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., held for investment.

Line Item 4(a) Loans and leases held for sale.

Report the amount of loans and leases held for sale 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. Therefore, no allowance for loan and lease losses should be established for loans and leases held for sale. These loans and leases are included by loan category in Schedule HC-C.

Line Item 4(b) Loans and leases, net of unearned income.

Report the amount of loans and leases that the reporting bank holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., held for investment.

This item must equal Schedule HC-C item 12, column A, excluding the amount of loans and leases held for sale, which should be reported separately in item 4(a) above. Loans and leases reported in line item 4(b) should be net of unearned income.

Line Item 4(c) LESS: Allowance for loan and lease losses.

Report the allowance for loan and lease losses as determined in accordance with generally accepted accounting principles (GAAP) (and described in the Glossary entry for ''allowance for loan and lease losses''). Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting bank holding company 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), and in any guidelines, or instructions issued by the Federal Reserve. This item must equal Schedule HI-B, part II, item 7.

Line Item 4(d) Loans and leases, net of unearned income and allowance for loan and lease losses.

Report the amount derived by subtracting item 4(c) from item 4(b).

Line Item 5 Trading assets.

Bank holding companies that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, commodity, equity, and credit derivative contracts, other financial instruments, and other assets for resale, (b) acquire or take 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) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this item the value of such assets or positions on the report date. Assets and other financial instruments held for trading shall be consistently valued at fair value.

Do *not* include in this item the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Available-for-sale securities are reported in Schedule HC, item 2(b) and in Schedule HC-B, columns C and D. Loans and leases held for sale should be reported in Schedule HC, item 4(a), ''Loans and leases held for sale,'' and in Schedule HC-C.

Trading assets include but are not limited to U.S. Treasury securities, U.S. Government agency obligations, securities issued by states and political subdivisions in the U.S., other bonds, notes, and debentures, certificates of deposit, commercial paper, and bankers acceptances. Trading assets also include the amount of revaluation gains (i.e., assets) from the ''marking to market'' of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the ''marking to market'' of the reporting bank holding company's interest rate, foreign exchange rate, and other commodity and equity derivative contracts with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule HC, item 15, ''Trading liabilities,'' as appropriate. (See the Glossary entry for ''offsetting.'')

For those bank holding companies that must complete Schedule HC-D, this item must equal Schedule HC-D, item 12, ''Total trading assets.''

Line Item 6 Premises and fixed assets.

Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture, and fixtures purchased directly or acquired by means of a capital lease. The method of depreciation or amortization should conform to generally accepted accounting principles.

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

Include the following as premises and fixed assets:

(1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the bank

holding company, its consolidated subsidiaries, or their branches.

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

(3) Remodeling costs to existing premises.

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

(5) Parking lots that are used by customers or employees of the bank holding company, its consolidated subsidiaries, and their branches.

(6) Furniture, fixtures, and movable equipment of the bank holding company, its consolidated subsidiaries, and their branches.

(7) Automobiles, airplanes, and other vehicles owned by the bank holding company or its consolidated subsidiaries and used in the conduct of its business.

(8) The amount of capital lease property (with the bank holding company or its consolidated subsidiaries as lessee)—premises, furniture, fixtures, and equipment. See the discussion of accounting with bank holding company as lessee in the Glossary entry for ‘‘lease accounting.’’

(9) Stocks and bonds issued by nonmajority-owned corporations whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the bank holding company, its consolidated subsidiaries, or their branches.

Property formerly but no longer used for banking or nonbanking activities may be reported in this item as ‘‘Premises and fixed assets’’ or in item 7, ‘‘Other real estate owned.’’

Exclude from premises and fixed assets:

(1) Original paintings, antiques, and similar valuable objects (report in item 11, ‘‘Other assets’’);

(2) Favorable leasehold rights (report in item 10(b), ‘‘Other intangible assets’’); and

(3) Loans and advances, whether secured or unsecured, to individuals, partnerships, and nonmajority-owned corporations for the purpose of purchasing or holding land, buildings, or fixtures occupied or used (or to be occupied or used) by the bank holding company, its consolidated subsidiaries, or their branches (report in item 4(b) ‘‘Loans and leases, net of unearned income’’).

Line Item 7 Other real estate owned.

Report the total amount of other real estate owned from Schedule HC-M, item 13(c). For further information on other real estate owned, see the instructions to Schedule HC-M, item 13, and the Glossary entry for ‘‘foreclosed assets.’’

Line Item 8 Investments in unconsolidated subsidiaries and associated companies.

Report the amount of the bank holding company’s investments in the stock of all subsidiaries that have not been consolidated, associated companies, and those corporate joint ventures over which the reporting bank holding company exercises significant influence (collectively referred to as ‘‘investees’’). Also include loans and advances to investees and holdings of their bonds, notes, and debentures.

Investments in the common stock of investees shall be reported using the equity method of accounting in accordance with GAAP. Under the equity method, the carrying value of the bank holding company’s investment in the common stock of an investee is originally recorded at cost but is adjusted periodically to record as income the bank holding company’s proportionate share of the investee’s earnings or losses and decreased by the amount of any cash dividends received from the investee and amortization of goodwill.

Unconsolidated subsidiaries include all subsidiaries of the reporting bank holding company that are 50 percent or less owned (i.e., less than majority-owned) by the reporting bank holding company or, for some reason under GAAP, are not consolidated on the reporting bank holding company’s consolidated financial statements. Refer to the General Instructions section of this book for a more detailed discussion of consolidation. See also the Glossary entry for ‘‘subsidiaries’’ for definitions of subsidiary, associated companies, and joint ventures.

Line Item 9 Customers’ liability on acceptances outstanding.

Report the full amount (with the exceptions noted below) of customers’ liability to the consolidated bank holding company on drafts and bills of exchange that have been accepted by the banking subsidiaries of the reporting bank holding company, or by others for their accounts, and are outstanding.

The amount of customers' liability to the consolidated bank holding company on acceptances executed by its banking subsidiaries that have not yet matured should be reduced when (1) the customer anticipates its liability to the banking subsidiaries of the reporting bank holding company on an outstanding acceptance by making a payment in advance of the acceptance's maturity that immediately reduces the customer's indebtedness to the banking subsidiary on such an acceptance; or (2) the reporting bank holding company or its consolidated subsidiaries acquire and hold one of the holding company's banking subsidiaries' acceptances.

For purposes of reporting an amount in this item, bank holding companies may use generally accepted accounting principles.

(See the Glossary entry for ''bankers acceptances'' for further information.)

Line Item 10 Intangible assets.

Report in the appropriate subitem the amount of intangible assets. Such intangibles may arise from the following:

(1) business combinations accounted for under the purchase method in accordance with generally accepted accounting principles, and

(2) acquisitions of portions or segments of another institution's business, such as branch offices, mortgage servicing portfolios, and credit card portfolios.

Line Item 10(a) Goodwill.

Report the carrying amount of goodwill. Goodwill represents the excess of the cost of a company over the sum of the fair values of the tangible assets and identifiable intangible assets acquired less the fair value of liabilities assumed in a business combination accounted for as a purchase.

Goodwill should not be amortized, but must be tested for impairment as described in the instructions to Schedule HI, item 7(c)(1), ''Goodwill impairment losses.'' However, until interpretive guidance concerning the application of the purchase method of accounting for business combinations between two or more mutual institutions is issued by the FASB and takes effect, goodwill acquired in a combination between two or more mutual enterprises must continue to be amortized over its estimated useful life, generally not to exceed 25 years, and tested for impairment in accordance with APB Opinion No. 17.

Exclude unidentifiable intangible assets recorded in accordance with FASB Statement No. 72 (report such intangible assets in Schedule HC, item 10(b), ''Other intangible assets.'')

Line Item 10(b) Other intangible assets.

Report the total amount of other intangible assets from Schedule HC-M, line item 12(d). For further information on other intangible assets, see the instructions to Schedule HC-M, line items 12(a) through 12(c).

Line Item 11 Other assets.

Report the total amount of other assets from Schedule HC-F, line item 6. For further information, see the instructions for Schedule HC-F, line items 1 through 5.

Line Item 12 Total assets.

Report the sum of items 1 through 11. This item must equal item 29, ''Total liabilities, minority interest, and equity capital.''

Liabilities

Line Item 13 Deposits.

(For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for ''deposits.'')

Line Item 13(a) In domestic offices.

Report the total of all deposits that are booked at domestic offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company. This item must equal the sum of Schedule HC-E, items 1(a) through 1(e) and 2(a) through 2(e).

Line Item 13(a)(1) Noninterest-bearing.

Report the total of all noninterest-bearing deposits in domestic offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company included in Schedule HC-E, Deposit Liabilities.

Line Item 13(a)(2) Interest-bearing.

Report the total of all interest-bearing deposits in domestic offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company included in Schedule HC-E, Deposit Liabilities.

Line Item 13(b) In foreign offices, Edge and Agreement subsidiaries, and IBFs.

NOTE: This item is to be reported only by bank holding companies that have foreign offices or Edge or Agreement subsidiaries or whose consolidated subsidiaries have foreign offices, Edge or Agreement subsidiaries, or International Banking Facilities.

Report the total of all deposits booked at foreign offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company, their Edge and Agreement subsidiaries, and their IBFs.

Line Item 13(b)(1) Noninterest-bearing.

Report the total of all noninterest-bearing deposits in foreign offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company.

Line Item 13(b)(2) Interest-bearing.

Report the total of all interest-bearing deposits in foreign offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company.

Line Item 14 Federal funds purchased and securities sold under agreements to repurchase.

Line Item 14(a) Federal funds purchased in domestic offices.

Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed (in domestic offices) under agreements or contracts that *have an original maturity of one business day or roll over under a continuing contract*, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule HC, item 14(b)) and Federal Home Loan Bank advances (which should be reported in Schedule HC, 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 institution 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 FASB Interpretation No. 39.

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 HC, item 16, ''Other borrowed money'').

(2) Securities repurchase agreements that *have an original maturity of one business day or roll over under a continuing contract*, if the agreement requires the bank holding company 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 HC, item 14(b), ''Securities sold under agreements to repurchase'').

(3) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank (report those in the form of securities repurchase agreements in Schedule HC, item 14(b), and all other borrowings in Schedule HC, item 16).

(4) Borrowing 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 repurchase agreements (report in Schedule HC, item 16).

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

Line Item 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 holding company 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 FASB Interpretation No. 41.

Exclude from this item:

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

(2) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank other than in the form of securities repurchase agreements (report in Schedule HC, item 16).

(3) Obligations under due bills that resulted when the bank holding company 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 HC, item 16). See the Glossary entry for ''due bills.''

(4) 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.''

Line Item 15 Trading liabilities.

Report the amount of liabilities from the reporting bank holding company's trading activities. Include liabilities resulting from the sales of assets that the reporting bank holding company does not own (see Glossary entry for ''short position'') and revaluation losses from ''marking to market'' derivative contracts into which the reporting bank holding company has entered for trading, dealer, customer accommodation, and similar purposes. For bank holding companies that must complete Schedule HC-D, ''Trading Assets and Liabilites,'' the amount reported in this item must equal Schedule HC-D, item 15.

Line Item 16 Other borrowed money.

Report the total amount of other borrowed money from Schedule HC-M, line item 14(d). For further information on other borrowed money, see the instructions to Schedule HC-M, line items 14(a) through 14(c).

Line Item 17 Not applicable.

Line Item 18 Liability on acceptances executed and outstanding.

Report the full amount (except as noted below) of the liability represented by drafts and bills of exchange that have been accepted by a consolidated banking subsidiary of the reporting bank holding company, or by others for its account, and that are outstanding. The consolidated bank holding company's liability on acceptances executed and outstanding should be reduced prior to the maturity of such acceptances only when the banking subsidiaries or any consolidated member of the reporting bank holding company acquire and hold their own acceptances, i.e., only when the acceptances are not outstanding.

For purposes of reporting an amount in this item, bank holding companies may use generally accepted accounting principles.

See the Glossary entry for ''bankers acceptances'' for further information.

Line item 19 Subordinated notes and debentures.

Report the amount of subordinated debt of the consolidated bank holding company. Include the amount of outstanding notes and debentures that are subordinated to the deposits of the subsidiary depository institutions (see the Glossary entry for ''subordinated notes and debentures'') and any other debt that is designated as subordinated in its indenture agreement.

Include in this line item the total amount of outstanding equity contract notes and equity commitment notes that qualify as capital, as defined by the Federal Reserve Board's capital adequacy guidelines, 12 C.F.R., Part 225, Appendix B.

Also include perpetual debt securities that are subordinated.

For purposes of this item, report the amount of any 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.)

For purposes of this report, do not include instruments generally referred to as trust preferred securities in this item. Such securities should be reported in line item 22, ‘‘Minority interest in consolidated subsidiaries and similar items.’’

Line Item 20 Other liabilities.

Report the total amount of other liabilities from Schedule HC-G, line item 5. For further information see the instructions for Schedule HC-G, line items 2 through 4.

Line Item 21 Total liabilities.

Report the sum of items 13 through 20.

Line Item 22 Minority interest in consolidated subsidiaries and similar items.

Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank holding company that must be allocated to minority shareholders of such subsidiaries. For purposes of this item, also report the outstanding amount of instruments generally referred to as trust preferred stock that are issued out of special purpose subsidiaries and are marketed under a variety of names such as MIPS, QUIPS and TOPrS. For further information, see the Glossary entry for ‘‘trust preferred securities.’’

Equity Capital

Line Item 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.)

Line Item 24 Common stock (par value).

Report the aggregate par or stated value of common stock issued.

Line Item 25 Surplus (exclude all surplus related to preferred stock).

Report the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date.

Do not include any portion of the proceeds received from the sale of limited-life preferred stock in excess of its par or stated value (report in Schedule HC, item 19) or any portion of the proceeds received from the sale of perpetual preferred stock in excess of its par or stated value (report in Schedule HC, item 23).

Line Item 26(a) Retained earnings.

Report the amount of retained earnings (including capital reserves) as of the report date. The amount of the retained earnings should reflect the transfer of net income, declaration of dividends, transfers to surplus, and any other appropriate entries.

Adjustments of accruals and other accounting estimates made shortly after the report date that 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 HI, 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 follows:

(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 item 20, ‘‘Other liabilities,’’ of this schedule.)

(3) Retirement account (for limited-life preferred stock or notes and debentures subordinated to deposits)—includes amounts allocated under the plan for retirement of limited-life preferred stock or notes and debentures subordinated to deposits contained in the bank holding company’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 holding company’s books and not covered by insurance. This reserve may include, for example, reserves set up

to provide for possible losses that bank holding company may sustain because of lawsuits, the deductible amount under the bank holding company's blanket bond, defaults on obligations for which the bank holding company is contingently liable, or other claims against the bank holding company. A reserve for contingencies represents a segregation of retained earnings. It should not include any element of known losses or of any probable losses the amount of which can be estimated with reasonable accuracy (see the Glossary entry for ''loss contingencies'' for additional information).

Exclude the following from retained earnings:

(1) The amount of the cumulative foreign currency translation adjustment (report in item 26(b)).

(2) Any portion of the proceeds received from the sale of perpetual preferred stock and common stock in excess of its par or stated value (report surplus related to perpetual preferred stock in item 23 and surplus related to common stock in item 25 except where required by state law or regulation).

(3) Any portion of the proceeds received from the sale of limited-life preferred stock in excess of its par or stated value (report in Schedule HC, item 19).

(4) ''Reserves'' that reduce the related asset balances such as valuation allowances (e.g., allowance for loan and lease losses), reserves for depreciation, and reserves for bond premiums.

Line Item 26(b) Accumulated other comprehensive income.

Report in this item the amount of other comprehensive income in conformity with the requirements of FASB Statement No. 130, *Reporting Comprehensive Income*. Accumulated other comprehensive income includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, foreign currency translation adjustments, and minimum pension liability adjustments. Net unrealized holding gains (losses) on available-for-sale securities is the difference between the amortized cost and fair value of the reporting bank holding company and its consolidated subsidiaries' available-for-sale securities, net of tax effects, as of the report date. For most bank holding companies, all ''securities,'' as the term is defined in FASB Statement No. 115, that are designated as ''available-for-sale'' will be reported as ''available-for-sale securities'' in Schedule HC, item 2(b), and in Schedule HC-B, columns C and D. However, a bank holding company may have certain assets that fall within the definition of ''securities'' in FASB Statement No. 115 (e.g., commercial paper, nonrated industrial development obligations) that the bank holding company has designated as ''available-for-sale'' which are reported for purposes of the FR Y-9C in a balance sheet category other than ''securities'' (e.g., ''loans and lease financing receivables''). These ''available-for-sale'' assets must be carried on the FR Y-9C balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects, must be included in this item.

Also include in this item the unamortized amount of the unrealized holding gain or loss at the date of transfer of any debt security transferred into the held-to-maturity category from the available-for-sale category. When a debt security is transferred from available-for-sale to held-to-maturity, the unrealized holding gain or loss at the date of transfer continues to be reported in this equity capital 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.

Accumulated net gains (losses) on cash flow hedges[1] is the effective portion[2] of the accumulated change in fair value (gain or loss) on derivatives designated and qualifying as cash flow hedges in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Under Statement No. 133, a bank holding company that elects to apply hedge accounting must exclude from net income the effective portion of the change in fair value

1. 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, FASB Statement No. 133 requires that changes in fair value of properly designated and qualifying derivatives initially be reported in a separate component of equity (accumulated other comprehensive income) and reclassified into earnings in the same period that the hedged transaction affects earnings.

2. The effective portion of a cash flow hedge can be described as a change in fair value of the derivative that offsets the change in expected future cash flows being hedged. Refer to FASB Statement No. 133, Appendix A, Section 2, for further information.

of a derivative designated as a cash flow hedge and record it on the balance sheet in a separate component of equity capital (referred to as ''accumulated other comprehensive income'' in the accounting standard). The ineffective portion of the cash flow hedge must be reported in earnings. The equity capital component (i.e., the accumulated other comprehensive income) associated with a hedged transaction should be adjusted each reporting period to a balance that reflects the lesser (in absolute amounts) of:

(1) the cumulative gain or loss on the derivative from inception of the hedge, less (a) amounts excluded consistent with the bank holding company's defined risk management strategy, and (b) the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction, or

(2) The portion of the cumulative gain or 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 or 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 or 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 transactions affects earnings (for example, when a hedged variable-rate interest receipt on a loan is accrued or when a forecasted sale occurs).

Include in this item the sum of the bank holding company's foreign currency translation adjustments accumulated in accordance with FASB No. 52. A net debit balance should be reported as a reduction of the total amount reported in this item (See the Glossary entry for ''foreign currency transactions and translation'' for further information.) For additional information, refer to FASB Statement No. 130, *Reporting Comprehensive Income*.

Report any minimum pension liability adjustment recognized in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions*. Under Statement No. 87, an employer must report in a separate component of equity capital, net of any applicable tax benefits, the excess of additional pension liability over unrecognized prior service cost.

Line Item 27 Other equity capital components.

Report in this item all other equity capital components including the total carrying value (at cost) of treasury stock and unearned Employee Stock Ownership Plan (ESOP) shares as of the report date. (See the Glossary entry for ''treasury stock'' for further information.)

NOTE: When the reporting bank holding company has included in item 16 above the ESOP's long-term debt that it has explicitly or implicitly guaranteed, include in this item the dollar amount of the offsetting debit to the liability recorded by the reporting bank holding company in connection with that debt. The amount of unearned ESOP shares should be reduced as the debt is amortized. Report a total net debit balance for this line item in parentheses.

Line Item 28 Total equity capital.

Report the sum of items 23 through 27. This item must equal Report of Income Schedule HI-A, item 15, ''Total equity capital end of current period.''

Line Item 29 Total liabilities, minority interest and equity capital.

Report the sum of items 21, 22 and 28. This item must equal item 12, ''Total assets.''

LINE ITEM INSTRUCTIONS FOR

Securities Schedule HC-B

General Instructions

This schedule has four columns for information on securities, two columns for held-to-maturity securities and two columns for available-for-sale securities. Report the amortized cost and the current fair (market) value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and the current fair (market) value of available-for-sale debt securities in columns C and D, respectively. Information on equity securities is reported in the columns for available-for-sale securities only (columns C and D). For equity securities with readily determinable fair values, historical cost (not amortized cost) is reported in column C and fair value is reported in column D. See the Glossary entry for ''market value of securities'' for a discussion of acceptable valuation methods. Equity securities that do not have readily determinable fair value should be reported in in Schedule HC-F, ''Other Assets.''

Amortized cost must include amortization of premium and accretion of discount on securities purchased at other than par or face value (including U.S. Treasury bills). 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 shall be treated in the following manner:

(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 as set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. For further information, see the Glossary entry for ''transfers of financial assets'' and ''repurchase/resale agreements.''

(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 FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. For further information, see the Glossary entry for ''transfers of financial assets'' and ''repurchase/resale agreements.''

(3) Pledged securities—Pledge securities that have not been transferred to the secured party should continue to be included in the pledging bank holding company's holdings of securities that are reported in Schedule HC-B. If the reporting bank holding company has transferred pledged securities to the secured party, the reporting bank holding company should account for the pledged securities in accordance with FASB Statement No. 140.

(4) Securities borrowed and lent—Securities borrowed and lent shall be reported on the balance sheet of either the borrowing or lending bank holding company or its consolidated subsidiaries in accordance with Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. 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 standby contracts—Such open contracts to buy or sell in the future are to be reported as derivatives in Schedule HC-L, item 11).

Line Item 1 U.S. Treasury securities.

Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held in trading accounts. 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 and corporations. 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 item 6). (Refer to the Glossary entry for ‘‘coupon stripping’’ for additional information.)

Line Item 2 U.S. government agency obligations (exclude mortgage-backed securities).

Report in the appropriate columns of the appropriate subitem the amortized cost and fair value of all U.S. government agency and obligations (excluding mortgage-backed securities) not held in trading accounts.

For purposes of this line item, exclude from U.S. government agency obligations:

(1) Loans to the Export Import Bank and to federally-sponsored lending agencies (report in ‘‘All other loans,’’ Schedule HC-C, item 9). Refer to the Glossary entry for federally-sponsored lending agency for the definition of this term.

(2) All holdings of U.S. government-issued or -guaranteed mortgage pass-through securities (report in item 4(a) below).

(3) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs) and similar instruments) issued by U.S. government agencies and corporations (report in item 4(b) below).

(4) Participations in pools of Federal Housing Administration (FHA) Title I loans, which generally consist of junior lien home improvement loans.

Line Item 2(a) Issued by U.S. government agencies.

Report in the appropriate columns the amortized cost and fair value of all obligations not held in trading accounts that have been issued by U.S. government agencies. For purposes of this item, 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.

Include, among others, debt securities (but not mortgage-backed securities) of the following U.S. government agencies:

(1) Export–Import Bank (Ex-Im Bank)

(2) Federal Housing Administration (FHA)

(3) Government National Mortgage Association (GNMA)

(4) Maritime Administration

(5) Small Business Administration (SBA)

Include such obligations as:

(1) Small Business Administration (SBA) ‘‘Guaranteed Loan Pool Certificates,’’ which represent an undivided interest in a pool of SBA-guaranteed portion of loans for which the SBA has further guaranteed the timely payment of scheduled principal and interest payments.

(2) Participation certificates issued by the Export–Import Bank and the General Services Administration.

(3) Notes issued by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in FmHA-insured notes.

Line Item 2(b) Issued by U.S. government-sponsored agencies.

Report in the appropriate column the amortized cost and fair value of all obligations not held in trading accounts that have been issued by U.S. government-sponsored agencies. For purposes of the FR Y-9C, U.S.

government-sponsored agencies are defined as agencies 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.

Include, among others, debt securities (but not mortgage-backed securities) of the following government-sponsored agencies:

(1) Federal Agricultural Mortgage Corporation (Farmer Mac)

(2) Federal Farm Credit Banks

(3) Federal Home Loan Banks (FHLBs)

(4) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)

(5) Federal Land Banks (FLBs)

(6) Federal National Mortgage Association (FNMA or Fannie Mae)

(7) Financing Corporation (FICO)

(8) Resolution Funding Corporation (REFCORP)

(9) Student Loan Marketing Association (SLMA or Sallie Mae)

(10) Tennessee Valley Authority (TVA)

(11) U.S. Postal Service

Line Item 3 Securities issued by states and political subdivisions in the U.S.

Report amortized cost and fair value of all securities issued by states and political subdivisions in the United States not held in trading accounts.

States and political subdivisions in the U.S., for purposes of this report, include:

(1) the fifty states of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and

(2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Securities issued by states and political subdivisions include:

(1) General obligations, which are securities whose principal and interest will be paid from the general tax receipts of the state or political subdivision.

(2) Revenue obligations, are securities whose debt service is paid solely from the revenues of the projects financed by the securities rather than from general tax funds.

(3) Industrial development and similar obligations.

Treatment of industrial development bonds (IDBs). IDBs, sometimes referred to as ‘‘industrial revenue bonds,’’ are typically issued by local industrial development authorities to benefit private commercial and industrial development. For purposes of this report, all IDBs should reported as securities in this item or as loans in Schedule HC-C, (item 9) consistent with the asset category in which the bank holding company reports its IDBs on its balance sheet for other financial reporting purposes. Regardless of whether they are reported as securities in Schedule HC-B or as loans in Schedule HC-C, all IDBs that meet the definition of a ‘‘security’’ in FASB Statement No. 115 must be measured in accordance with Statement No. 115.

Treatment of other obligations of state and political subdivisions in the U.S. In addition to those IDBs that are reported as securities in accordance with the preceding paragraph, also include in this item as securities issued by states and political subdivisions in the U.S., all obligations other than IDBs that meet any of the following criteria:

(1) Nonrated obligations of states and political subdivisions in the U.S., other than those specifically excluded below, that the bank holding company considers securities for other financial reporting purposes.

(2) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally-recognized rating service.

(3) Obligations of state and local governments that are guaranteed by the U.S. government (excluding mortgage-backed securities).

Exclude from item 3:

(1) All overdrafts of states and political subdivisions in

the U.S. (report as loans in Schedule HC, item 4(b), and Schedule HC-C, item 9).

(2) All lease financing receivables of states and political subdivisions in the U.S. (report as leases in Schedule HC, item 4(b), and Schedule HC-C, item 10).

(3) All IDBs that are to be reported as loans in accordance with the reporting treatment described above (report as loans in Schedule HC, item 4(b), and Schedule HC-C; item 9).

(4) All other nonrated obligations of states and political subdivisions in the U.S. that the bank holding company considers loans for other financial reporting purposes (report as loans in Schedule HC, item 4(b), and Schedule HC-C, item 9).

(5) All mortgage pass-through securities issued by state and local housing authorities in the U.S. (report in Schedule HC-B, item 4(a) below).

(6) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) issued by state and local housing authorities in the U.S. (report in Schedule HC-B, item 4(b) below).

(7) All obligations of states and political subdivisions in the U.S. held by the reporting bank holding company or its consolidated subsidiaries in trading accounts (report in Schedule HC, item 5).

Line Item 4 Mortgage-backed securities.

Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all mortgage pass-through securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).

Exclude from mortgage-backed-securities:

(1) Securities backed by loans extended under home equity lines (i.e., revolving open-end lines of credit secured by 1–4 family residential properties (report as asset-backed securities in item 5(b) below).

(2) Bonds issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that are collateralized by mortgages i.e., mortgage-backed bonds. (report in Schedule HC-B, item 2, ''U.S. government agency obligations'') and mortgage-backed bonds issued by non-U.S. government issuers (report in Schedule HC-B, item 6(a), ''Other domestic debt securities.''

(3) Participation certificates issued by the Export–Import Bank and the General Services Administration (report in Schedule HC-B, item 2, ''U.S. government agency obligations'').

(4) Participation certificates issued by a Federal Intermediate Credit Bank (report in Schedule HC-F, item 4, ''Equity securities that do not have readily determinable fair values'').

(5) Notes insured by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in FmHA-insured notes (report in Schedule HC-B, item 2, ''U.S. government agency obligations'').

Line Item 4(a) Pass-through securities.

Report in the appropriate columns of the appropriate subitem the amortized cost and fair value of all holdings of mortgage pass-through securities. In general, a mortgage pass-through security represents an undivided interest in a pool that provides the holder with a pro rata share of all principal and interest payments on the residential mortgages in the pool of residential mortgages, and includes certificates of participation in pools of residential mortgages.

Include certificates of participation in pools of residential mortgages even though the reporting bank holding company was the original holder of the mortgages underlying the pool and holds the instruments covering that pool, as may be the case with GNMA certificates issued by the bank and swaps with FNMA and FHLMC. Also include U.S. government- issued participation certificates (PCs) that represent a pro rata share of all principal and interest payments on a pool of resecuritized participation certificates that, in turn, are backed by residential mortgages, e.g., FHLMC Giant PCs.

Exclude all collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule HC-B, item 4(b) below).

Line Item 4(a)(1) Guaranteed by GNMA.

Report in the appropriate columns the amortized cost and fair value of all holdings of mortgage pass-through securities guaranteed by the Government National Mortgage Association (GNMA) that are not held in trading accounts. Exclude mortgage pass-through securities issued by FNMA and FHLMC (report in Schedule HC-B, item 4(a)(2) below).

Line Item 4(a)(2) Issued by FNMA and FHLMC.

Report in the appropriate columns the amortized cost and fair value of all holdings of mortgage pass-through securities issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that are not held in trading accounts. Exclude mortgage pass-through securities that are guaranteed by the Government National Mortgage Association (GNMA) (report in Schedule HC-B, item 4(a)(1) above).

Line Item 4(a)(3) Other pass-through securities.

Report in the appropriate columns the amortized cost and fair value of all holdings of mortgage pass-through securities issued by others (e.g., other depository institutions or insurance companies, state and local housing authorities) that are not guaranteed by the U.S. government and are not held in trading accounts.

If the reporting bank holding company has issued private certificates of participation in a pool of its own residential mortgages in a transaction that is not reported as a financing in accordance with the Glossary entry for ''participations in pools of residential mortgages,'' any unsold private certificates of participation are to be reported in this item.

Line Item 4(b) Other mortgage-backed securities.

Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all mortgage-backed securities other than pass-through securities that are not held in trading accounts.

Other mortgage-backed securities include:

(1) All classes of collateralized mortgage obligations (CMOs) and real estate mortgage investments conduits (REMICs).

(2) CMO and REMIC residuals and similar interests.

(3) Stripped mortgage-backed securities (such as interest-only strips (IOs), and principal-only strips (POs), and similar instruments).

Line Item 4(b)(1) Issued or guaranteed by FNMA, FHLMC or GNMA.

Report in the appropriate columns the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). For purposes of this item, also include REMICs issued by the U.S. Department of Veterans Affairs (VA).

Line Item 4(b)(2) Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA.

Report in the appropriate columns the amortized cost and fair value of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA (Ginnie Mae) pass-throughs, FNMA (Fannie Mae) pass-throughs, FHLMC (Freddie Mac) participation certificates, or other mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by FNMA, FHLMC, GNMA, or VA.

Line Item 4(b)(3) All other mortgage-backed securities.

Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral does not consist of GNMA (Ginnie Mae) pass-throughs, FNMA (Fannie Mae) pass-throughs, FHLMC (Freddie Mac) participation certificates or other mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities) issued by FNMA, FHLMC, GNMA, or VA.

Line Item 5 Asset-backed securities (ABS).

Report in the appropriate columns of the appropriate sub-items the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. For purposes of categorizing asset-backed securities in Schedule HC-B, items 5(a) through 5(f) below, each individual asset-backed security should be included in the item that most closely describes the predominant type of asset that collateralizes the security and this categorization should be used consistently over time. For example, an asset-backed security may be collateralized by automobile loans to both individuals and business enterprises. If the prospectus for this asset-backed security or other available information indicates that these automobile loans are predominantly loans to individuals, the security should be reported in Schedule HC-B, item 5(c), as being collateralized by automobile loans.

Line Item 5(a) Credit card receivables.

Report in the appropriate column, the amortized cost and fair value of all asset-backed securities collateralized by credit card receivables on loans as defined in Schedule HC-C, item 6(a).

Line Item 5(b) Home equity lines.

Report in the appropriate column, the amortized cost and fair value of all asset-backed securities collateralized by home equity lines of credit on loans as defined in Schedule HC-C, item 1(c)(1).

Line Item 5(c) Automobile loans.

Report in the appropriate column, the amortized cost and fair value of all asset-backed securities collateralized by automobile loans, i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. Such loans are a subset of ‘‘Other consumer loans,’’ as defined for Schedule HC-C, item 6(c).

Line Item 5(d) Other consumer loans.

Report in the appropriate column, the amortized cost and fair value of all asset-backed securities collateralized by other consumer loans as defined in Schedule HC-C, item 6(b) or item 6(c), excluding automobile loans as described in item 5(c) above.

Line Item 5(e) Commercial and industrial loans.

Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by commercial and industrial loans, i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule HC-C, item 4.

Line Item 5(f) Other.

Report in the appropriate columns the amortized cost and fair value of all asset-backed securities collateralized by non-mortgage loans other than those described in items 5(a) through 5(e), above, i.e., loans as defined for Schedule HC-C, items 2, 3, 7, and 9; lease financing receivables as defined for Schedule HC-C, item 10; and all other assets.

Line Item 6 Other debt securities.

Report in the appropriate columns the amortized cost and fair value of all other debt securities that are not held for trading that cannot properly be reported in Schedule HC-B, items 1 through 5 above.

Exclude from other debt securities:

(1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule HC-B, item 4 above).

(2) Holdings of bankers acceptances, and certificates of

deposit, which are not classified as securities for purposes of this report.

Line Item 6(a) Other domestic debt securities.

Include in this item:

(1) Bonds, notes, debenture, equipment trust certificates, and commercial paper issued by U.S.-chartered corporations and other U.S. issuers and not reportable elsewhere in Schedule HC-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 holder, including trust preferred securities 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 holding company'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.)

Line Item 6(b) Foreign debt securities.

Report in this item the amortized cost and fair value of foreing debt securities not held for trading issued by non-U.S.-chartered corporations, foreign governments, or special international organizations.

Include in this item as foreign debt securities the following:

(1) Bonds, notes, debentures, equipment trust certificates, and 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.

Line Item 7 Investments in mutual funds and other equity securities with readily determinable fair values.

Report in columns C and D the historical cost and fair value, respectively, of all investments in mutual funds and other equity securities with readily determinable fair values. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. government securities, common stock of the Federal National Mortgage Association (Fannie Mae), preferred stock and unrestricted voting common stock of the Student Loan Marketing Association (Sallie Mae), and common stock of the Federal Home Loan Mortgage Corporation (Freddie Mac).

The fair value of an equity security is readily determinable if sales or bid-and-asked quotations are currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by the National Quotation Bureau. (''Restricted stock,'' as defined In FASB Statement No. 115, does not meet this definition. For the definition of this term, see the instructions to Schedule HC-F, item 4). 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.

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

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

(1) Paid-in stock of a Federal Reserve Bank (report as an equity security that does not have a readily determinable fair value in Schedule HC-F, item 4).

(2) Stock of a Federal Home Loan Bank (report as an equity security that does not have a readily determinable fair value in Schedule HC-F, item 4).

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers's banks and voting common stock of the

Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule HC-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 (report such preferred stock as an other debt security in Schedule HC-B, item 6, above).

(5) ''Restricted stock,'' as defined in FASB Statement No. 115, 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 (report ''restricted stock'' as an equity security that does not have a readily determinable fair value in Schedule HC-F, item 4).

(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity security that does not have a readily determinable fair value in Schedule HC-F, item 4).

(7) Minority interests held by the reporting bank holding company in any companies not meeting the definition of associated company (report as equity securities that do not have a readily determinable fair value in Schedule HC-F, item 4), except minority holdings that indirectly represent bank holding company premises (report in Schedule HC, item 6) or other real estate owned (report in Schedule HC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for ''subsidiaries'' for the definition of associated company.)

(8) Equity holdings in those corporate joint ventures over which the reporting bank holding company does not exercise significant influence (report as equity securities that do not have a readily determinable fair value in Schedule HC-F, item 4), except equity holdings that indirectly represent bank holding company premises (report in schedule HC, item 6) or other real estate owned (report in Schedule HC, item 7). (See the Glossary entry for ''subsidiaries'' for the definition of corporate joint venture.)

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

Line Item 8 Total.

Report the sum of items 1 through 7. The total of column A for this item must equal Schedul HC, item 2(a), ''Held-to-maturity securities.'' The total for column D must equal Schedule HC, item 2(b), ''Available-for-sale securities.''

Line Item M1 Pledged securities.

Report the amortized cost of all held-to-maturity securities and the fair value of all available-for-sale securities included in this schedule 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.

Also include in this item securities owned by consolidated insurance subsidiaries and held in custodial trusts (that are reported as held-to-maturity securities or available-for-sale securities in Schedule HC-B) that are pledged to insurance companies external to the consolidated bank holding company.

Line Item M2 Remaining maturity of debt securities.

Report in memorandum items 2(a) through 2(c) below the remaining maturity of debt securities held by the consolidated bank holding company that are included in items 1 through 6 above. Report the amortized cost of held-to-maturity securities and the fair value of available-for-sale securities as reported in columns A and D above in the appropriate subitems.

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

Exclude equity securities from this item.

Line Item M2(a) 1 year and less.

Report in this item all securities held by the consolidated bank holding company with a remaining maturity of one year or less.

Line Item M2(b) Over 1 year to 5 years.

Report in this item all securities held by the consolidated-bank holding company with a remaining maturity over one year but less than five years.

Line Item M2(c) Over 5 years.

Report in this item all securities held by the consolidated bank holding company with a remaining maturity of over five years.

Line Item M3 Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date.

If the reporting bank holding company has sold any held-to-maturity debt securities or has transferred any held-to-maturity debt securities to the available-for-sale or to trading securities during the calendar year-to-date, report the total amortized cost of these held-to-maturity debt securities as of their date of sale or transfer.

Exclude the amortized cost of any held-to-maturity debt security that has been sold near enough to (e.g., within three months of) its maturity date (or call date if exercise of the call is probable) that interest rate risk is substantially eliminated as a pricing factor. Also exclude the amortized cost of any held-to-maturity debt security that has been sold after the collection of a substantial portion (i.e., at least 85 percent) of the principal outstanding at acquisition due to prepayments on the debt security, or, if the debt security is a fixed rate security, due to scheduled payments payable in equal installments (both principal and interest) over its term.

Line Item M4 Structured notes.

Report in this item all structured notes included in the held-to-maturity and available-for-sale accounts and reported in Schedule HC-B. In general, structured notes are debt securities whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options or are otherwise commonly known as ''structured notes.'' Include as structured notes any asset-backed securities (other than mortgage-backed securities) which possess the aforementioned characteristics. Exclude from structured notes all ''inflation-indexed'' securities issued by the U.S. Treasury.

Structured notes include, but are not limited to, the following common structures:

(1) Floating rate debt securities whose payment of interest is based upon a single index of a Constant Maturity Treasury (CMT) rate or a Cost of Funds Index (COFI).

(2) Step-up Bonds. Step-up securities initially pay the investor an above-market yield for a short noncall period and then, if not called, ''step up'' to a higher coupon rate (which will be below current market rates). The investor initially receives a higher yield because of having implicitly sold one or more call options. A step-up bond may continue to contain call options even after the bond has stepped up to the higher coupon rate. A multistep bond has a series of fixed and successively higher coupons over its life. At each call date, if the bond is not called, the coupon rate increases.

(3) Index Amortizing Notes (IANs). IANs repay principal according to a predetermined amortization schedule that is linked to the level of a specific index (usually the London Interbank Offered Rate—LIBOR—or a specified prepayment rate). As market interest rates increase (or prepayment rates decrease), the maturity of an IAN extends, similar to that of a collateralized mortgage obligation.

(4) Dual Index Notes. These bonds have coupon rates that are determined by the difference between two market indices, typically the Constant Maturity Treasury rate (CMT) and LIBOR. These bonds often have a fixed coupon rate for a brief period, followed by a longer period of variable rates, e.g., 8 percent fixed for two years, then 10-year CMT plus 300 basis points minus three-month LIBOR.

(5) De-leveraged Bonds. These bonds pay investors according to a formula that is based upon a fraction of the increase or decrease in a specified index, such as the CMT rate or the prime rate. For example, the coupon might be the 10-year CMT rate multiplied by 0.5, plus 150 basis points. The deleveraging multiplier (0.5) causes the coupon to lag overall movements in market yields. A leveraged bond would involve a multiplier greater than 1.

(6) Range Bonds. Range bonds (or accrual bonds) pay the investor an above-market coupon rate as long as the reference rate is between levels established at issue. For each day that the reference rate is outside this range, the bonds earn no interest. For example, if LIBOR is the reference rate, a bond might pay LIBOR plus 75 basis points for each day that LIBOR is between 3.5 and 5.0 percent. When LIBOR is less than 3.5 percent or more than 5 percent, the bond would accrue no interest.

(7) Inverse Floaters. These bonds have coupons that increase as rates decline and decrease as rates rise. The coupon is based upon a formula, such as 12 percent minus three-month LIBOR.

Exclude from structured notes floating rate debt securities denominated in U.S. dollars whose payment of interest is based upon a single index of a Treasury bill rate, the prime rate, or LIBOR and which do not contain adjusting caps, adjusting floors, leverage, or variable principal redemption. Furthermore, debt securities that do not possess the aforementioned characteristics of a structured note need not be reported as structured notes solely because they are callable as of a specified date at a specified price. In addition, debt securities that in the past possessed the characteristics of a structured note, but which have ''fallen through'' their structures (e.g., all of the issuer's call options have expired and there are no more adjustments to the interest rate on the security), need not be reported as structured notes.

Generally, municipal and corporate securities that have periodic call options should not be reported as structured notes. Although many of these securities have features similar to those found in some structured notes (e.g., step-ups, which generally remain callable after a step-up date), they are not commonly known as structured notes. Examples of such callable securities that should not be reported as structured notes include:

(1) Callable municipal and corporate bonds which have single (or multiple) explicit call dates and then can be called on any interest payment date after the last explicit call date (i.e., they are continuously callable).

(2) Callable federal agency securities that have continuous call features after an explicit call date, except step-up bonds (which are structured notes).

The mere existence of simple caps and floors does not necessarily make a security a structured note. Securities with adjusting caps or floors (i.e., caps or floors that change over time), however, are structured notes. Therefore, the following types of securities should not be reported as structured notes:

(1) Variable rate securities, including Small Business Administration ''Guaranteed Loan Pool Certificates,'' unless they have features of securities which are commonly known as structured notes (i.e., they are inverse, range, or de-leveraged floaters, index amortizing notes, dual index or variable principal redemption or step-up bonds), or have adjusting caps or floors.

(2) Mortgage-backed securities.

Line Item M4(a) Amortized cost of structured notes.

Report the amortized cost of all structured notes included in the held-to-maturity and available-for-sale accounts. The amortized cost of these securities should also be reported in columns A and C of the body of Schedule HC-B.

Line Item M4(b) Fair value of structured notes.

Report the fair (market) value of structured notes reported in memorandum item 4(a) above. The fair value of these securities should also be reported in columns B and D of the body of Schedule HC-B. Do not combine or otherwise net the fair value of any structured note with the fair or book value of any related asset, liability, or off-balance-sheet derivative instrument.

LINE ITEM INSTRUCTIONS FOR

Loan and Lease Financing Receivables

Schedule HC-C

General Instructions

Loans and lease financing receivables are extensions of credit resulting from either direct negotiation between the bank holding company or its consolidated subsidiaries and its customers or the purchase of such assets from others. (See the Glossary entries for ''loan'' and for ''lease accounting'' for further information.)

All reporting bank holding companies must complete this schedule regardless of whether or not it has foreign or domestic offices. This schedule has two columns for information on loans and lease financing receivables. Column A provides loan and lease detail for the fully consolidated bank holding company and column B provides detail on loans and leases held by the domestic offices of the reporting bank holding company. (See the Glossary entry for ''domestic office'' for the definition of this term.)

Report all loans and leases that the bank holding company or its subsidiaries have the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans and leases held for investment in Schedule HC-C. Also report in this schedule the carrying value of all loans that are held for sale as part of the bank holding company's mortgage banking activities or activities of a similar nature involving other types of loans. When a loan is acquired (through origination or purchase) with the intent or expectation that it may or will be sold at some indefinite date in the future, the loan should be reported as held for sale or held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles and related supervisory guidance. In addition, a loan acquired and held for securitization purposes should be reported as a loan held for sale. Loans held for sale shall be reported at the lower of cost or market value as of the report date. The amount by which cost exceeds market value, if any, shall be accounted for as a valuation allowance. For further information, see FASB Statement No. 65, ''Accounting for Certain Mortgage Banking Activities.''

Report the aggregate book value of all loans and leases before deduction of the ''Allowance for loan and lease losses,'' which is to be reported in Schedule HC, item 4(c). Each item in this schedule should be reported net of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in this schedule in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in item 11, ''LESS: Any unearned income on loans reflected in items 1–9 above.'' Net unamortized direct loan origination costs shall be added to the related loan balances in each item in this schedule.

Exclude all intracompany (i.e., between subsidiaries of the consolidated bank holding company) transactions and all loans and leases held for trading purposes.

All loans are classified according to security, borrower, or purpose. Loans covering two or more classifications are sometimes difficult to classify. In such instances, classify the entire loan according to the major criterion.

Report in this schedule all loans that the reporting bank holding company or its consolidated subsidiaries have sold under repurchase agreements. Also report all loans and leases on the books of the reporting bank holding company even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the bank holding company has sold or charged off. Also exclude the fair value of any assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the bank holding company has obtained physical possession of the underlying collateral regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower. Refer to the Glossary entries for ‘‘troubled debt restructurings’’ and ‘‘foreclosed assets’’ for further discussions of these topics.

Exclude, for purposes of this schedule, the following:

(1) all loans of immediately available funds that mature in one business day or roll over under a continuing contract, i.e., federal funds sold (report in Schedule HC, item 3, ‘‘Federal funds sold and securities purchased under agreements to resell’’);

(2) contracts of sale or other loans indirectly representing other real estate (report in item 7, ‘‘Other real estate owned’’);

(3) undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amounts of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid; see Schedule HC-L, item 1);

(4) loans and leases held for trading purposes (report in Schedule HC, item 5, ‘‘Trading assets,’’ and Schedule HC-D); and

(5) holdings of commercial paper (report either in Schedule HC-B or Schedule HC-D as appropriate).

Line Item 1 Loans secured by real estate.

Report all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank holding company or its consolidated subsidiaries or purchased from others, that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. (See the Glossary entry for ‘‘loans secured by real estate’’ for the definition of this term.)

For bank holding companies with domestic offices only: Report loans secured by real estate as a single total in column A for the consolidated bank holding company. Report in column B within the appropriate subitem below loans for construction, land development, and other land loans when they are secured by real estate, loans secured by farmland, by 1–4 family residential properties, by multifamily properties, and by nonfarm nonresidential properties. The total of the subitems in column B should equal the consolidated total reported in column A.

For bank holding companies with domestic and foreign offices: Report loans secured by real estate as a single total in column A for the consolidated bank holding company and by type of real estate collateral in the appropriate subitem below in column B.

Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank holding company or purchased from others, that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. See the Glossary entry for ‘‘loan secured by real estate’’ for the definition of this term.

Include as loans secured by real estate:

(1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.

(2) Loans secured by properties and guaranteed by governmental entities in foreign countries.

(3) Participations in pools of Federal Housing Administration (FHA) Title I improvement loans that are secured by liens (generally, junior liens) on residential properties.

Exclude the following from loans secured by real estate:

(1) Obligations (other than securities) of states and political subdivisions in the U.S. secured by real estate (report in item 9 below).

(2) All loans and sales contracts indirectly representing other real estate (report in Schedule HC, item 7, ‘‘Other real estate owned’’).

(3) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign nongovernmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages

or similar liens on real estate are not sold to the bank holding company but are merely pledged as collateral (report below in item 2, ''Loans to depository institutions and acceptances of other banks,'' or as all other loans in item 9, ''All other loans,'' as appropriate).

(4) Notes issued and insured by the Farmers Home Administration and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in Farmers Home Administration-insured notes (report in Schedule HC-B, item 2, ''U.S. government agency obligations'').

(5) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages (report in Schedule HC-B, item 2).

(6) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation (report in Schedule HC-B, item 4(a)).

Line Item 1(a) Construction, land development, and other land loans.

Report in this item loans secured by real estate made to finance land development (i.e., the process of improving land—laying sewers, water pipes, etc.) preparatory to erecting new structure or the on-site construction of industrial, commercial, residential, or farm buildings. For 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 loans secured by vacant land.

Include loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.

Also include 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.

Exclude loans to finance construction and land development that are not secured by real estate (report in items 2 through 9 below, as appropriate).

Line Item 1(b) Secured by farmland.

Report in this item loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

Include loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.

Exclude, however, loans extended, serviced, collected, and insured by FmHA (report in Schedule HC-B, item 2, ''U.S. government agency obligations.'') Also exclude loans for farm property construction and land development purpose (report in Schedule HC-C, item 1(a) above).

Line Item 1(c) Secured by 1–4 family residential properties.

Report in this item open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on the following:

(1) Nonfarm property containing 1 to 4 dwelling units (including vacation homes) or more than 4 dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).

(2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property *and* where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.

(3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.

(4) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1 to 4 family dwelling units are involved.

Exclude loans for 1-to-4 family residential property construction and land development purposes (report in Schedule HC-C, item 1(a)). Also, exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes (report in Schedule HC-C, item 1(a)).

Line Item 1(c)(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit.

Report the amount outstanding under revolving, open-end lines of credit secured by 1 to 4 family residential properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Line Item 1(c)(2) Closed-end loans secured by 1–4 family residential properties.

Report in the appropriate subitem the amount of all closed-end loans secured by 1 to 4 family residential properties.

Line Item 1(c)(2)(a) Secured by first liens.

Report the amount of all closed-end loans secured by first liens on 1 to 4 family residential properties.

Line Item 1(c)(2)(b) Secured by junior liens.

Report the amount of all closed-end loans secured by junior (i.e., other than first) liens on 1 to 4 family residential properties.

Line Item 1(d) Secured by multifamily (5 or more) residential properties.

Report in this item all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens. Specifically, include loans on the following:

(1) Nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis.

(2) 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential.

(3) Cooperative-type apartment buildings containing 5 or more dwelling units.

Exclude loans for multifamily residential property construction and land development purposes (report in item 1(a)). Also exclude loans secured by nonfarm nonresidential properties (report in item 1(e)).

Line Item 1(e) Secured by nonfarm nonresidential properties.

Report in this item all loans secured by real estate as evidenced by mortgages or other liens on business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, ‘‘homes’’ for aged persons and orphans, golf courses, recreational facilities, and similar properties.

Exclude loans for purposes of constructing or developing nonfarm nonresidential properties (report in item 1(a)).

Line Item 2 Loans to depository institutions and acceptances of other banks.

For bank holding companies with only domestic offices: Report in column A in the appropriate subitem loans to U.S. addressees and loans to non-U.S. addressees. Report the total in column B.

For bank holding companies with domestic and foreign offices: Report in column B the total of loans to depository institutions in the domestic offices of the reporting consolidated bank holding companies. Report in column A, on a fully consolidated basis, the breakdown between loans to U.S. addressees and loans to non-U.S. addressees.

Report all loans (other than those secured by real estate), including overdrafts to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes and holdings at all bankers' acceptances accepted by other banks and not held for trading.

Depository institutions cover:

(1) Commercial banks in the U.S., including:

  (a) U.S. branches and agencies of foreign banks, U.S. branches and agencies of foreign official banking institutions, and investment companies that are chartered under Article XII of the New York State banking law and are majority-owned by one more foreign banks; and

(b) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks;

(2) Depository insitutions in the U.S., other than commercial banks, including:

(a) credit unions;

(b) mutual or stock savings banks;

(c) savings or building and loan associations;

(d) cooperative banks; and

(e) other similar depository institutions; and

(3) Banks in foreign countries, including:

(a) foreign-domiciled branches of other U.S. banks; and

(b) foreign-domiciled branches of foreign banks.

See the Glossary entry for ''banks, U.S. and foreign'' and ''depository institutions in the U.S.'' for further discussion of these terms.

Include the following as loans to depository institutions and acceptances of other banks:

(1) Loans to depository institutions for the purpose of purchasing or carrying securities.

(2) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in item 1.

(3) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.

(4) Loan participations aquired from depository institutions that must be treated as secured borrowings rather than sales in accordance with generally accepted accounting principles. (See the Glossary entry for ''transfers of financial assets'' for further information.)

(5) The acceptances of the consolidated subsidiary banks of the reporting bank holding company discounted and held in their portfolios when the account party is another depository institution.

(6) Any borrowing or lending of immediately available funds that matures in more than one business day, other than security repurchase and resale agreements. Such transactions are sometimes referred to as ''term federal funds.''

Exclude the following from loans to depository institutions:

(1) All transactions reported in Schedule HC, item 3, ''Federal funds sold and securities purchased under agreements to resell.''

(2) Loans secured by real estate, even if extended to depository institutions (report in item 1).

(3) Loans to holding companies of depository institutions not owned or controlled by the reporting bank holding company (report as all other loans in item 9).

(4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing (report as all other loans in item 9).

(5) Loans to finance companies and insurance companies (report as all other loans in item 9).

(6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report as loans for purchasing or carrying securities in item 9).

(7) Loans to Small Business Investment Companies (report as all other loans in item 9).

(8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities (as described in Federal Reserve Regulation U) and loans to ''plan lenders'' (as defined in Federal Reserve Regulation G) (report as loans for purchasing or carrying securities in item 9).

(9) Loans to federally sponsored lending agencies (report as all other loans in item 9). (Refer to the Glossary entry for ''federally sponsored lending agency'' for the definition of this term.)

(10) Dollar exchange acceptances created by foreign governments and official institutions (report in Schedule HC-C, item 7).

(11) Loans to foreign governments and official institutions, including foreign central banks (report in

Schedule HC-C, item 7). See the Glossary entry for ''foreign governments and official institutions'' for the definition of this term.

(12) Acceptances accepted by the reporting bank holding company, discounted, and held in its portfolio, when the account party is not another depository institution. Report such acceptances in other items of Schedule HC-C, according to the account party.

Line Item 2(a) To U.S. banks and other U.S. depository institutions.

Report in this item for the fully consolidated bank holding company all loans and acceptances and all other instruments evidencing loans (except those secured by real estate) to depository institutions chartered and headquartered in the U.S. (including U.S.-chartered banks owned by foreigners), but excluding U.S. branches and agencies of foreign banks. Include in this item loans to both the U.S. and foreign branches of U.S. banks. U.S. depository institutions cover the following:

(1) U.S. commercial banks and their branches, wherever located; and

(2) other depository institutions in the U.S., i.e.,

   (a) credit unions;

   (b) mutual or stock savings banks;

   (c) savings or building and loan associations;

   (d) cooperative banks; and

   (e) other similar depository institutions.

Line Item 2(b) To foreign banks.

Report in this item all loans and acceptances and other instruments evidencing loans to both the U.S. and foreign branches of banks chartered and headquartered in a foreign country. Foreign banks cover the following:

(1) U.S. branches and agencies of foreign banks. and

(2) foreign-domiciled branches of foreign banks.

For purposes of these reports, U.S. branches and agencies of foreign banks include U.S. branches and agencies of foreign official banking institutions and investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

(See the Glossary entry for ''banks, U.S. and foreign'' for further discussion of these terms.)

Exclude the following from this item:

(1) dollar exchange acceptances created by foreign governments and official institutions (report in item 7); and

(2) loans to foreign governments and official institutions, including foreign central banks (report in item 7).

(See the Glossary entry for ''foreign governments and official institutions'' for the definition of this term.)

Also report in this item the bank holding company's holdings of all bankers acceptances accepted by other banks (both U.S. and non-U.S. banks) and not held in trading accounts. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting bank holding company or its consolidated subsidiaries. (For further information, see the Glossary entry for ''bankers' acceptances.'')

Exclude acceptances accepted by the consolidated subsidiary banks of the reporting bank holding company, discounted, and held in their portfolios. Such acceptances are to be reported in other items of this schedule according to the account party.

Line Item 3 Loans to finance agricultural production and other loans to farmers.

Report in columns A and B, as appropriate, loans for the purpose of financing agricultural production. Include such loans whether secured (other than by real estate) or unsecured and whether made to farm and ranch owners and operators (including tenants) or to nonfarmers. All other loans to farmers, other than those excluded below, should also be reported in this item.

Include the following as loans to finance agricultural production and other loans to farmers:

(1) Loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening, or marketing of

livestock.

(2) Loans and advances made for the purpose of financing fisheries and forestries, including loans to commercial fishermen.

(3) Agricultural notes and other notes of farmers that the bank holding company has discounted for, or purchased from, merchants and dealers, either with or without recourse to the seller.

(4) Loans to farmers that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by a party other than the FmHA or SBA.

(5) Loans and advances to farmers for purchases of farm machinery, equipment, and implements.

(6) Loans and advances to farmers for all other purposes associated with the maintenance or operations of the farm, including the following:

   (a) purchases of private passenger automobiles and other retail consumer goods; and

   (b) provisions for the living expenses of farmers or ranchers and their families.

Loans to farmers for household, family, and other personal expenditures (including credit cards and related plans) that are not readily identifiable as being made to farmers need not be broken out of item 6 for inclusion in this item.

Exclude the following from loans to finance agricultural production and other loans to farmers:

(1) Loans secured by real estate (report in item 1).

(2) Loans to farmers for commercial and industrial purposes, e.g., when a farmer is operating a business enterprise as well as a farm (report in item 4).

(3) Loans to farmers for the purpose of purchasing or carrying stocks, bonds, and other securities (report as loans for purchasing or carrying securities in item 9).

(4) Loans to farmers secured by oil or mining production payments (report in item 4).

(5) Notes insured by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership, insured note insurance contracts) representing an interest in FmHA-insured notes (report in Schedule HC-B, item 2, ''U.S. government agency obligations''). Such notes and instruments are backed by loans made, serviced, and collected by the FmHA and were issued prior to January 1, 1975.

Line Item 4 Commercial and industrial loans.

For bank holding companies with domestic offices only: Report in column A in the appropriate subitem loans to U.S. addressees and loans to non-U.S. addressees. Report the total in column B.

For bank holding companies with domestic and foreign offices: Report in column B the total of commercial and industrial loans for the domestic offices only of the reporting consolidated bank holding companies. Report in column A, on a fully consolidated basis, the breakdown between loans to U.S. addressees and loans to non-U.S. addressees.

Report loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment, or installment. These loans may take the form of direct or purchased loans.

Include the acceptances of the consolidated banking subsidiaries of the reporting bank holding company that they hold in their portfolio when the account party is a commercial or industrial enterprise. Also include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure. Exclude all commercial and industrial loans held in trading accounts.

Include loans of the types listed below. These descriptions may overlap and are not all inclusive.

(1) Loans for commercial, industrial, and professional purposes to

   (a) mining, oil- and gas-producing, and quarrying companies;

   (b) manufacturing companies of all kinds, including those that process agricultural commodities;

   (c) construction companies;

(d) transportation and communications companies and public utilities;

(e) wholesale and retail trade enterprises and other dealers in commodities;

(f) cooperative associations including farmers' cooperatives;

(g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;

(h) insurance agents; and

(i) practitioners of law, medicine, and public accounting.

(2) Loans for the purpose of financing capital expenditures and current operations.

(3) Loans to business enterprises guaranteed by the Small Business Administration.

(4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).

(5) Loans supported by letters of commitment from the Agency for International Development.

(6) Loans made to finance construction that are not secured by real estate.

(7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.

(8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.

(9) Dealer flooring or floor-plan loans.

(10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment. For example, report in this item, as a loan to an oil company, a loan made to a nonprofit organization collateralized by an oil production payment; do not include in item 9 as a loan to the nonprofit organization.

(11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.

(12) Commercial and industrial loans guaranteed by foreign governmental institutions.

(13) Overnight lending for commercial and industrial purposes.

Exclude the following from commercial and industrial loans:

(1) Loans secured by real estate, even if for commercial and industrial purposes (report in item 1).

(2) Loans to depository institutions (report in item 2).

(3) Loans to nondepository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies (report as all other loans in item 9).

(4) Loans for the purpose of purchasing or carrying securities (report in item 9).

(5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in item 3).

(6) Loans to nonprofit organizations, such as hospitals or educational institutions (report as all other loans in item 9), except those for which oil or mining production payments serve as collateral that are to be reported in this item.

(7) Holdings of acceptances accepted by other banks, i.e., that are not consolidated on this report by the reporting bank holding company (report in item 2).

(8) Holdings of acceptances of banking subsidiaries of the consolidated bank holding company when the account party is another bank (report in item 2) or a foreign government or official institution (report in item 7).

(9) Equipment trust certificates (report in Schedule HC-B, item 7, or HC-F item 4, as appropriate).

(10) Any commercial or industrial loans and bankers acceptances, held in the bank holding company's trading accounts (report in Schedule HC, item 5, ''Trading assets'').

(11) Commercial paper (report in Schedule HC-B or Schedule HC-D, as appropriate).

Line Item 4(a) To U.S. addressees (domicile).

Report in column A, as appropriate, all commercial and industrial loans to U.S. addressees. (For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for ''domicile.'')

Line Item 4(b) To non-U.S. addressees (domicile).

Report in column A, as appropriate, all commercial and industrial loans to non-U.S. addressees. (For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for ''domicile.'')

Line Item 5 Not applicable.

Line Item 6 Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper).

For bank holding companies with foreign offices, report the amount outstanding of loans to individuals for household, family, and personal expenditures in domestic offices in column B. Report in column A, on a fully consolidated basis, the breakdown between credit cards, other revolving credit plans, and other consumer loans.

For bank holding companies with domestic offices only, report in column A in the appropriate subitem below credit cards, other revolving credit plans, and other consumer loans. Report the total in column B.

Report in the appropriate subitem all credit cards, other revolving credit plans, and other loans to individuals for household, family, and personal expenditures. Include all loans to individuals for household, family, and other personal expenditures that are not secured by real estate, whether direct loans or purchased paper. Exclude loans to individuals for the purpose of purchasing or carrying securities (report in item 9 below).

Deposits accumulated by borrowers for the payment of personal loans (i.e., hypothecated deposits) should be netted against the related loans.

Line Item 6(a) Credit cards.

Report all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards. Report the total amount outstanding of all funds advanced under these credit cards regardless of whether there is a period before interest charges are made. Report the total amount outstanding of all funds advanced under these credit card plans, regardless of whether there is a period before interest charges are made. Report only amounts carried on the books of the reporting bank holding company as loans that are outstanding on the report date, even if the plan is shared with other organizations and even if accounting and billing are done by a correspondent bank or the accounting center of a plan administered by others.

If the reporting bank holding company has securitized credit cards and has retained a seller's interest that is not in the form of a security, the carrying value of the seller's interest should be reported as credit card loans in this item. For purposes of these reports, the term ''seller's interest'' means the reporting bank holding company's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Do *not* net credit balances resulting from overpayment of account balances on credit cards. Report credit balances in Schedule HC-E, items 1(a) or 2(a), as appropriate.

Exclude from credit cards:

(1) Credit extended under credit plans to business enterprises (report in Schedule HC-C, item 4, ''Commercial and industrial loans'').

(2) All credit extended to individuals through credit cards secured by real estate (report in Schedule HC-C, item 1).

(3) All credit extended to individuals for household, family, and other personal expenditures under prearranged overdraft plans (report in Schedule HC-C, item 6(b)).

If the bank holding company acts only as agent or correspondent for the other banks or nonbank corporations and carries no credit card or related plan assets on its books, enter a ''zero''. Bank holding companies that do not participate in any such plan should also enter a zero.

Line Item 6(b) Other revolving credit plans.

Report all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards. Report the total amount outstanding of all funds advanced under these revolving credit plans, regardless of whether there is a period before interest charges are made.

Do *not* net balances resulting from overpayment of account balances on revolving credit plans. Report credit balances in Schedule HC-E, items 1(a) and 2(a) as appropriate.

Exclude from other revolving credit plans:

(1) All ordinary (unplanned) overdrafts on transaction accounts not associated with check credit or revolving credit operations (report in other items of Schedule HC-C as appropriate).

(2) Credit extended to individuals for household, family, and other personal expenditures arising from credit cards (report in Schedule HC-C, item 6(a)).

Line Item 6(c) Other consumer loans (includes single payment, installment, and all student loans).

Report in this item other loans to individuals for household, family, and other personal expenditures (other than those secured by real estate and other than those for purchasing or carrying securities). This item includes:

(1) purchases of private passenger automobiles, pickup trucks, household appliances, furniture, trailers, or boats;

(2) repairs or improvements to the borrower's residence (not secured by real estate);

(3) educational expenses, including student loans;

(4) medical expenses;

(5) personal taxes;

(6) vacations;

(7) consolidation of personal (nonbusiness) debts;

(8) purchases of real estate or mobile homes (not secured by real estate) to be used as a residence by the borrower's family; and

(9) other personal expenditures.

Such loans may take the following form:

(1) Installment loans, demand loans, single payment time loans, and hire purchase contracts, and should be reported as other loans to individuals for household, family, and other personal expenditures regardless of size or maturity and regardless of whether the loans are made by the consumer loan department or by any other department of the bank holding company.

(2) Retail installment sales paper purchased by the bank holding company from merchants or dealers, finance companies, and others.

Exclude from other loans to individuals for household, family, and other personal expenditures:

(1) All direct and purchased loans, regardless of purpose, secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages), on real estate (report in Schedule HC-C, item 1).

(2) Loans to individuals not secured by real estate for the purpose of investing in real estate when the real estate is not to be used as a residence or vacation home by the borrower or by members of the borrower's family (report as all other loans in Schedule HC-C, item 9).

(3) Loans to individuals for commercial, industrial, and professional purposes and for ''floor plan'' or wholesale financing (report in Schedule HC-C, item 4).

(4) Loans to individuals for the purpose of purchasing or carrying securities (report in Schedule HC-C, item 9).

(5) Loans to individuals for investment (as distinct from commercial, industrial, or professional) purposes other than those for purchasing or carrying securities (report as all other loans in Schedule HC-C, item 9).

(6) Loans to merchants, automobile dealers, and finance companies on their own promissory notes, secured by the pledge of installment paper or similar instruments (report in Schedule HC-C, item 4, or as all other loans in Schedule HC-C, item 9, as appropriate).

(7) Loans to farmers, regardless of purpose (to the extent they can be readily identified, report in Schedule HC-C, item 3).

(8) All credit extended to individuals for household, family, and other personal expenditures arising from:

  (a) Credit cards;

  (b) Prearranged overdraft plans (report in Schedule HC-C, item 6(b)).

Line Item 7 Loans to foreign governments and official institutions.

Report (in columns A and B when appropriate) all loans (other than those secured by real estate), including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions. (See the Glossary entry for ''foreign governments and official institutions'' for the definition of this term.)

Include bankers acceptances accepted by the subsidiary banks of the reporting bank holding company and held in their portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange. Exclude acceptances that are held in trading accounts.

Include loans to foreign governments, official institutions, and international and regional institutions (other than those secured by real estate), including planned and unplanned overdrafts.

Exclude the following from loans to foreign governments and official institutions:

(1) Loans to nationalized banks and other banking institutions owned by foreign governments and not functioning as central banks, banks of issue, or development banks (report in item 2 above).

(2) Loans to U.S. branches and agencies of foreign official banking institutions (report as a loan to a commercial bank in the U.S. in item 2).

(3) Loans to foreign-government-owned nonbank corporations and enterprises (report in item 4 or 9, as appropriate).

Line Item 8 Not applicable.

Line Item 9 All other loans.

Report in columns A and B, as appropriate, all loans that cannot be properly classified in items 1 through 8 above.

Include in this item the following:

(1) Loans for purchasing and carrying securities (as described below).

(2) Obligations (other than securities) of states and political subdivisions in the U.S.

(3) Unplanned overdrafts of deposit accounts (except overdrafts of depository institutions and foreign governments and official institutions, which are to be reported in items 2 and 7 above, respectively).

(4) Loans (other than those secured by real estate) to nonprofit organizations (e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations) except those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization (report in item 4).

(5) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those secured by real estate.

(6) Loans (other than those secured by real estate) to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing. (Exclude outright purchases of mortgages or similar instruments by the bank holding company from such companies, which are to be reported in item 1.)

(7) Loans to holding companies of depository institutions (other than subsidiary holding companies of the reporting bank holding company).

(8) Loans to insurance companies.

(9) Loans to finance companies, mortgage finance companies, factors and other financial intermediaries,

short-term business credit institutions that extend credit to finance inventories or carry accounts receivable, and institutions whose functions are predominantly to finance personal expenditures (exclude loans to financial corporations whose sole function is to borrow money and relend it to its affiliated companies or a corporate joint venture in which an affiliated company is a joint venturer).

(10) Loans to federally sponsored lending agencies (see the Glossary entry for ''federally sponsored lending agency'' for the definition of this term).

(11) Loans to investment banks.

(12) Loans to other domestic and foreign financial intermediaries whose functions are predominantly the extending of credit for business purposes, such as investment companies that hold stock of operating companies for management or development purposes.

(13) Loans to Small Business Investment Companies.

Exclude from all other loans the following:

(1) Loans to banks in foreign countries that act as brokers and dealers in securities (report in item 2).

(2) Loans to depository institutions for the purpose of purchasing or carrying securities (report in item 2).

(3) Transactions reportable in Schedule HC, item 3, ''Federal funds sold and securities purchased under agreements to resell.''

(4) Loans secured by real estate (report in item 1).

(5) Extensions of credit initially made in the form of planned or ''advance agreement'' overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report in other items, as appropriate). For example, report advances to banks in foreign countries in the form of ''advance agreement'' overdrafts as loans to banks in foreign countries in item 2 and overdrafts under consumer credit card and check–credit plans as loans to individuals in item 6. Report both planned and unplanned overdrafts from ''due to'' deposit accounts of depository institutions in item 2.

Loans for purchasing or carrying securities include the following:

(1) All loans to brokers and dealers in securities (other than those secured by real estate and those to depository institutions).

(2) All loans, whether secured (other than by real estate) or unsecured, to any other borrower for the purpose of purchasing or carrying securities (debt or equity), such as the following:

   (a) Loans made to provide funds to pay for the purchase of securities at settlement date.

   (b) Loans made to provide funds to repay indebtedness incurred in purchasing securities.

   (c) Loans that represent the renewal of loans to purchase or carry securities.

   (d) Loans to investment companies (other than Small Business Investment Companies) and mutual funds.

   (e) Loans to ''plan lenders'' as defined in Section 221.4(a) of Federal Reserve Regulation U and to ESOPs.

   (f) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities.

Obligations (other than securities) of states and political subdivisions in the U.S. include obligations of states and political subdivisions in the United States (including those secured by real estate), other than those obligations reported as securities issued by such entities in Schedule HC-B, item 3, ''Securities issued by states and political subdivisions in the U.S.'' *Exclude* all such obligations held in trading accounts.

States and political subdivisions in the U.S. include the following:

(1) the fifty states of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and

(2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Treatment of industrial development bonds (IDBs). Industrial development bonds (IDBs), sometimes referred to as ''industrial revenue bonds,'' are typically issued by local industrial development authorities to benefit private commercial and industrial development. For purposes of this report, all IDBs should be reported as securities issued by states and political subdivisions in the U.S. in Schedule HC-B, item 3, or as loans in this item, consistent with the asset category in which the bank holding company reports IDBs on its balance sheet for other financial reporting purposes. Regardless of whether they are reported as securities in Schedule HC-B or as loans in Schedule HC-C, all IDBs that meet the definition of a ''security'' in FASB Statement No. 115 must be measured in accordance with Statement No. 115.

Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs that are reported in this item in accordance with the preceding paragraph, also include in this item all obligations (other than securities) of states and political subdivisions in the U.S., *except those that meet any of the following criteria:*

(1) Industrial development bonds (IDBs) that are reported as securities in accordance with the reporting treatment described above (report as securities in Schedule HC, item 2, and Schedule HC-B, item 3).

(2) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally recognized rating service (report as securities in Schedule HC, item 2, and Schedule HC-B, item 3).

(3) Mortgage-backed securities issued by state and local housing authorities (report as securities in Schedule HC, item 2, and Schedule HC-B, item 3).

(4) Obligations of state and local governments that are guaranteed by the U.S. government (report as securities in Schedule HC, item 2, and Schedule HC-B, item 3).

(5) Nonrated obligations of states and political subdivisions in the U.S. that the bank holding company considers securities for other financial reporting purposes (report as securities in Schedule HC, item 2, and Schedule HC-B, item 3).

(6) Lease financing receivables of states and political subdivisions in the U.S. (report as leases in item 10 below).

(7) Obligations of states and political subdivisions in the U.S. held by the reporting bank holding company in trading accounts (report in Schedule HC, item 5).

Line Item 10 Lease financing receivables (net of unearned income).

For bank holding companies with only domestic offices: Report in column A, in the appropriate subitem lease financing receivables to U.S. addressees and lease financing receivables to non-U.S. addressees. Report the total in column B.

For bank holding companies with domestic and foreign offices: Report in column B the total for domestic offices of the reporting bank holding companies. Report in column A, on a fully consolidated basis, the breakdown between lease financing receivables of U.S. addressees (item 10(a)) and lease financing receivables of non-U.S. addressees (item 10(b)). Include all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the consolidated bank holding company for leasing purposes. These balances should include the estimated residual value of leased property and must be net of unearned income. (For further discussion of leases where the bank holding company is the lessor, refer to the Glossary entry for ''lease accounting.'')

Include all lease financing receivables of states and political subdivisions in the U.S.

Line Item 10(a) To U.S. addressees (domicile).

Report in column A all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank holding company for leasing to U.S. addressees (see the Glossary entry for ''domicile'').

Line Item 10(b) To non-U.S. addressees (domicile).

Report in column A all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank holding company for leasing to non-U.S. addressees (see the Glossary entry for ''domicile'').

Line Item 11 LESS: Any unearned income on loans reflected in items 1–9 above.

To the extent possible, report the specific loan categories net of unearned income. A reporting bank holding company should enter in columns A and B of this item, as appropriate, unearned income only to the extent that it is included in (i.e., not deducted from) the various loan items (items 1 through 9) of this schedule. If a consolidated bank holding company reports each loan item net of unearned income, enter a zero. **Report the amount as an absolute value; do not enclose the amount in parentheses or use a minus (–) sign.**

Do not include unearned income on lease financing receivables in this item (deduct from item 10).

Line Item 12 Total loans and leases, net of unearned income.

Report in columns A and B, as appropriate, the sum of items 1 through 10 less the amount reported in item 11. The total of column A must equal Schedule HC, sum of items 4(a) and 4(b).

Memoranda

Line Item M1 Loans and leases restructured and in compliance with modified terms (included in Schedule HC-C, above and not reported as past due or nonaccrual in Schedule HC-N, Memorandum item 2) (exclude loans secured by 1–4 family residential properties and loans to individuals for household, family, and other personal expenditures).

For purposes of this item, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal, regardless of whether such loans and leases are secured or unsecured, regardless of whether such credits are guaranteed by the government or others, and (except as noted in the following paragraph) regardless of the effective interest rate on such credits. However, *exclude* from this item all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures.

Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full. However, a restructured obligation that is in compliance with its modified terms and yields a market rate (i.e., the recorded amount of the obligation bears an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the institution is willing to accept for a new extension of credit with comparable risk) need not continue to be reported as a troubled debt restructuring in this Memorandum item in the calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a restructured loan. Also a loan to a purchaser of ''other real estate owned'' by the reporting institution for the purpose of facilitating the disposal of such real estate is not considered a restructured loan. For further information, see the Glossary entry for ''troubled debt restructuring.''

Include in this item all restructured loans and leases as defined above that are in compliance with their modified terms, that is, restructured loans and leases (1) on which no contractual payments of principal or interest scheduled under that modified repayment terms are due and unpaid or (2) on which contractual payments of both principal and interest scheduled under the modified repayment terms are less than 30 days past due.

Exclude from this item (1) those restructured loans and leases on which under the modified repayment terms either principal or interest is 30 days or more past due (report in Schedule HC-N, column A or B, as appropriate) and (2) those restructured loans and leases that are in nonaccrual status under the modified repayment terms (report in Schedule HC-N, column C).

Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule HC-C above. All lease amounts must be reported net of unearned income.

Line Item M2 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule HC-C, items 4 and 9 above.

Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing and renovating commercial and residential real estate, that are reported in Schedule HC-C, item 4, ''Commercial and industrial loans,'' and item 9, ''All other loans,'' column A.

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all loans secured by real estate that are reported in Schedule HC-C, item 1, above. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

Line Item M3 Loans secured by real estate to non-U.S. addressees (domicile) (included in Schedule HC-C, item 1, column A)

Report the amount of loans secured by real estate to non-U.S. addressees included in Schedule HC-C, item 1. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for ''domicile.''

Line Item M4 Outstanding credit card fees and finance charges.

This item is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies.

Outstanding credit card receivables are the sum of:

(a) Schedule HC-C, item 6(a), column A;

(b) Schedule HC-S, item 1, column C; and

(c) Schedule HC-S, item 6(a), column C.

Credit card specialty bank holding companies are defined as those bank holding companies that on a consolidated basis exceed 50 percent for the following two criteria:

(a) the sum of credit card loans (Schedule HC-C, item 6(a), column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C); and

(b) the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total assets (Schedule HC, item 12) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C).

Report the amount of fees and finance charges included in the amount of credit card receivables reported in Schedule HC-C, item 6(a), column A.

LINE ITEM INSTRUCTIONS FOR

Trading Assets and Liabilities

Schedule HC-D

General Instructions

Schedule HC-D is to be completed by bank holding companies that have reported average trading assets (Schedule HC-K, item 4(a)) of $2 million or more for any quarter of the preceding calendar year.

Bank holding companies that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, other off-balance-sheet commodity, equity and credit derivative contracts, other financial instruments, and other assets for resale (or repurchase), (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell (or repurchase) in order to profit from short-term price movements, or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this schedule the value of such items or positions on the report date. Assets, liabilities, and other financial instruments held for trading shall be generally valued at fair value.

Do not include in this schedule the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Available-for-sale securities are generally reported in Schedule HC, item 2(b), and in Schedule HC-B, columns C and D. However, a bank holding company may have certain assets that fall within the definition of ''securities'' in FASB Statement No. 115 (i.e., nonrated industrial development obligations) that the bank has designated as ''available-for-sale'' which are reported for purposes of the FR Y-9C in a balance sheet category other than ''Securities'' (i.e., ''loans and lease financing receivables''). Loans and leases held for sale should be reported separately in Schedule HC, item 4(a), and in Schedule HC-C.

Line Item 1 U.S. Treasury securities (in domestic offices).

Report the fair value of securities issued by the U.S. Treasury (as defined for Schedule HC-B, item 1, ''U.S. Treasury securities'') held for trading (in domestic offices).

Line Item 2 U.S. government agency obligations in domestic offices (excluding mortgage-backed securities).

Report the fair value of all obligations of U.S. government agencies (as defined for Schedule HC-B, item 2, ''U.S. government agency obligations, excluding mortgage-backed securities'') held for trading (in domestic offices).

Line Item 3 Securities issued by states and political subdivisions in the U.S. in domestic offices.

Report the fair value of all securities issued by states and political subdivisions in the United States (as defined for Schedule HC-B, item 3, ''Securities issued by states and political subdivisions in the U.S.'') held for trading (in domestic offices).

Line Item 4 Mortgage-backed securities in domestic offices.

Report in the appropriate subitem the fair value of all mortgage-backed securities held for trading (in domestic offices).

Line item 4(a) Pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA.

Report the fair value of all pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA (as defined for Schedule HC-B, item 4(a)(1), Pass-through securities ''Guaranteed by GNMA,'' and item 4(a)(2), Pass-through securities ''Issued by FNMA and FHLMC'') held for trading (in domestic offices).

Line item 4(b) Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA.

Report the fair value of all other mortgage-backed securities issued by FNMA, FHLMC, or GNMA (as defined for Schedule HC-B, item 4(b)(1), ‘‘Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA’’) held for trading (in domestic offices). Include CMOs, REMICs, and stripped MBS.

Line item 4(c) All other mortgage-backed securities.

Report the fair value of all other mortgage-backed securities (as defined for Schedule HC-B, item 4(a)(3), ‘‘Other pass-through securities,’’ and items 4(b)(2), ‘‘Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,’’ and 4(b)(3), ‘‘All other mortgage-backed securities’’) held for trading (in domestic offices).

Line item 5 Other debt securities in domestic offices.

Report the fair value of all other debt securities (as generally defined for Schedule HC-B, item 6, ‘‘Other debt securities’’) held for trading (in domestic offices). However, for purposes of this reporting item, any CMOs, REMICs, CMO and REMIC residuals and stripped mortgage-backed securities issued by non-U.S. government issuers should be reported in item 4(c) above.

Line items 6–8 Not applicable.

Line item 9 Other trading assets in domestic offices.

Report the fair value of all trading assets (in domestic offices) that cannot properly be reported in items 1 through 5. Certificates of deposit and bankers acceptances held for trading (in domestic offices) should be included in this line item (see the Glossary entries for ‘‘deposits’’ and ‘‘bankers acceptances’’ for the definitions of these terms). Exclude revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (in domestic offices) (report in item 11(a) below).

Line item 10 Trading assets in foreign offices.

Report the fair value of all assets held for trading in foreign offices. Exclude revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts in foreign offices (report in item 11(b) below).

Line item 11 Revaluation gains on derivative contracts.

Report the amount of revaluation gains (i.e., assets) from the ‘‘marking to market’’ of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the ‘‘marking to market’’ of the reporting bank holding company’s interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (i.e., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and item 14 below, as appropriate. (For further information, see the Glossary entry for ‘‘offsetting.’’)

Line item 11(a) In domestic offices.

Report the amount of revaluation gains (i.e., assets) from the ‘‘marking to market’’ of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes in domestic offices. To the extent that the bank holding company performs its ‘‘marking to market’’ of these contracts on a consolidated basis and nets the resulting revaluation gains and losses (i.e., assets and liabilities) for other financial reporting purposes as described in the instruction to item 11 above, but cannot readily determine separate asset amounts for its domestic offices and for its foreign offices, the asset amounts reported in this item may include revaluation gains and losses on contracts with the same counterparty in both domestic and foreign offices.

Line item 11(b) In foreign offices.

Report the amount of revaluation gains (i.e., assets) from the ‘‘marking to market’’ of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes in foreign offices.

Line item 12 Total trading assets.

Report the sum of items 1 through 11. This amount must equal Schedule HC, item 5, ''Trading assets.''

Line item 13 Liability for short positions.

Report the fair value amount of the reporting bank holding company's liabilities resulting from sales of assets that the reporting bank holding company does not own (see the Glossary entry for ''short position'').

Line item 14 Revaluation losses on derivative contracts.

Report the amount of revaluation losses (i.e., liabilities) from the ''marking to market'' of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the ''marking to market'' of the reporting bank holding company's interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (i.e., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and item 11 above, as appropriate. (For further information, see the Glossary entry for ''offsetting.'')

Line item 15 Total liabilities.

Report the sum of items 13 and 14. This amount must equal Schedule HC, item 15, ''Trading liabilities.''

LINE ITEM INSTRUCTIONS FOR

Deposit Liabilities
Schedule HC-E

General Instructions

A complete discussion of deposits is included in the Glossary entry entitled "deposits." That discussion addresses the following topics and types of deposits in detail:

(1) FDI Act definition of deposits;

(2) demand deposits;

(3) savings deposits;

(4) time deposits;

(5) time certificates of deposit;

(6) time deposits, open account;

(7) transaction accounts;

(8) nontransaction accounts;

(9) NOW accounts;

(10) ATS accounts;

(11) telephone or preauthorized transfer accounts;

(12) money market deposit accounts (MMDAs);

(13) interest-bearing accounts; and

(14) noninterest-bearing accounts.

Additional discussions pertaining to deposits are also found under separate Glossary entries for the following:

(1) borrowings and deposits in foreign offices;

(2) brokered deposits;

(3) dealer reserve accounts;

(4) hypothecated deposits;

(5) letters of credit (for letters of credit sold for cash and travelers' letters of credit);

(6) overdrafts;

(7) pass-through reserve balances;

(8) placements and takings; and

(9) reciprocal balances.

NOTE: For purposes of this report, IBFs of subsidiary depository institutions of the reporting bank holding company are to be treated as foreign offices and their deposit liabilities should be excluded from this schedule.

Definitions

The term "deposits" is defined in the Glossary and follows the definition of deposits used in the Federal Deposit Insurance Act. Reciprocal demand deposits between the domestic offices of the reporting bank holding company and the domestic offices of other depository institutions that are not consolidated on this report may be reported net when permitted by generally accepted accounting principles (GAAP). (See the Glossary entry for "reciprocal balances.")

The following are ***not*** reported as deposits:

(1) Deposits received in one office of a depository institution for deposit in another office of the same depository institution.

(2) Outstanding drafts (including advices or authorizations to charge the depository institution's balance in another depository institution) drawn in the regular course of business by the reporting depository institution on other depository institutions, including so-called "suspense depository accounts" (report as a deduction from the related "due from" account).

(3) Trust funds held in the bank's own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business.

(4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule HC-C, Loans and Lease Financing Receivables.

(5) All obligations arising from assets sold under agreements to repurchase.

(6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule HC-C, and not as negative deposits. Overdrafts in a single type of related transaction accounts (e.g., related demand deposits or related NOW accounts, but not a combination of demand deposit accounts and NOW accounts) of a single legal entity that are established under a bona fide cash management arrangement by this legal entity are not to be classified as loans unless there is a net overdraft position in the accounts taken as a whole. Such accounts are regarded as, and function as, one account rather than as multiple separate accounts.

(7) Time deposits sold (issued) by a subsidiary bank of the consolidated bank holding company that have been purchased subsequently by a holding company subsidiary in the secondary market (typically as a result of the holding company's trading activities) and have not resold as of the report date. For purposes of these reports, a holding company (or its subsidiaries) that purchases a time deposit a subsidiary has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the consolidated bank holding company has cancelled a liability as opposed to having acquired an asset for its portfolio.

The following are reported as deposits:

(1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of a subsidiary depository institution of the reporting bank holding company other than the trust department.

(2) Escrow funds.

(3) Payments collected by a depository institution subsidiary on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(4) Credit balances resulting from customers' overpayments of account balances on credit cards and related plans.

(5) Funds received or held in connection with checks or drafts drawn by a subsidiary depository institution of the reporting bank holding company 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 drawn in the normal course of business (including accounts where funds are remitted by a subsidiary depository institution of the reporting bank holding company only when it has been advised that the checks or drafts have been presented).

(6) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by a subsidiary depository institution of the reporting bank holding company, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by a subsidiary depository institution of the reporting bank holding company, until the amount of the checks is remitted to another party.

(7) Checks drawn by a subsidiary depository institution of the reporting bank holding company on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.

(8) Refundable loan commitment fees received or held by a subsidiary depository institution of the reporting bank holding company prior to loan closing.

(9) Refundable stock subscription payments received or held by the reporting bank holding company prior to the issuance of the stock.

In addition, the gross amount of debit items (''throw-outs,'' ''bookkeepers' cutbacks,'' or ''rejects'') that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason, but which have been charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule HC, item 11, ''Other assets.''

Line Item 1 Deposits held in domestic offices of commercial bank subsidiaries of the reporting bank holding company.

Report in items 1(a) through 1(e) below deposits held in domestic offices of the commercial bank subsidiaries of the reporting bank holding company that are consolidated by the holding company on this report.

For purposes of this item, commercial bank subsidiaries cover all banks that file the commercial bank Consolidated Reports of Condition and Income (FFIEC 031, 041). Domestic offices are those offices located in the fifty states of the United States and the District of Columbia.

If the reporting bank holding company consolidates a subsidiary foreign bank on this report, items 1(a) through 1(e) must also include deposits held in the U.S. offices of such foreign bank subsidiaries.

Line Item 1(a) Demand deposits.

Report all demand deposits, including any matured time deposits that have not automatically been renewed, as defined in the Glossary entry for ''deposits.''

Include the following:

(1) Noninterest-bearing deposits that are payable immediately on demand or issued with an original maturity of less than seven days, or that are payable with less than seven days notice, or for which the bank subsidiary does not reserve the right to require at least seven days written notice of an intended withdrawal.

(2) Unpaid depositors' checks that have been certified.

(3) Cashiers' checks, money orders, or other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on a consolidated bank subsidiary of the reporting bank holding company by any of its duly authorized officers and that are outstanding on the report date.

(4) Outstanding travelers' checks, travelers' letters of credit, or other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the consolidated bank holding company organization or its agents.

(5) Outstanding drafts and bills of exchange accepted by the consolidated bank holding company organization or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.

(6) Checks or drafts drawn by, or on behalf of, a non-U.S. office of a subsidiary bank of the reporting bank holding company on an account maintained at a U.S. office of the bank subsidiary. Such drafts are, for the Consolidated Financial Statements for Bank Holding Companies, the same as officers' checks. This would include ''London checks,'' ''Eurodollar bills payable checks,'' and any other credit items that the domestic bank issues in connection with such transactions.

Line Item 1(b) NOW, ATS, and other transaction accounts.

Report in this item all accounts subject to negotiable orders of withdrawal (i.e., NOW accounts), all ATS accounts (that is, accounts subject to automatic transfer from savings accounts), and all other transaction accounts, *excluding* demand deposits.

Other transaction accounts include the following:

(1) Accounts (other than MMDAs) that permit third party payments through automated teller machines (ATMs) or remote service units (RSUs).

(2) Accounts (other than MMDAs) that permit third party payments through the use of checks, drafts, negotiable instruments, debit cards, or other similar items.

(3) Accounts (other than MMDAs) if more than six of the following transactions per calendar month are permitted to be made by telephone or preauthorized order or instruction:

   (a) payments or transfers to third parties;

   (b) transfers to another account of the depositor at the same institution; and

   (c) transfers to an account at another depository institution.

Line Item 1(c) Money market deposit accounts and other savings accounts.

Report in this item all savings deposits held in the subsidiary commercial banks consolidated in this report by the reporting bank holding company, other than NOW accounts, ATS accounts, or other transaction accounts that are in the form of savings deposits.

Include the following in this item:

(1) Money market deposit accounts (MMDAs).

(2) Savings deposits subject to telephone and preauthorized transfers where the depositor is not permitted or authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.

(3) Savings deposits subject to no more than six transfers per month for purposes of covering overdrafts (i.e., overdraft protection plan accounts).

(4) All other savings deposits that are not classified as transaction accounts (e.g., regular savings and passbook savings accounts).

(5) Interest paid by crediting the savings deposit accounts defined by paragraphs (1) through (4) in this item.

Exclude the following from this item:

(1) NOW accounts (including ‘‘Super NOWs’’) and ATS accounts (report in item 1(b) above).

(2) Overdraft protection plan accounts that permit more than six transfers per month (report in item 1(a) as a demand deposit).

(3) Savings deposits subject to telephone or preauthorized transfer (report in item 1(b) above), unless the depositor is not permitted or not authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.

(4) Special passbook or statement accounts, such as ‘‘90-day notice accounts,’’ ‘‘golden passbook accounts,’’ or deposits labeled as ‘‘savings certificates,’’ that have a specified original maturity of seven days or more (report as time deposits in item 1(d) or 1(e) below).

(5) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule HC, item 20, ‘‘Other liabilities’’).

Line Item 1(d) Time deposits of less than $100,000.

Report in this item all time deposits with balances of less than $100,000 that are held in domestic offices of the commercial bank subsidiaries of the reporting bank holding company. This item includes both time certificates of deposit and open-account time deposits with balances of less than $100,000, regardless of negotiability or transferability.

Include the following:

(1) Time deposits (as defined in the Glossary entry for ‘‘deposits’’), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of less than $100,000.

(2) Interest paid by crediting nontransaction time deposit accounts with balances of less than $100,000.

Exclude from this item all time deposits with balances of $100,000 or more (report in item 1(e) below).

Line Item 1(e) Time deposits of $100,000 or more.

Report in this item all time deposits, including time certificates of deposit and open-account time deposits with balances of $100,000 or more, regardless of negotiability or transferability that are held in the commercial bank subsidiaries of the reporting bank holding company.

Include the following:

(1) Time deposits (as defined in the Glossary entry for ‘‘deposits’’), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of $100,000 or more.

(2) Interest paid by crediting nontransaction time deposit accounts with balances of $100,000 or more.

Include in this item brokered deposits issued to brokers or dealers in the form of large ($100,000 or more) certificates of deposit, regardless of whether the underlying depositors' shares are in denominations of less than $100,000.

Exclude from this item time certificates of deposit with balances of less than $100,000 (report in item 1(d)).

NOTE: Bank holding companies should include as time deposits of their commercial bank subsidiaries of $100,000 or more those time deposits originally issued in denominations of less than $100,000 but that, because of interest paid or credited, or because of additional deposits, now have a balance of $100,000 or more.

Line Item 2 Deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting bank holding company.

NOTE: Items 2(a) through 2(e) are to be completed only by bank holding companies that have depository institutions other than banks as subsidiaries.

Report in items 2(a) through 2(e) below deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting bank holding company and that are consolidated by the holding company on this report.

For purposes of this item, other depository institutions cover depository institutions other than commercial banks (as defined in item 1 of this schedule) that are consolidated subsidiaries of the reporting bank holding company. Such depository institutions may include savings and loan or building and loan associations, depository trust companies, or other institutions that accept deposits that do not submit the commercial bank Reports of Condition and Income (FFIEC 031, 041).

Exclude Edge and Agreement Corporations from the coverage of ''other depository institutions'' for purposes of this item. Domestic offices are those offices located in the fifty states of the United States and the District of Columbia.

Line Item 2(a) Noninterest-bearing balances.

Report all noninterest-bearing deposits, including any matured time or savings deposits that have not automatically been renewed, as defined in the Glossary entry for ''deposits,'' that are held in domestic offices of ''other depository institutions'' that are subsidiaries consolidated on the reporting bank holding company's financial statements. Include any deposit account on which the issuing depository institution pays no compensation.

Line Item 2(b) NOW, ATS, and other transaction accounts.

Report in this item all accounts subject to negotiable orders of withdrawal (i.e., NOW accounts), all ATS accounts (that is, accounts subject to automatic transfer from savings accounts), and all other transaction accounts that are held in domestic offices of the ''other depository institution'' subsidiaries of the reporting bank holding company.

Other transaction accounts include the following:

(1) Accounts (other than MMDAs) that permit third party payments through automated teller machines (ATMs) or remote service units (RSUs).

(2) Accounts (other than MMDAs) that permit third party payments through the use of checks, drafts, negotiable instruments, debit cards, or other similar items.

(3) Accounts (other than MMDAs) if more than six of the following transactions per calendar month are permitted to be made by telephone or preauthorized order or instruction:

   (a) payments or transfers to third parties;

   (b) transfers to another account of the depositor at the same institution; and

   (c) transfers to an account at another depository institution.

Line Item 2(c) Money market deposit accounts and other savings accounts.

Report in this item all savings deposits held in the subsidiary depository institutions (other than commercial banks) consolidated in this report by the reporting bank holding company, other than NOW accounts, ATS accounts, or other transaction accounts that are in the form of savings deposits.

Include in this item the following:

(1) Savings deposits subject to telephone and preauthorized transfers where the depositor is not permitted or authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party

by means of preauthorized or telephone agreement, order, or instruction.

(2) Savings deposits subject to no more than six transfers per month for purposes of covering overdrafts (i.e., overdraft protection plan accounts).

(3) All other savings deposits that are not classified as transaction accounts (e.g., regular savings and passbook savings accounts).

(4) Interest paid by crediting the savings deposit accounts defined by paragraphs (1) through (4) in this item.

Exclude from this item the following:

(1) NOW accounts and ATS accounts (report in item 2(b) above).

(2) Overdraft protection plan accounts that permit more than six transfers per month (report in item 2(a) as noninterest-bearing balances).

(3) Savings deposits subject to telephone or preauthorized transfer (report in item 2(b) above), unless the depositor is not permitted or not authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.

(4) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule HC, item 20, ''Other liabilities'').

Line Item 2(d) Time deposits of less than $100,000.

Report in this item all time deposits with balances of less than $100,000 that are held in domestic offices of ''other depository institutions'' (other than commercial banks), as defined in item 2 above that are subsidiaries of the reporting bank holding company. This item includes both time certificates of deposit and open-account time deposits with balances of less than $100,000, regardless of negotiability or transferability.

Include the following:

(1) Time deposits (as defined in the Glossary entry for ''deposits''), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of less than $100,000.

(2) Interest paid by crediting nontransaction time deposit accounts with balances of less than $100,000.

Exclude from this item all time deposits with balances of $100,000 or more (report in item 2(e) below).

Line Item 2(e) Time deposits of $100,000 or more.

Report in this item all time deposits, including time certificates of deposit and open-account time deposits with balances of $100,000 or more, regardless of negotiability or transferability that are held in depository institutions (other than commercial banks) that are subsidiaries of the reporting bank holding company.

Include the following:

(1) Time deposits (as defined in the Glossary entry for ''deposits''), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of $100,000 or more.

(2) Interest paid by crediting nontransaction time deposit accounts with balances of $100,000 or more.

Include in this item brokered deposits issued to brokers or dealers in the form of large ($100,000 or more) certificates of deposit, regardless of whether the underlying depositors' shares are in denominations of less than $100,000.

Exclude from this item time certificates of deposit with balances of less than $100,000 (report in item 2(d)).

NOTE: Bank holding companies should include as time deposits held in their depository institution subsidiaries (other than commercial banks) with balances of $100,000 or more, those time deposits originally issued in denominations of less than $100,000 but that, because of interest paid or credited, or because of additional deposits, now have a balance of $100,000 or more.

Memoranda

Line Item M1 Brokered deposits less than $100,000 with a remaining maturity of one year or less.

Report in this item those brokered deposits included in items 1 or 2 above that are issued in denominations of less than $100,000 with a remaining maturity of one year or less and are held in domestic offices of commercial banks or other depository institutions that are subsidiaries of the reporting bank holding company. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. See the Glossary entries for ''Brokered deposits'' and ''Brokered retail deposits'' for additional information.

Line Item M2 Brokered deposits less than $100,000 with a remaining maturity of more than one year.

Report in this item those brokered deposits included in items 1 or 2 above that are issued in denominations of less than $100,000 with a remaining maturity of more than one year and are held in domestic offices of commercial banks or other depository institutions that are subsidiaries of the reporting bank holding company. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. See the Glossary entries for ''Brokered deposits'' and ''Brokered retail deposits'' for additional information.

Line Item M3 Time deposits of $100,000 or more with a remaining maturity of one year or less.

Report in this item time deposits included in items 1(e) and 2(e) above that are issued in denominations of $100,000 or more with a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit.

Line Item M4 Foreign office time deposits with a remaining maturity of one year or less.

Report all time deposits in foreign offices with remaining maturities of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit. The time deposits included in this item will also have been included in Schedule HC, item 13(b).

LINE ITEM INSTRUCTIONS FOR

Other Assets
Schedule HC-F

General Instructions

Complete this schedule for the fully consolidated bank holding company. Eliminate all intercompany balances between offices, subsidiaries, and other entities included in the scope of the consolidated bank holding company.

Line Item 1 Accrued interest receivable.

Report the amount of interest earned or accrued on earning assets and applicable to current or prior periods that has not yet been collected. Accrued interest on securities purchased may be reported in this item, or in item 5 below, if accounted for separately from ''accrued interest receivable'' in the bank holding company's records.

Exclude retained interest in accrued interest receivable related to securitized credit cards (report in Schedule HC-F, item 5).

Line Item 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 HC-G, item 2, ''Net deferred tax liabilities.'' If the result for each tax jurisdiction is a net credit balance, enter a zero or the word ''none'' in this item. (A bank holding company 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.''

Line Item 3 Interest-only strips receivable (not in the form of a security) on:

As defined in FASB Statement No. 140, ''Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,'' 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. Report unrealized gains (losses) on these interest-only strips receivable in Schedule HC, item 26(b), ''Accumulated other comprehensive income.''

Exclude from this item interest-only strips receivable in the form of a security, which should be reported as available-for-sale securities in Schedule HC, item 2(b), or as trading assets in Schedule HC, 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 HC, item 5.

Line Item 3(a) Mortgage loans.

Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans.

Line Item 3(b) Other financial assets.

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

Line Item 4 Equity securities that do not have readily determinable fair values.

Report the historical cost of equity securities without readily determinable fair values. These equity securities are outside the scope of FASB Statement No. 115, ''Accounting for Certain Investments in Debt and Equity Securities.'' An equity security does not have a readily determinable fair value if sales or bid-and-asked quotations are *not* currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) and are *not* publicly reported by the National Association of Securities Dealers Automated Quotations systems or the National Quotation Bureau. The fair value of an equity security traded only in a foreign market is *not* of a breadth and scope comparable to one of the U.S. markets referenced above.

Equity securities that do not have readily determinable fair values may have been purchased by the reporting bank holding company or acquired for debts previously contracted.

Include in this item:

(1) Paid-in stock of a Federal Reserve Bank.

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

(3) Stock of a Federal Home Loan Bank.

(4) ''Restricted stock,'' as defined in FASB Statement No. 115, i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year.

(5) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock of the bank.

(6) Minority interests held by the reporting bank holding company in any company not meeting the definition of associated company, except minority holdings that indirectly represent premises of the bank holding company (report in Schedule HC, item 6) or other real estate owned (report in Schedule HC, 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.)

(7) Equity holdings in those corporate ventures over which the reporting bank does not exercise significant influence, except equity holdings that indirectly represent premises of the bank holding company (report in Schedule HC, item 6) or other real estate owned (report in Schedule HC, item 7). (See the Glossary entry for ''subsidiaries'' for the definition of corporate joint venture.)

Exclude from this item:

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

(2) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (report in Schedule HC-B, item 6, ''Other debt securities'').

Line Item 5 Other.

Report the amount of all other assets (other than those reported in Schedule HC-F, items 1, 2, 3, and 4 above) which cannot properly be reported in Schedule HC, items 1 through 10.

Include as all other assets:

(1) Prepaid expenses i.e., those applicable as a charge against operations in future periods.

(2) Cost of issuing subordinated notes and debentures, net of accumulated amortization.

(3) Automobiles, boats, equipment, appliances, and similar personal property repossessed or otherwise acquired for debts previously contracted.

(4) Derivative instruments that have a positive fair value that the bank holding company holds for purposes other than trading. For further information, see Glossary entry for ''derivative contracts.''

(5) Accrued interest on securities purchased (or in line item 1 above).

(6) Cash items not conforming to the definition of ''Cash items in process of collection'' found in the instruction to Schedule HC, item 1(a).

(7) Credit or debit card sales slips in process of collection until the reporting bank holding company has been notified that it has been given credit (report thereafter in Schedule HC, item 1(a), ''Noninterest-bearing balances and currency and coin'').

(8) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of FASB Statement No. 86.

(9) Bullion (e.g., gold or silver) not held for trading purposes.

(10) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).

(11) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).

(12) Cash surrender value of life insurance policies for which the bank holding company or any of its subsidiaries is the beneficiary. (Policies acquired after November 14, 1985, should be reported at the amount that could be realized under the insurance contracts as of the report date. For further information, see FASB Technical Bulletin No. 85-4.)

(13) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.

(14) Ground rents.

(15) Customers' liability for deferred payment letters of credit.

(16) Reinsurance recoverables of insurance subsidiaries from unaffiliated reinsurers only. (Also report, as appropriate, in Schedule HC-I).

(17) ''Separate account assets'' of insurance subsidiaries. (Also report, as appropriate, in Schedule HC-I).

Exclude from all other assets:

(1) Redeemed U.S. savings bonds and food stamps (report in Schedule HC, item 1(a), ''Noninterest-bearing balances and currency and coin'').

(2) Real estate owned or leasehold improvements to property intended for future use as premises of the bank holding company (report in Schedule HC, item 6, ''Premises and fixed assets'').

(3) Accounts identified as ''building accounts,'' ''construction accounts,'' or ''remodeling accounts'' (report in Schedule HC, item 6, ''Premises and fixed assets'').

(4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank holding company has not yet received title to the property, and real estate collateral underlying a loan when the bank holding company has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower (report as ''All other real estate owned'' in Schedule HC-M, item 13(b)).

(5) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered (report as loans in Schedule HC-C).

(6) Factored accounts receivable (report as loans in Schedule HC-C).

Line Item 5(a) Cash surrender value of life insurance (report only amounts that exceed 25% of Schedule HC-F, item 5).

Report the cash surrender value of life insurance policies for which the bank holding company or any of its subsidiaries is the beneficiary. (Policies acquired after November 14, 1985, should be reported at the amount that could be realized under the insurance contracts as of the report date. For further information, see FASB Technical Bulletin NO. 85-4.) Report only amounts that exceed 25 percent of the amount reported in Schedule HC-F, item 5.

Line Item 6 Total.

Report the sum of items 1 through 5. This amount must equal Schedule HC, item 11, ''Other assets.''

LINE ITEM INSTRUCTIONS FOR

Other Liabilities

Schedule HC-G

General Instructions

Complete this schedule for the fully consolidated bank holding company. Eliminate all intercompany balances between offices, subsidiaries, and other entities included in the scope of the consolidated bank holding company.

Line Item 1 Not applicable.

Line Item 2 Net deferred tax liabilities.

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 credit balance. If the result for a particular tax jurisdiction is a net *debit* balance, report the amount in Schedule HC-F, item 2, ''Net deferred tax assets.'' If the result for each tax jurisdiction is a net debit balance, enter a zero in this item. (A bank holding company 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.''

Line Item 3 Allowance for credit losses on off-balance sheet credit exposures.

Report the amount of any allowance for credit losses on off-balance sheet exposures established in accordance with generally accepted accounting principles.

Line Item 4 Other.

Report the amount of all other liabilities (other than those reported in Schedule HC-G, items 2 and 3 above) that cannot properly be reported in Schedule HC, items 13 through 19. Report the amount of interest on deposits, income taxes, interest on nondeposit liabilities, and other expenses accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account.

Include as all other liabilities:

(1) Accounts payable.

(2) Deferred compensation liabilities.

(3) Dividends declared but not yet payable—Include the amount of cash dividends declared on limited-life preferred, perpetual preferred, and common stock on or before the report date but not payable until after the report date. (Report dividend checks outstanding as deposit liabilities in Schedule HC-E).

(4) Derivative instruments that have a negative fair value that the reporting bank holding company holds for purposes other than trading. For further information, see Glossary entry for ''derivative contracts.''

(5) Deferred gains from sale–leaseback transactions.

(6) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material (refer to the Glossary entry for ''loan fees'' for further information).

(7) Bank holding company's liability for deferred payment letters of credit.

(8) Recourse liability accounts arising from asset transfers with recourse that are reported as sales.

(9) Claims and claims adjustment expense reserves of insurance subsidiaries. (Also report, as appropriate, in Schedule HC-I).

(10) Unearned premiums of insurance subsidiaries. (Also report, as appropriate, in Schedule HC-I).

(11) Policyholder benefits and contractholder funds of insurance subsidiaries. (Also report, as appropriate, on Schedule HC-I).

(12) ''Separate account liabilities'' of insurance subsidiaries (Also report, as appropriate, in Schedule HC-I).

Exclude from all other liabilities (report in appropriate items of Schedule HC-E, Deposit Liabilities):

(1) Proceeds from sales of U.S. savings bonds.

(2) Withheld taxes, social security taxes, sales taxes, and similar items.

(3) Mortgage and other escrow funds (e.g., funds received for payment of taxes or insurance), sometimes described as mortgagors' deposits or mortgage credit balances.

(4) Undisbursed loan funds for which borrowers are liable and on which they pay interest. The amounts of such undisbursed funds should be included in both loans and deposits.

(5) Funds held as dealer reserves (see the Glossary entry for ''dealer reserve accounts'' for the definition of this term).

(6) Payments collected by the bank holding company on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(7) Credit balances on credit cards and other revolving credit plans as a result of customers' overpayments.

Also exclude from all other liabilities due bills or similar instruments representing the bank holding company's receipt of payment and the bank holding company's liability on capital lease obligations (report in Schedule HC, item 16, ''Other borrowed money'').

Line Item 5 Total.

Report the sum of items 1 through 4. This amount must equal Schedule HC, item 20, ''Other liabilities.''

LINE INSTRUCTIONS FOR

Interest Sensitivity

Schedule HC-H

General Instructions

Schedule HC-H requests information related to interest rate sensitivity.

Information for only selected assets and liabilities is requested in this schedule. The schedule does not provide, nor is it intended to provide, a comprehensive view of the interest rate sensitivity position of the reporting bank holding company.

The information reported on this schedule must be consolidated on the same basis as the rest of the Consolidated Financial Statements for Bank Holding Companies. However, bank holding companies that have foreign subsidiaries or subsidiaries with more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding ''shell'' branches, excluding offices in Puerto Rico or U.S. territories and possessions, and excluding IBFs) have the option of excluding the smallest of such non-U.S. offices from coverage in this schedule. Such bank holding companies may exclude the smallest of their offices in foreign countries (other than ''shell'' branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank holding company's offices (excluding ''shells'') in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank holding company as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from this schedule, bank holding companies should exclude not only ''shell'' branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as ''foreign'' offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intracompany transactions.)

The assets and liabilities included in this schedule should be reported without regard to the instruments' repayment schedules, by remaining maturity for transactions with fixed or predetermined rates, and by repricing frequency for transactions with floating or adjustable rates. (See definitions of terms below.)

Alternatively, the bank holding company may, at its option:

(1) continue to report its floating rate transactions by the earliest repricing opportunity if its records provide repricing data on the length of time between the report date and the date the rate can next change; and

(2) continue to report its multipayment transactions on the basis of the scheduled contractual payments if its records provide repricing data on the basis of these scheduled contractual payments.

However, the reporting bank holding company must apply either the first procedure in reporting this schedule or the alternate procedure but it must apply one procedure consistently for every transaction reported on this schedule.

Definitions

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 instrument, and is known to both the borrower and the lender.

A *predetermined interest rate* is a rate that changes during the term of the instrument on a predetermined basis, with the exact rate of interest over the life of the instrument known with certainty to both the borrower and the lender when the instrument is acquired. Examples of predetermined-rate transactions are as follows:

(1) Loans that carry a specified interest rate, for, say, six months and thereafter carry a rate equal to a specific percentage over the initial rate.

(2) Loans that carry a specified interest rate while the loan amount is below a certain threshold amount but carry a different specified rate above that threshold (e.g., a line of credit where the interest rate is 14% when the unpaid balance of amounts advanced is $100,000 or less, and 12% when the unpaid balance is more than $100,000).

A *floating or adjustable interest 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 bank's ''prime rate,'' or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the instrument carries at any subsequent time cannot be known at the time of origination. If the interest rate can float or be adjusted daily, the rate is considered immediately adjustable, even if the rate is not, in fact, changed.

For purposes of this schedule, when the rate on an instrument with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the instrument is to be treated as ''fixed rate'' rather than as ''floating rate'' until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the instrument *without regard to the instruments repayment schedule, if any.*

Repricing frequency is how often the contract permits the interest rate on an instrument to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change.

Line Item 1 Earning assets that are repriceable within one year or mature within one year.

Report all assets that the consolidated bank holding company considers earning assets that have a remaining maturity of less than one year or where the repricing frequency is less than one year.

Earning assets generally include interest-bearing balances due from depository institutions, securities, federal funds sold and securities purchased under agreements to resell, and loans and leases. Assets in these categories that are in nonaccrual status should be *excluded* from earning assets.

Exclude trading account assets and equity securities.

Report in this item the following:

(1) Earning assets that have a fixed or predetermined interest rate and that have a *remaining maturity* of less than one year.

    Note, however, bank holding companies with multipayment fixed rate earning assets *may continue to report* the dollar amount of scheduled contractual payments that are to be repaid in less than one year in this item even though the remaining maturity of the assets is one year or more provided all multipayment transactions are reported in this manner. (See general instructions for this schedule.)

(2) Earning assets that have a floating or variable rate contract that permits the interest rate on the asset to change more often than once a year, i.e., has a repricing frequency of less than one year (even though the remaining maturity on the assets may be one year or more).

    Note, however, bank holding companies whose records provide repricing data on the length of time between the report date and the date the rate can next change (i.e., by earliest repricing opportunity) *may continue to report* in this item the dollar amount of floating rate earning assets with an earliest repricing opportunity of less than one year, even though the repricing frequency is one year or more, provided all floating rate transactions are reported on this schedule in this manner. If a bank holding company chooses to report its floating rate earning assets by the earliest repricing opportunity, it should report in this item the dollar amount of the contractual payments on its multipayment floating rate earning assets that are scheduled to be repaid within one year even if the earliest repricing opportunity and the repricing frequency is one year or more. (See general instructions for this schedule.)

Included in this item, if the repricing frequency or remaining maturity are less than one year, are the following:

(1) Leases, net of unearned income, as fixed rate instruments.

Note, however, bank holding companies may continue to report the change in the book value of the lease payments that are to be repaid in less than one year, net of unearned income provided they are reporting on this schedule using the alternate procedure described in the general instructions to this schedule. Any estimated residual value included in the net book value should be reported if the final lease payment is scheduled to be made in less than one year.

(2) All demand loans made solely on a demand basis (i.e., without an alternate maturity date or without repayment terms).

(3) Demand loans that have an alternate maturity date or repayment terms, as fixed or floating rate instruments, on the basis of the alternate maturity date.

(4) Credit cards and related plans with floating or adjustable rates (e.g., where the rate varies, or can vary, each billing cycle). Where the bank holding company in its contract with the borrower simply reserves the right to change the interest rate on a credit card or related plan, the plan should not be considered to have a floating or adjustable rate.

Credit cards and related plans with fixed or predetermined rates are to be *excluded* from this item.

(5) Amortizing fixed rate mortgage loans that implicitly permit rate adjustments by having the note mature at the end of an interval shorter than the term of the amortization schedule unless the holding company made no promise to refinance the loan, as a floating rate instrument.

(6) Student loans whose interest rate is adjusted periodically by the U.S. government by means of interest payments that include an amount of ''additional interest,'' as floating rate instruments.

(7) Loans secured by real estate that are held by the holding company or its subsidiaries for sale and delivery to the Federal National Mortgage Association or other secondary market participants under the terms of a binding commitment, on the basis of the delivery date specified in the commitment.

(8) Floating rate loans on which the borrower has the option at each repricing date to choose the next repricing date, in accordance with the repricing option currently in effect as of the report date.

(9) Debt securities, without regard to their call date *unless* the security has actually been called. When fixed rate debt securities have been called, they should be reported on the basis of the time remaining until the call date.

(10) Mortgage pass-through certificates (such as those issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), certain banks and savings and loan associations, and securities dealers) and all Small Business Administration (SBA) ''Guaranteed Loan Pool Certificates.''

(11) Fixed rate collateralized mortgage obligations (CMOs) and similar instruments on the basis of the time remaining until the stated final maturity of the instrument, not the projected final maturity or weighted average life of the instrument.

(12) Debt securities that provide the consolidated bank holding company with the option to redeem them at one or more specified dates prior to their contractual maturity date, so-called ''put bonds,'' on the basis of earliest ''put'' date for bonds.

(13) Zero coupon debt securities, as fixed rate debt securities.

Line Item 2 Interest-bearing deposit liabilities that reprice within one year or mature within one year.

Report in this item all interest-bearing deposit liabilities that have a time remaining to maturity of less than one year and any other interest-bearing deposit liabilities that have a repricing frequency of less than one year (regardless of the remaining maturity), without regard to scheduled contractual payments on deposits with multiple maturities. The amount reported in this item should be included in Schedule HC, item 13(a)(2), ''Interest-bearing deposits in domestic offices,'' and item 13(b)(2), ''Interest-bearing deposits in foreign offices, Edge and agreement subsidiaries, and IBFs.''

Do *not* report deposits in domestic offices classified as demand or savings accounts (including money market deposit accounts and all NOW accounts).

Note, however, bank holding companies choosing to continue to report their multi-maturity deposits on the basis of their scheduled contractual payments and their floating rate deposits by earliest repricing opportunity should report in this item the following:

(1) the dollar amount of floating or variable rate deposits that can be *repriced* in less than one year even if few, if any, of the contractual payments are scheduled to be repaid within one year. If the deposits have multiple maturities and have some contractual payments scheduled to be repaid within one year, but cannot be repriced for one year or more, include the dollar amount of the contractual payments to be repaid within one year. (See general instructions for this schedule.)

(2) the dollar amount of the scheduled contractual payments that are to be repaid in less than one year if the deposits have fixed or predetermined rates. (See general instructions for this schedule.)

Line Item 3 Long-term debt with a remaining maturity of more than one year but reprices within one year included in items 16 and 19 on Schedule HC, Balance Sheet.

Report debt issued by the consolidated bank holding company that has a remaining maturity of more than one year but that has a repricing frequency of less than a year.

Include as long-term debt the following:

(1) Other borrowed money with a remaining maturity of more than one year reported in Schedule HC, item 16 (*excluding* mortgage indebtedness and obligations under capitalized leases reported on Schedule HC, item 16);

(2) Mandatory convertible securities (included in Schedule HC, item 19); and

(3) Subordinated notes and debentures reported in Schedule HC, item 19 (*excluding* limited-life preferred stock and related surplus reported in Schedule HC, item 19).

Note, however, bank holding companies choosing to continue to report their long-term debt that can be repaid in more than one payment on the basis of their scheduled contractual payments and their floating rate long-term debt by earliest repricing opportunity should report the following in this item:

(1) the dollar amount of floating or variable rate long-term debt that can be *repriced* in less than one year even if few, if any, of the contractual payments are scheduled to be repaid within one year. If the multi-payment debt has some contractual payments scheduled to be repaid within one year, but cannot be repriced for one year or more, include the dollar amount of the contractual payments to be repaid within one year. (See general instructions for this schedule.)

(2) the dollar amount of the scheduled contractual payments that are to be repaid in less than one year if the long-term debt has fixed or predetermined rates. (See general instructions for this schedule.)

Exclude from this item commercial paper, demand notes issued to the U.S. Treasury, and other borrowings that had a remaining maturity of one year or less, mortgage indebtedness and obligations under capitalized leases with a remaining maturity of more than one year that is reported in Schedule HC, item 16, and limited-life preferred stock reported in Schedule HC, item 19.

Line Item 4 Variable rate preferred stock (includes both limited-life and perpetual preferred stock).

Report the total amount outstanding of both limited-life (reported in Schedule HC, item 19), and perpetual preferred stock that has a floating or adjustable rate (as defined above).

(See the Glossary entry for ''preferred stock,'' for a definition of limited-life or perpetual preferred stock.)

Line Item 5 Long-term debt reported in Schedule HC, item 19 on the Balance Sheet that is scheduled to mature within one year.

Report all debt issued by the consolidated bank holding company and reported in Schedule HC, item 19, ''Subordinated notes and debentures,'' that is scheduled to mature within one year, regardless whether the debt has fixed or floating rates.

Include in this item the amount of such debt issued by the consolidated bank holding company that is redeemable at the option of the holder within one year, even when the debt is scheduled to mature in more than one year.

LINE ITEM INSTRUCTIONS FOR

Insurance-Related Underwriting Activities (Including Reinsurance)

Schedule HC-I

General Instructions

Schedule HC-I, Insurance-Related Underwriting Activities (Including Reinsurance), must be submitted **by all bank holding companies** on a consolidated basis. In a multi-tiered organization, Schedule HC-I should be submitted only by the top-tier bank holding company that completes the FR Y-9C. Report all items in this schedule in accordance with generally accepted accounting principles (GAAP). Include all insurance enterprises subject to FAS 60.

The term ''subsidiary,'' as defined in Section 225.2 of Federal Reserve Regulation Y, generally includes companies that are 25 percent or more owned or controlled by another company. However, for purposes of reporting ''Total Assets'' in part I, item 2 and part II, item 3, only include the consolidated assets of those insurance underwriting and reinsurance subsidiaries that are consolidated for financial reporting purposes under GAAP and the net investments in unconsolidated subsidiaries and associated companies that are accounted for under the equity method of accounting. For purposes of reporting ''Total Equity'' in part I, item 5 and part II, item 6, include the equity of subsidiaries that are fully consolidated under GAAP. In addition, ''Net Income'' in part I, item 6 and Part II, item 7, should include the net income of subsidiaries that are consolidated under GAAP and the reporting bank holding company's proportionate share of the net income of unconsolidated subsidiaries and associated companies that are accounted for under the equity method of accounting.

See the Glossary entries for additional information on the following terms: (1) Contractholder, (2) Insurance Commissions, (3) Insurance Underwriting, (4) Policyholder, (5) Insurance Premiums, (6) Reinsurance, (7) Reinsurance Recoverables, and (8) Separate Accounts.

Part I. Property and Casualty

Assets

Line Item 1 Reinsurance recoverables.

Report reinsurance recoverables from unaffiliated property casualty reinsurers only.

Line item 2 Total assets.

Report the amount of total consolidated assets that are specific to property casualty insurance underwriting activities of the bank holding company. Include in total assets the assets of all legal entities that are considered to be an integral part of the company's property casualty insurance underwriting activities.

Liabilities

Line item 3 Claims and claims adjustment expense reserves.

Report the liability for unpaid claims and claims adjustment expense reserves, which represents the estimated ultimate cost of settling claims, net of estimated recoveries, and including all costs expected to be incurred in connection with the settlement of unpaid claims. Such costs are accrued when an insured event occurs.

Line item 4 Unearned premiums.

Report the reserve for unearned premiums. Unearned premiums represent the policy premiums associated with the unexpired portion of the term of coverage.

Line item 5 Total equity.

Report the total equity capital of property casualty underwriting subsidiaries that are consolidated under GAAP.

Line item 6 Net income.

Report the consolidated net income attributable to property casualty insurance underwriting related activities of the bank holding company. Include the net income of all legal entities that are considered to be an integral part of the bank holding company's property and casualty insurance underwriting activities.

Part II. Life and Health

Assets

Line Item 1 Reinsurance recoverables.

Report reinsurance recoverables from unaffiliated life and health reinsurers only.

Line item 2 Separate account assets.

Report all assets qualifying for separate account summary total presentation in the insurer's balance sheet. Include assets related to products in which the contractholder and not the insurer retains all or most of the investment and/or interest rate risk.

Line item 3 Total assets.

Report the amount of total consolidated assets that are specific to life and health insurance underwriting activities of the bank holding company. Include in total assets the assets of all legal entities that are considered to be an integral part of the company's life and health insurance underwriting activities.

Liabilities

Line item 4 Policyholder benefits and contractholder funds.

Report the liability for future policy benefits, which represents the present value of future policy benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums. Also include contractholder funds that represent receipts from the issuance of universal life, corporate owned life insurance, pension investment and certain deferred annuity contracts.

Line item 5 Separate account liabilities.

Report all liabilities qualifying for separate account summary presentation in the insurer's balance sheet.

Line item 6 Total equity.

Report the equity capital of life and health underwriting subsidiaries that are consolidated under GAAP.

Line item 7 Net income.

Report the consolidated net income attributable to life and health insurance underwriting related activities of the bank holding company. Include the net income of all legal entities that are considered to be an integral part of the bank holding company's life and health insurance underwriting activities.

LINE ITEM INSTRUCTIONS FOR

Quarterly Averages
Schedule HC-K

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 the bank holding company (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.

Assets

Line Item 1 Securities.

Report the quarterly average for the fully consolidated bank holding company's holdings of securities. When calculating quarterly averages for securities (not held for trading) for purposes of this schedule, report the quarterly average amortized cost (or historical cost for equity securities) for both held-to-maturity and available-for-sale securities. Securities consist of U.S. Treasury and U.S. Government agency obligations (as defined for Schedule HC-B, items 1 and 2), state and local securities (as defined Schedule HC-B, item 3), mortgage-backed securities (MBS) (as defined for Schedule HC-B, item 4), asset-backed securities (ABS) (as defined for Schedule HC-B, item 5), other domestic debt securities (as defined for Schedule HC-B, item 6(a)), foreign debt securities (as defined for Schedule HC-B, item 6(b)), and investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule HC-B, item 7).

Line Item 2 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 in Schedule HC, item 3).

Line Item 3 Loans and leases.

Report the quarterly average for all loans and leases, net of unearned income, in both domestic and foreign offices of the reporting bank holding company (as defined for Schedule HC-C, items 1 through 11).

Line Item 4(a) Trading assets.

Report the quarterly average for the fully consolidated bank holding company for assets held for trading (as defined for Schedule HC, item 5).

Line Item 4(b) Other earning assets.

Report the quarterly average for those other assets that the bank holding company considers earning assets.

Line Item 5 Total consolidated assets.

Report the quarterly average for the fully consolidated bank holding company's total assets (as defined for Schedule HC, item 12, ''Total assets''). When calculating the quarterly average total consolidated assets for purposes of this schedule, reflect all debt securities (not held for trading) at amortized cost, available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost. In addition, to the extent that net deferred tax assets included in the bank holding company'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 consolidated assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time.

This item is not the sum of items 1 through 4(b).

Liabilities

Line Item 6 Interest-bearing deposits (domestic).

Report the quarterly average for all interest-bearing deposits held in domestic offices of depository institutions that are consolidated subsidiaries of the bank holding company or of its subsidiaries. Include all time and savings deposits in domestic offices (as defined for Schedule HC-E, items 1(b) through 1(e) and items 2(b) through 2(e)).

Line Item 7 Interest-bearing deposits (foreign).

Report the quarterly average for interest- bearing deposits in foreign offices of depository institutions that are consolidated subsidiaries of the reporting bank holding company, Edge and Agreement subsidiaries, and IBFs (as defined for Schedule HC, item 13(b)(2), ''Interest-bearing'').

Line Item 8 Federal funds purchased and securities sold under agreements to repurchase.

Report the quarterly average for federal funds purchased and securities sold under agreements to repurchase (as defined in Schedule HC, item 14).

Line Item 9 All other borrowed money.

Report the quarterly average for the fully consolidated bank holding company's other borrowed money (as defined for Schedule HC, item 16).

Included are commercial paper and all other borrowed money regardless of maturity.

Line Item 10 Not applicable.

Line Item 11 Equity capital (excludes limited-life preferred stock).

Report the quarterly average for the fully consolidated bank holding company's equity capital (as defined for Schedule HC, item 28). For purposes of this schedule, deduct net unrealized losses on marketable equity securities and exclude other net unrealized gains and losses on available-for-sale securities, and accumulated net gains (losses) on cash flow hedges when calculating average equity capital.

LINE ITEM INSTRUCTIONS FOR

Derivatives and Off-Balance-Sheet Items

Schedule HC-L

General Instructions

Report on a fully consolidated basis the following selected commitments, contingencies, and other off-balance sheet items. Exclude from this schedule contingencies arising in connection with litigation.

Line Item 1 Unused commitments.

Report in the appropriate subitem the unused portions of commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions. Exclude commitments that meet the definition of a derivative and must be accounted for in accordance with FASB Statement No. 133, which should be reported in Schedule HC-L, item 11.

Report the unused portions of all credit card lines in item 1(b). Report in items 1(a), and 1(c) through 1(e) the unused portion of commitments for which the consolidated bank holding company has charged a commitment fee or other consideration, or otherwise has a legally binding commitment. Such commitments are to be reported in the appropriate subitem regardless of whether they contain ‘‘material adverse change’’ clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancelable at any time. In the case of commitments for syndicated loans, report only the consolidated bank holding company's proportional share of the commitments. Unused commitments are to be reported gross, that is, including any commitments acquired from others and any portions of commitments conveyed to others.

Include loan proceeds that the consolidated bank holding company is obligated to advance, such as loan draws, construction progress payments, seasonal or living advances to farmers under prearranged lines of credit, rotating or revolving credit arrangements, including retail credit card, check credit, and related plans, or similar transactions. Forward agreements and commitments to issue a commitment at some point in the future are to be reported in this item.

In addition, include revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements. These are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting banks have a legally binding commitment either to purchase any notes the borrower is unable to sell by the roll-over date or to advance funds to the borrower.

Line Item 1(a) Revolving, open-end loans secured by 1–4 family residential properties, e.g., home equity lines.

Report the unused portion of commitments to extend credit under revolving, open-end lines of credit secured by 1 to 4 family residential properties. These lines, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Line Item 1(b) Credit card lines.

Report the unused portion of all commitments to extend credit both to individuals for household, family, and other personal expenditures and to commercial or industrial enterprises through credit cards. Exclude home equity lines accessible through credit cards. Bank holding companies may report unused credit card lines as of the end of their customers' last monthly billing cycle prior to the report date or as of the report date.

Line Item 1(c) Commercial real estate, construction, and land development.

Report in the appropriate subitem the unused portions of commitments to extend credit for commercial real estate, construction, and land development activities.

Line Item 1(c)(1) Commitments to fund loans secured by real estate.

Report the unused portion of commitments to extend credit for the specific purpose of financing commercial and multifamily residential properties (e.g., business and industrial properties, hotels, motels, churches, hospitals, and apartment buildings), provided that such commitments, when funded, would be reportable as either loans secured by multifamily residential properties in Schedule HC-C, item 1(d), or loans secured by nonfarm nonresidential properties in Schedule HC-C, item 1(e).

Also include the unused portions of commitments to extend credit for the specific purpose of acquiring commercial real estate, financing land development (i.e., the process of improving land—laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule HC-C, item 1(a). For 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 loan proceeds the bank is obligated to advance as construction progress payments.

Do not include general lines of credit that a borrower, at its option, may draw down to finance construction and land development. (Report this in item 1(c)(2) or 1(e) below, as appropriate).

Line Item 1(c)(2) Commitments to fund loans not secured by real estate.

Report in this item the unused portions of all commitments to extend credit for the specific purpose of financing commercial and residential real estate activities, e.g., acquiring, developing and renovating commercial and residential real estate provided that when funded they would be reported in Schedule HC-C, items 2 through 9. Include in this item loan proceeds that the bank holding company or its consolidated subsidiaries are obligated to advance as construction progresses.

Such commitments generally may include:

(1) commitments to extend credit for the express purpose of financing real estate ventures as evidenced by underlying commitment documentation or other circumstances connected with the commitment; or

(2) commitments made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude any commitments that when funded would be reported in Schedule HC-C, item 1. Also exclude commitments made to commercial and industrial firms where the sole purpose for the financing is to construct a factory or office building to house the company's operations or employees.

Line Item 1(d) Securities underwriting.

Report the unsold portion of the reporting bank holding company's own takedown in securities underwriting transactions on a consolidated basis. Include NIFs and RUFs in this item.

Line Item 1(e) Other unused commitments.

Report the unused portion of all other commitments not reportable above. Include commitments to extend credit through overdraft facilities or commercial lines of credit and retail check credit and related plans. Also include commitments to extend credit secured by 1–4 family residential properties, *except* (a) revolving, open-end lines of credit secured by 1–4 family residential properties (e.g., home equity lines) which should be reported in Schedule HC-L, item 1(a), above, (b) commitments for 1–4 family residential construction and land development loans (that are secured by such properties) which should be reported in Schedule HC-L, item 1(c)(1) above, and (c) commitments that meet the definition of a derivative and must be accounted for in accordance with FASB Statement No. 133, which should be reported in Schedule HC-L, item 11.

Line Items 2 and 3 General Instructions for Standby Letters of Credit.

Originating bank holding companies (or their subsidiaries) must report in items 2 and 3 the full amount outstanding and unused of financial and performance standby letters of credit, respectively. Include those standby letters of credit that are collateralized by cash on deposit, that have been acquired by others, and in which participations have been conveyed to others where

(a) the originating and issuing bank holding company is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating institutions have an obligation to partially or wholly reimburse the originating bank holding company, either directly in cash or through a participation in a loan to the account party.

For syndicated standby letters of credit where each bank holding company has a direct obligation to the beneficiary, each institution must report only its share in the syndication. Similarly, if several organizations participate in the issuance of a standby letter of credit under a bona fide binding agreement that provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participating organization is only liable for a certain portion of the entire amount, each bank holding company shall report only its proportional share of the total standby letter of credit.

For a financial or performance standby letter of credit that is in turn backed by a financial standby letter of credit issued by another institution, each bank holding company must report the entire amount of the standby letter of credit it has issued in either item 2 or 3 below, as appropriate. The amount of the reporting bank holding company's financial or performance standby letter of credit that is backed by the other institution's financial standby letter of credit must be included in either item 2(a) or 3(a) as appropriate, since the backing of standby letters of credit has substantially the same effect as the conveying of participations in standby letters of credit.

Also, include all financial and performance guarantees issued by foreign offices of the reporting bank holding company pursuant to Section 211.4(a)(1) of Federal Reserve Regulation K or Section 347.3(c)(1) of the FDIC Rules and Regulations.

Line Item 2 Financial standby letters of credit and foreign office guarantees.

Report the amount outstanding and unused as of the report date of all financial standby letters of credit (and all legally binding commitments to issue financial standby letters of credit) issued by any office of the bank holding company or its consolidated subsidiaries. A financial standby letter of credit irrevocably obligates the bank holding company to pay a third-party beneficiary when a customer (account party) fails to repay an outstanding loan or debt instrument. (See the Glossary entry for ''letter of credit'' for further information).

Exclude from financial standby letters of credit the following:

(1) Financial standby letters of credit where the beneficiary is a consolidated subsidiary of the bank holding company.

(2) Performance standby letters of credit.

(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

Line Item 2(a) Amount of financial standby letters of credit conveyed to others.

Report that portion of the consolidated bank holding company's total contingent liability for financial standby letters of credit reported in item 2 that the holding company has conveyed to others. Also, include that portion of the reporting bank holding company's financial standby letters of credit that are backed by other organizations' financial standby letters of credit, as well as the portion that participating bank holding companies have reparticipated to others. Participations and backings may be for any part or all of a given obligation.

Line Item 3 Performance standby letters of credit and foreign office guarantees.

Report the amount outstanding and unused as of the report date of all performance standby letters of credit (and all legally binding commitments to issue performance standby letters of credit) issued by any office of the bank holding company or its consolidated subsidiaries. A performance standby letter of credit irrevocably obligates the bank holding company to pay a third-party beneficiary when a customer (account party) fails to perform some contractual non-financial obligation. (See the Glossary entry for ''letter of credit'' for further information).

Exclude from performance standby letters of credit the following:

(1) Performance standby letters of credit where the beneficiary is a consolidated subsidiary of the bank holding company.

(2) Financial standby letters of credit.

(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

Line Item 3(a) Amount of performance standby letters of credit conveyed to others.

Report that portion of the consolidated bank holding company's total contingent liability for performance standby letters of credit reported in item 3 that the holding company has conveyed to others. Also, include that portion of the reporting bank holding company's performance standby letters of credit that are backed by other organizations' financial standby letters of credit, as well as the portion that participating bank holding companies have reparticipated to others. Participations and backings may be for any part or all of a given obligation.

Line Item 4 Commercial and similar letters of credit.

Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit not issued for money or its equivalent, and all similar letters of credit, but excluding standby letters of credit (which are to be reported in item 2 and 3 above). (See the Glossary entry for ''letter of credit.'') Legally binding commitments to issue commercial letters of credit are to be reported in this item.

Travelers' letters of credit or other letters of credit issued for money or its equivalent by the reporting bank holding company or its agents should be reported as demand deposit liabilities in Schedule HC-E.

Line Item 5 Participations in acceptances conveyed to others by the reporting bank holding company.

Report the amount of all participations conveyed to others by the reporting (accepting) bank holding company or its consolidated subsidiaries in its acceptances that are outstanding regardless of the nature of the participation agreement and regardless of the system of debits and credits used to reflect the agreement on the reporting (accepting) bank holding company's books. Thus, participations in acceptances conveyed to others by the reporting (accepting) bank holding company or its consolidated subsidiaries are to include both those that provide for participation in the risk of loss in the event of default by the account party at the time of maturity and those that provide for participation in putting the holder of the acceptance in funds at the maturity of the acceptance. Also report the amount of participations in acceptances of other (accepting) organizations that the reporting bank holding company has acquired and subsequently conveyed to others.

Do not reduce the reporting (accepting) consolidated bank holding company's ''Liability on acceptances executed and outstanding'' (Schedule HC, item 18) or ''Customers' liability on acceptances outstanding'' (Schedule HC, item 9) by the amount of such participations regardless of the nature of the agreement and regardless of the system of debits and credits used to reflect the agreement on the reporting (accepting) bank holding company's books.

(See the Glossary entry for ''bankers acceptances'' for a detailed description of the required treatment of bankers acceptances in the Consolidated Financial Statements for Bank Holding Companies.)

Line Item 6 Securities lent.

Report the appropriate amount of all securities lent against collateral or on an uncollateralized basis. Report the book value of bank holding company-owned securities that have been lent. In addition, for customers who have been indemnified against any losses by the reporting bank holding company or its consolidated subsidiaries, report the market value as of the report date of such customers' securities, including customers' securities held in the reporting bank holding company's trust department, that have been lent. If the reporting bank holding company or its consolidated subsidiaries have indemnified their customers against any losses on their securities that have been lent by the company or its subsidiaries, the commitment to indemnify—either through a standby letter of credit or other means—should not be reported in any other item on Schedule HC-L.

Line Item 7 Credit derivatives.

Report in the appropriate subitem the notional amount and fair value of all credit derivatives. Credit derivatives are off-balance-sheet arrangements that allow one party (the ‘‘beneficiary’’) to transfer the credit risk of a ‘‘reference asset’’ to another party (the ‘‘guarantor’’). Bank holding companies should include the notional amounts of credit default swaps, total rate of return swaps, and other credit derivative instruments.

All transactions within the consolidated bank holding company should be reported on a net basis, i.e., intracompany transactions should not be reported in this item. No other netting of contracts is permitted for purposes of this item. Therefore, do not net: (1) credit derivatives with third parties on which the reporting bank holding company is the beneficiary against credit derivatives with third parties for which the reporting bank holding company is the guarantor, or (2) contracts subject to bilateral netting arrangements. The notional amount of credit derivatives should not be included in Schedule HC-L, items 11 through 13, and the fair value of credit derivatives should not be included in Schedule HC-L, item 14.

As defined in FASB Statement No. 133, fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances. For purposes of this item, the reporting bank holding company should determine the fair value of its derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

Line Item 7(a) Notional amount of credit derivatives on which the reporting bank holding company or any of its consolidated subsidiaries is the guarantor.

Report the notional amount (stated in U.S. dollars) of all credit derivatives on which the bank holding company or any of its consolidated subsidiaries has extended credit protection to other parties.

Line Item 7(a)(1) Gross positive fair value.

Report the total fair value of those credit derivatives reported in Schedule HC-L, item 7(a), above, with positive fair values.

Line Item 7(a)(2) Gross negative fair value.

Report the total fair value of those credit derivatives reported in Schedule HC-L, item 7(a), above, with negative fair values. Report the total fair value as an absolute value; do *not* enclose the total fair value in parentheses or use a minus (−) sign.

Line Item 7(b) Notional amount of credit derivatives on which the reporting bank holding company or any of its consolidated subsidiaries is the beneficiary.

Report the notional amount (stated in U.S. dollars) of all credit derivatives on which the bank holding company or any of its consolidated subsidiaries has obtained a guarantee against credit losses from other parties.

Line Item 7(b)(1) Gross positive fair value.

Report the total fair value of those credit derivatives reported in Schedule HC-L, item 7(b), above, with positive fair values.

Line Item 7(b)(2) Gross negative fair value.

Report the total fair value of those credit derivatives reported in Schedule HC-L, item 7(b), above, with negative fair values. Report the total fair value as an absolute value; do *not* enclose the total fair value in parentheses or use a minus (−) sign.

Line Item 8 Spot foreign exchange contracts.

Report the gross amount (stated in U.S. dollars) of all spot contracts committing the reporting bank holding company to purchase foreign (non-U.S.) currencies and U.S. dollar exchange that are outstanding as of the report date. All transactions within the bank holding company should be reported on a consolidated basis.

A spot contract is an agreement for the immediate delivery, usually within two business days, of a foreign currency at the prevailing cash market rate. Spot contracts are considered outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying currencies.

Only one side of a spot foreign exchange contract is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting bank holding company enters into a spot contract which obligates the bank holding company to purchase U.S. dollar exchange against which it sells Japanese yen, then the bank holding company would report (in U.S. dollar equivalent values) the amount of Japanese yen sold in this item. In cross-currency spot foreign exchange transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported (in U.S. dollar equivalent values).

Line Item 9 All other off-balance-sheet items (exclude derivatives).

With the exceptions listed below, report all significant types of off-balance-sheet items not covered in other items of this schedule. Exclude off-balance-sheet derivative contracts that are reported elsewhere in Schedule HC-L.

Report only the aggregate amount of those types of ''other off-balance sheet items'' that individually exceed 10 percent of the bank holding company's total equity capital reported in Schedule HC, item 28. If the bank holding company has no types of ''other off-balance sheet items'' that individually exceed 10 percent of total equity capital, report a zero or the word ''none.''

Disclose in items 9(a) through 9(g) each type of ''other off-balance sheet items'' reportable in this item, and the dollar amount of the off-balance sheet item, that individually exceeds 25 percent of the bank holding company's total equity capital reported in Schedule HC, item 28. For each type of off-balance sheet item that exceeds this disclosure threshold for which a preprinted caption has not been provided, describe the item with a clear but concise caption in items 9(d) through 9(g). These descriptions should not exceed 50 characters in length (including spacing between words).

Include the following as other off-balance-sheet items:

(1) Securities borrowed against collateral (other than cash), or on an uncollateralized basis, for such purposes as a pledge against deposit liabilities or delivery against short sales. For borrowed securities that are fully collateralized by similar securities of equivalent value, report the market value of the borrowed securities at the time they were borrowed. For other borrowed securities, report their market value as of the report date. (Report the amount of securities borrowed in Schedule HC-L, item 9(a), if this amount exceeds 25 percent of the bank holding company's total equity capital reported in Schedule HC, item 28.)

(2) Commitments to purchase and commitments to sell when-issued securities that are excluded from the requirements of FASB Statement No. 133 (and therefore not reported as forward contracts in item 11(b) below). (Report the amount of these commitments in Schedule HC-L, item 9(b) or item 9(c), if this amount exceeds 25 percent of the bank holding company's total equity capital reported in Schedule HC, item 28.)

(3) Standby letters of credit issued by a Federal Home Loan Bank on behalf of the reporting bank holding company or its subsidiaries, which is the account party on the letters of credit and therefore obligated to reimburse the issuing Federal Home Loan Bank for all payments made under the standby letters of credit.

(4) Financial guarantee insurance that insures the timely payment of principal and interest on bond issues.

(5) Letters of indemnity other than those issued in connection with the replacement of lost or stolen official checks.

(6) Shipside or dockside guarantees or similar guarantees relating to missing bills of lading or title documents and other document guarantees that facilitate the replacement of lost or destroyed documents and negotiable instruments.

Exclude the following from other off-balance-sheet items:

(1) All items that are required to be reported on the balance sheet of the Consolidated Financial Statements for Bank Holding Companies, such as repurchase and resale agreements.

(2) Commitments to purchase property being acquired for lease to others (report in item 1 above).

(3) Contingent liabilities arising in connection with litigation in which the reporting bank holding company is involved.

(4) Signature or endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

Line item 10 Not applicable.

Line item 11 Gross amounts (e.g., notional amounts) of derivatives contracts.

Report in the appropriate column and subitem the gross par value (stated in U.S. dollars) (e.g., futures, forwards, and option contracts) or the notional amount (stated in U.S. dollars) (e.g., forward rate agreements and swaps), as appropriate, of all contracts that meet the definition of a derivative and must be accounted for in accordance with FASB Statement No. 133. Include both freestanding derivative contracts and embedded derivatives that must be accounted for separately from their host contract under Statement No. 133. Report each contract according to its underlying risk exposure: interest rate, foreign exchange, equity, and commodity and other. Contracts with multiple risk characteristics should be classified based upon the predominant risk characteristics at the origination of the derivative. However, exclude from Schedule HC-L, items 11 through 14, all credit derivatives, which should be reported in Schedule HC-L, item 7 above.

The notional amount or par value to be reported for a derivative contract with a multiplier component is the contract's effective notional amount or par value. For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

All transactions within the bank holding company should be reported on a consolidated basis (i.e., intercompany transactions should be eliminated). No other netting of contracts is permitted for purposes of this item. Therefore, do not net: (1) obligations of the reporting bank holding company to purchase from third parties against the bank holding company's obligations to sell to third parties, (2) written options against purchased options, or (3) contracts subject to bilateral netting agreements.

For each column, the sum of Schedule HC-L, items 11(a) through 11(e) must equal the sum of Schedule HC-L, items 12 and 13.

Column Instructions

Column A Interest Rate Contracts

Interest rate contracts are contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). These contracts are generally used to adjust the bank holding company's interest rate exposure or, if the bank holding company is an intermediary, the interest rate exposure of others. Interest rate contracts include single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude contracts involving the exchange of one or more foreign currencies (e.g., cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported in column B as foreign exchange contracts.

Unsettled securities transactions that exceed regular way settlement time limit that is customary in each relevant market must be reported as forward contracts in Schedule HC-L, item 11(b).

Column B Foreign Exchange Contracts

Foreign exchange contracts are contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange contracts include cross-currency interest rate swaps where there is an exchange of principal, forward foreign exchange contracts (usually settling three or more business days from trade date), and currency futures and currency options. Exclude spot foreign exchange contracts which are to be reported in Schedule HC-L, item 8.

Only one side of a foreign currency transaction is to be reported. In those transactions where foreign (non-U.S.)

currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting bank holding company enters into a futures contract which obligates the bank holding company to purchase U.S. dollar exchange against which it sells Japanese yen, then the bank holding company would report (in U.S. dollar equivalent values) the amount of Japanese yen sold in Schedule HC-L, item 11(a). In cross-currency transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported.

All amounts in column B are to be reported in U.S. dollar equivalent values.

Column C Equity Derivative Contracts

Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

The contract amount to be reported for equity derivative contracts is the quantity, e.g., number of units, of the equity instrument or equity index contracted for purchase or sale multiplied by the contract price of a unit.

Column D Commodity and Other Contracts

Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, or equity derivative contracts.

The contract amount to be reported for commodity and other contracts is the quantity, e.g., number of units, of the commodity or product contracted for purchase or sale multiplied by the contract price of a unit.

The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (i.e., exchanges of principal) in the contract.

Line Item Instructions

Line Item 11(a) Futures contracts.

Futures contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges that act as the counterparty to each contract.

Report, in the appropriate column, the aggregate par value of futures contracts that have been entered into by the reporting bank holding company and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or by offset. Offset is the liquidating of a purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange.

Column A, Interest Rate Futures. Report futures contracts committing the reporting bank holding company to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Some of the more common interest rate futures include futures on 90-day U.S. Treasury bills; 12-year GNMA pass-through securities; and 2-, 4-, 6-, and 10-year U.S. Treasury notes.

Column B, Foreign Exchange Futures. Report the gross amount (stated in U.S. dollars) of all futures contracts committing the reporting bank holding company to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A currency futures contract is a standardized agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Futures. Report futures contracts committing the reporting bank holding company to purchase or sell equity securities or instruments based on equity indexes such as the Standard and Poor's 500, or the Nikkei.

Column D, Commodity and Other Futures. Report the contract amount for all futures contracts committing the reporting bank holding company to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and non-ferrous metals (e.g., copper, zinc). Include any other futures contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Line Item 11(b) Forward contracts.

Forward contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. Forward contracts are not traded on organized exchanges and their contractual terms are not standardized.

Report the notional value of forward contracts that have been entered into by the reporting bank holding company and are outstanding (i.e., open contracts) as of the report date. Do not report financial instruments intended to be delivered under such contracts if this notional value differs from the notional value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or settled in cash. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller.

Include commitments to purchase and sell when-issued securities that are not excluded from the requirements of FASB Statement No. 133 as a regular-way security trade. Report such contracts on a gross basis (except that bank holding companies may net purchases and sales of the identical security with the same party). Report commitments to purchase and sell when-issued securities that are excluded from the requirements of FASB Statement No. 133, in item 9 above, ''All other off-balance-sheet items,'' subject to the existing reporting threshold.

Column A, Interest Rate Forwards. Report forward contracts committing the reporting bank holding company to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Include in this item firm commitments (i.e., commitments that have a specific interest rate, selling date, and dollar amount) to sell loans secured by 1-to-4 family residential properties that meet the definition of a derivative contract under FASB Statement No. 133.

Column B, Foreign Exchange Forwards. Report the gross amount (stated in U.S. dollars) of all forward contracts committing the reporting bank holding company to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A forward foreign exchange contract is an agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Forwards. Report forward contracts committing the reporting bank holding company to purchase or sell equity instruments.

Column D, Commodity and Other Forwards. Report the contract amount for all forward contracts committing the reporting bank holding company to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and non-ferrous metals (e.g., copper, zinc). Include any other forward contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Line Item 11(c) Exchange-traded option contracts.

Option contracts convey either the right or the obligation, depending upon whether the reporting bank holding company is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Some options are traded on organized exchanges.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

Line Item 11(c)(1) Written options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting bank holding company has, for compensation (such as a fee or premium), obligated itself to either purchase or sell under exchange-traded option contracts that are outstanding as of the report date.

Column A, Written Exchange-Traded Interest Rate Options. For exchange-traded option contracts obligating the reporting bank holding company to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract. An example of such a contract is a Chicago Board Options Exchange option on the 13-week Treasury bill rate.

Column B, Written Exchange-Traded Foreign Exchange Options. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank holding company has, for compensation, obligated itself to either purchase or sell under exchange-traded option contracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts obligating the reporting bank holding company to either purchase or sell a foreign exchange futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract. Exchange-traded options on major currencies such as the Japanese Yen and British Pound Sterling and options on futures contracts of major currencies are examples of such contracts.

Column C, Written Exchange-Traded Equity Derivative Options. Report the contract amount for those exchange-traded option contracts where the reporting bank holding company has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written Commodity and Other Exchange-Traded Options. Report the contract amount for those exchange-traded option contracts where the reporting bank holding company has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in columns A, B, or C.

Line Item 11(c)(2) Purchased options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting bank holding company has, for a fee or premium, purchased the right to either purchase or sell under exchange-traded option contracts that are outstanding as of the report date.

Column A, Purchased Exchange-Traded Interest Rate Options. For exchange-traded option contracts giving the reporting bank holding company the right to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract. An example of such a contract is a Chicago Board Options Exchange option on the 13-week Treasury bill rate.

Column B, Purchased Exchange-Traded Foreign Exchange Options. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank holding company has, for a fee, purchased the right to either purchase or sell under exchange-traded option contracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts giving the reporting bank holding company the right to either purchase or sell a currency futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract. Exchange-traded options on major currencies such as the Japanese Yen and British Pound Sterling and options on futures contracts of major currencies are examples of such contracts.

Column C, Purchased Exchange-Traded Equity Derivative Options. Report the contract amount of those exchange-traded option contracts where the reporting bank holding company has, for a fee, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased Commodity and Other Exchange-Traded Options. Report the contract amount for those exchange-traded option contracts where the reporting bank holding company has, for a fee, or premium, purchased the right to purchase or sell a commodity or product. Include any other purchased, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Line Item 11(d) Over-the-counter option contracts.

Option contracts convey either the right or the obligation, depending upon whether the reporting bank holding company is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Options can be written to meet the specialized needs of the counterparties to the transaction. These customized option contracts are known as over-the-counter (OTC) options. Thus, over-the-counter option contracts include all option contracts not traded on an organized exchange.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

In addition, swaptions, i.e., options to enter into a swap-contract, and contracts known as caps, floors, collars, and corridors[1] should be reported as options.

1. A cap is a contract under which the purchaser has, for compensation (such as a fee or premium), acquired the right to receive a payment from the seller if a specified index rate, e.g., LIBOR, rises above a designated strike rate. Payments are based on the principal amount or notional amount of the cap, although no exchange of principal takes place. A floor is similar to a cap except that the purchaser has, for compensation (such as a fee or premium), acquired the right to receive a payment from the seller if the specified index rate falls below the strike rate. A collar is the simultaneous purchase of a cap (with a strike rate at one index rate) and sale of a floor (with a strike rate at a lower index rate), designed to maintain interest rates within a specified range. The premium income from the sale of the floor reduces or offsets the cost of buying the cap. A corridor is the simultaneous purchase of a cap (with a strike rate at one index rate) and sale of a cap (with a strike rate at a higher index rate), designed to reduce the cost of the lower strike cap. The premium income from the sale of one cap reduces or offsets the cost of buying the other cap.

Commitments to lend that meet the definition of a derivative and must be accounted for in accordance with FASB Statement No. 133 are considered options for purposes of Schedule HC-L, item 11. All other commitments to lend should be reported in Schedule HC-L, item 1.

Line Item 11(d)(1) Written options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting bank holding company has, for compensation (such as a fee or premium), obligated itself to either purchase or sell under OTC option contracts that are outstanding as of the report date. Also report the aggregate notional amount of written caps, floors, and swaptions and for the written portion of collars and corridors.

Column A, Written OTC Interest Rate Options. Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional amount for interest rate caps and floors that the reporting bank holding company sells. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule HC-L, item 11(d)(1), column A, and for the purchased portion of the contract in Schedule HC-L, item 11(d)(2), column A.

Column B, Written OTC Foreign Exchange Options. A written currency option contract conveys the obligation to exchange two different currencies at a specified exchange rate. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank holding company has, for compensation, obligated itself to either purchase or sell under OTC option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Written OTC Equity Derivative Options. Report the contract amount for those OTC option contracts where the reporting bank holding company has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written Commodity and Other OTC Options. Report the contract amount for those OTC option contracts where the reporting bank holding company has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, OTC option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Line Item 11(d)(2) Purchased options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting bank holding company has, for a fee or premium, purchased the right to either purchase or sell under OTC option contracts that are outstanding as of the report date. Also report the aggregate notional amount for purchased caps, floors, and swaptions and for the purchased portion of collars and corridors.

Column A, Purchased OTC Interest Rate Options. Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional amount for interest rate caps and floors that the reporting bank holding company purchases. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule HC-L, item 11(d)(1), column A, and for the purchased portion of the contract in Schedule HC-L, item 11(d)(2), column A.

Column B, Purchased OTC Foreign Exchange Options. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank holding company has, for a fee or premium, purchased the right to either purchase or sell under option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Purchased OTC Equity Derivative Options. Report the notional amount of those OTC option contracts where the reporting bank holding company has, for a fee or premium, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased Commodity and Other OTC Options. Report the contract amount for those option contracts where the reporting bank holding company has, for a fee or premium, purchased the right to purchase or sell a commodity or product. Include any other purchased OTC option that is not reportable as an interest rate, foreign exchange or equity derivative contract in column A, B, or C.

Line Item 11(e) Swaps.

Swaps are contracts in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swap contracts should be reported as swaps. The notional amount of a swap is the underlying principal amount upon which the exchange of interest, foreign exchange or other income or expense is based. The notional amount reported for a swap contract with a multiplier component is the contract's effective notional amount. In those cases where the reporting bank holding company is acting as an intermediary, both sides of the transaction are to be reported.

Column A, Interest Rate Swaps. Report the notional amount of all outstanding interest rate and basis swaps whose predominant risk characteristic is interest rate risk.

Column B, Foreign Exchange Swaps. Report the notional principal amount (stated in U.S. dollars) of all outstanding cross-currency interest rate swaps.

A cross-currency interest rate swap is a contract in which two parties agree to exchange principal amounts of different currencies, usually at the prevailing spot rate, at the inception of an agreement which lasts for a certain number of years. At defined intervals over the life of the swap, the counterparties exchange payments in the different currencies based on specified rates of interest. When the agreement matures, the principal amounts will be re-exchanged at the same spot rate. The notional amount of a cross-currency interest rate swap is generally the underlying principal amount upon which the exchange is based.

Column C, Equity Swaps. Report the notional amount of all outstanding equity or equity index swaps.

Column D, Commodity and Other Swaps. Report the notional principal amount of all other swap contracts that are not reportable as either interest rate, foreign exchange, or equity derivative contracts in column A, B, or C. The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (or exchanges of principal) in the contract.

Line Item 12 Total gross notional amount of derivative contracts held for trading.

Report in the appropriate column, the total notional amount or par value of those off-balance- sheet derivative contracts in Schedule HC-L, item 11 above that are held for trading purposes. Contracts held for trading purposes include those used in dealing and other trading activities accounted for at fair value with gains and losses recognized in earnings. Derivative instruments used to hedge trading activities should also be reported in this item.

Derivative trading activities include (a) regularly dealing in interest rate contracts, foreign exchange contracts, equity derivative contracts, and other off-balance-sheet commodity contracts, (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 (or repurchase) in order to profit from short-term price movements, or (c) acquiring or taking positions in such items as an accommodation to customers.

The trading department of a bank holding company or its subsidiaries may have entered into a derivative contract with another department or business unit within the consolidated bank holding company (and which has been reported on a consolidated basis in accordance with the instructions to Schedule HC-L, item 11 above). If the trading department has also entered into a matching contract with a counterparty outside the consolidated bank holding company, the contract with the outside counterparty should be designated as held for trading or as held for purposes other than trading consistent with the contract's designation for other financial reporting purposes.

Line Item 13 Total gross notional amount of derivative contracts held for purposes other than trading.

Report in the appropriate column, the total notional amount or par value of those contracts in Schedule HC-L, item 11 above that are held for purposes other than trading.

Line Item 14 Gross fair values of derivative contracts.

Report in the appropriate column and subitem below the fair (or market) value of all derivative contracts reported in Schedule HC-L, items 12 and 13 above. For each of the four types of underlying risk exposure in columns A through D, the gross positive and gross negative fair values will be reported separately below for contracts held for trading (item 14(a)), and contracts held for purposes other than trading (item 14(b)). Guidance for reporting by type of underlying risk exposure is provided in Schedule HC-L, item 11 above. Guidance for reporting by purpose and accounting methodology is provided in the instructions for Schedule HC-L, items 12 and 13 above.

All transactions within the bank holding company should be reported on a consolidated basis. For purposes of this item, do not net (1) obligations of the reporting bank holding company to buy against the bank holding company's obligations to sell, (2) written options against purchased options, (3) positive fair values against negative fair values, or (4) contracts subject to bilateral netting agreements.

As defined in FASB Statement No. 133, fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets is the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or liabilities and the results of valuation techniques to the extent available in the circumstances. For purposes of item 14, the reporting bank holding company should determine the fair value of its derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

Line Item 14(a) Contracts held for trading.

Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for trading reported in Schedule HC-L, item 12 above.

Line Item 14(a)(1) Gross positive fair value.

Report in the appropriate column the total fair value of those contracts in Schedule HC-L, item 12 above with positive fair values.

Line Item 14(a)(2) Gross negative fair value.

Report in the appropriate column the total fair value of those contracts in Schedule HC-L, item 12 above with negative fair values. Report the total fair value as an absolute value, do *not* enclose the total fair value in parentheses or use a minus (–) sign.

Line Item 14(b) Contracts held for purposes other than trading.

Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for purposes other than trading that are reported in Schedule HC-L, item 13 above.

Line Item 14(b)(1) Gross positive fair value.

Report in the appropriate column the total fair value of those contracts in Schedule HC-L, item 13 above with positive fair values.

Line Item 14(b)(2) Gross negative fair value.

Report in the appropriate column the total fair value of those contracts in Schedule HC-L, item 13 above with negative fair values. Report the total fair value as an absolute value, do *not* enclose the total fair value in parentheses or use a minus (–) sign.

LINE ITEM INSTRUCTIONS FOR

Memoranda

Schedule HC-M

Line Item 1 Total number of bank holding company common shares outstanding.

Report in this item the total *number* of common stock outstanding by the consolidated bank holding company as of the report date. **Do not round this number.** Total outstanding shares equals total shares issued less treasury stock.

Line Item 2 Debt maturing in one year or less that is issued to unrelated third parties by bank subsidiaries.

Report in this item all debt maturing in one year or less included in Schedule HC, items 16 and 19 that is issued to unrelated third parties *by any direct or indirect bank subsidiary of the reporting bank holding company.* Include in this item the amount of such debt that is redeemable at the option of the holder within one year, even when the debt is scheduled to mature in more than one year.

''Unrelated third parties'' covers all individuals and those partnerships and corporations that are not majority-owned or controlled, directly or indirectly, by the respondent holding company or any of its subsidiaries.

Line Item 3 Debt maturing in more than one year that is issued to unrelated third parties by bank subsidiaries.

Report in this item all debt maturing in more than one year included in Schedule HC, items 16 and 19 that is issued to unrelated third parties *by any direct or indirect bank subsidiary of the reporting bank holding company.*

Exclude from this item the amount of such debt that is redeemable at the option of the holder within one year, even when the debt is scheduled to mature in more than one year.

''Unrelated third parties'' covers all individuals and those partnerships and corporations that are not majority-owned or controlled, directly or indirectly, by the respondent holding company or any of its subsidiaries.

Line Item 4 Other assets acquired in satisfaction of debts previously contracted.

Report in this item all assets (other than other real estate owned) that have been acquired in satisfaction of debts previously contracted (DPC). Include assets, such as securities, loans, and equipment, that have been acquired in satisfaction of DPC.

Line Item 5 Securities purchased under agreements to resell netted against securities sold under agreements to repurchase on Schedule HC.

Report in this item the amount of securities purchased under agreements to resell that have been offset by securities sold under agreements to repurchase (i.e., assets removed from Schedule HC).

Line Item 6 Investments in real estate.

This item is to be reported only by bank holding companies that have been authorized by the Federal Reserve to have real estate investments.

Report in this item equity investments, funded loans, and committed loans in real estate projects in which the bank holding company or its subsidiaries have an equity investment.

Include the following as investments in real estate ventures:

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

NOTE: *Exclude* any real estate acquired in satisfaction of debt previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure.

(2) Any debt or equity investments by the bank holding company in unconsolidated subsidiaries, associated companies, and corporate joint ventures, unincorporated joint ventures, and general and limited partnerships over which the bank holding company or its subsidiaries exercise significant influence (all of which are commonly referred to as ''investees'') if such investees are primarily engaged in the holding of real estate for development, resale, or other investment purposes. Investments by the bank holding company in these investees, which are also reported in Schedule HC, item 8, ''Investments in unconsolidated subsidiaries and associated companies,'' 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 as described in the instruction to Schedule HC, item 8.

(3) Real estate acquisition, development, or construction (ADC) arrangements that are accounted for as direct investments in real estate or as real estate joint ventures in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.

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

Exclude from this item any property necessary for the conduct of banking business that has been reported in Schedule HC, item 6, ''Premises and fixed assets,'' and any property not specifically held for real estate development or other investment purposes.

Item 7 Total assets of unconsolidated subsidiaries and associated companies.

Report the total assets of the bank holding company's investees, i.e., all subsidiaries that have not been consolidated, associated companies, and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence. The bank holding company's investments in these entities should have been reported in item 8 of Schedule HC.

Line Item 8 Has the bank holding company entered into a business combination during the calendar year that was accounted for by the purchase method of accounting?

Enter a ''1'' for yes if the respondent bank holding company consummated the acquisition of another company during the calendar year that was accounted for by the purchase method of accounting. Enter ''0'' for no if the respondent bank holding company consummated no business combinations during the calendar year.

Line Item 9 Has the bank holding company restated its financial statements during the last quarter as a result of new or revised Statements of Financial Accounting Standards?

Enter a ''1'' for yes if the respondent bank holding company has restated its financial statements during the quarter ending with the report date because a new or revised Statement of Financial Accounting Standards (SFAS) was implemented. Enter a ''0'' if no financial statements were revised as a result of the implementation of a new or revised SFAS.

If the response to this question is ''yes,'' restated financial statements that reflect those changes in accounting standards should be submitted to the appropriate Federal Reserve District Bank as soon as possible.

Line Item 10 Did your bank holding company reduce ''Customers' liability on acceptances outstanding'' by the amount of any participations (even immaterial amounts) in bankers acceptances?

Enter a ''1'' for yes if the reporting bank holding company reduced its customers' liability on acceptances by the amount of its participations in bankers acceptances conveyed to others, even if the dollar amount of participations in bankers acceptances is immaterial. Enter a

"0" for no if the reporting bank holding company reports its customers' liability on acceptances gross of the amount of its participations in bankers acceptances conveyed to others.

Line Item 11 Have all changes in investments and activities been reported to the Federal Reserve on the Bank Holding Company Report of Changes in Organizational Structure (FR Y-10)?

This item is to be completed only by the top-tier bank holding company. **The top-tier bank holding company must not leave this item blank or enter "N/A." A lower-tier holding company filing this report should enter "N/A" for this item.**

Enter a "1" for yes if the top-tier bank holding company has submitted all changes, if any, in its investments and activities on the FR Y-10. If the top-tier bank holding company had no changes in investments and activities and therefore was not required to file a FR Y-10, also enter a "1" in this item. Enter a "0" for no if it has not yet submitted all changes to investments and activities on the FR Y-10. **(If the answer to this question is no, the top-tier bank holding company must complete the FR Y-10 report.)** The name of the holding company official responsible for verifying that the FR Y-10 has been completed should be typed or printed on the line provided whether the answer is "yes," or "no." In addition, enter the area code and phone number of the official responsible for verifying the FR Y-10.

Line Item 12 Intangible assets other than goodwill.

Report in the appropriate subitem the carrying amount of intangible assets other than goodwill. Intangible assets primarily result from business combinations accounted for under the purchase method in accordance with FASB Statement No. 141, *Business Combinations*, from acquisitions of portions or segments of another institution's business such as branch offices, mortgage servicing portfolios, and credit card portfolios, and from the sale or securitization of financial assets with servicing retained. Intangible assets with finite lives should be amortized over their estimated useful lives and tested for impairment at least annually in accordance with FASB Statement No. 142, *Goodwill and Intangible Assets*. Intangible assets with indefinite useful lives should not be amortized, but should be tested for impairment at least annually in accordance with FASB Statement No. 142.

Line Item 12(a) Mortgage servicing assets.

Report the carrying amount of mortgage servicing assets, i.e., the cost of acquiring contracts to service loans secured by real estate (as defined for Schedule HC-C, item 1, and in the Glossary entry for "Loans secured by real estate") that have been securitized or are owned by another party, net of any related valuation allowances. Servicing assets resulting from contracts to service financial assets other than loans secured by real estate should be reported in line item 12(b). For further information, see the Glossary entry for "servicing assets and liabilities."

Line Item 12(a)(1) Estimated fair value of mortgage servicing assets.

Report the estimated fair value of the capitalized mortgage servicing assets reported in Schedule HC-M, item 12(a) above.

According to FASB Statement No. 140, the fair value of mortgage servicing assets is the amount at which the assets could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of the fair value of an asset and should be used to measure fair value if available. If quoted market prices are not available, the estimate of fair value should be based on the best information available in the circumstances, considering prices for similar assets and the results of valuation techniques such as the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. Valuation techniques for measuring servicing assets should be consistent with the objective of measuring fair value and should incorporate assumptions that market participants would use. Estimates of expected future cash flows, if used to estimate fair value, should be the best estimate based on reasonable and supportable assumptions and projections.

For purposes of this item, the reporting bank holding company should determine the fair value of mortgage servicing assets in the same manner that it determines the fair value of these assets for other financial reporting purposes, consistent with the guidance in FASB Statement No. 140.

Line Item 12(b) Purchased credit card relationships and nonmortgage servicing assets.

Report the carrying amount of purchased credit card relationships (PCCRs) plus the carrying value of nonmortgage servicing assets.

PCCRs represent the right to conduct ongoing credit card business dealings with the cardholders. In general, PCCRs are an amount paid in excess of the value of the purchased credit card receivables. Such relationships arise when a banking organization purchases existing credit card receivables and also has the right to provide credit card services to those customers. PCCRs may also be acquired when the reporting bank holding company acquires an entire depository institution.

PCCRs shall be carried at amortized cost, not in excess of the discounted amount of estimated future net cash flows. If unanticipated acceleration or deceleration of cardholders payments, account attrition, changes in fees or finance charges, or if other events occur that reduce the amount of expected future net cash flows, a write-down of the book value of the PCCRs shall be made to the extent that the discounted amount of estimated future net cash flows is less than the asset's carrying amount.

The carrying value of nonmortgage servicing assets is the unamortized cost of acquiring contracts to service financial assets, other than loans secured by real estate (as defined for Schedule HC-C, item 1), that have been securitized by another party, net of any related valuation allowances. For further information, see the Glossary entry for ''servicing assets and liabilities.''

Line Item 12(c) All other identifiable intangible assets.

Report the carrying amount of all other specifically identifiable intangible assets such as core deposit intangibles and favorable leasehold rights. Also include the unamortized amount of any unidentifiable intangible assets recorded in accordance with FASB Statement No. 72, *Accounting for Certain Combinations of a Banking or Thrift Institution*. Exclude goodwill, which should be reported in Schedule HC, item 10(a).

Line Item 12(d) Total.

Report the sum of items 12(a), 12(b) and 12(c). This amount must equal Schedule HC, item 10(b), ''Other intangible assets.''

Line Item 13 Other real estate owned.

Report the book value (not to exceed fair value), less accumulated depreciation, if any, of all real estate other than premises actually owned by the bank holding company or its consolidated subsidiaries. Do not deduct mortgages or other liens on such property (report in Schedule HC, item 16, ''Other borrowed money''). Also report in the appropriate subitem certain receivables resulting from sales of other real estate owned as described. This item should be reported net of any valuation allowance applicable to ''Other real estate owned.''

Report in item 13(a) real estate acquired in satisfaction of debts previously contracted. Report in item 13(b) real estate acquired and held for investment and property originally acquired for future expansion but no longer intended to be used for that purpose.

Exclude any property necessary for the conduct of banking business (report in Schedule HC, item 6, ''Premises and fixed assets'').

Line Item 13(a) Real estate acquired in satisfaction of debts previously contracted.

Include the following as real estate acquired in satisfaction of debts previously contracted:

(1) Real estate acquired in any manner for debts previously contracted, (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank holding company or its consolidated subsidiaries has not yet received title to the property.

(2) Real estate collateral underlying a loan when the bank holding company has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower.

Foreclosed real estate received in full or partial satisfaction of a loan should be recorded at the fair value less cost to sell the property at the time of foreclosure. The fair value of the asset less cost to sell the property at the time of foreclosure becomes the ''cost'' of the asset. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the fair value less cost to sell the property is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure. Any amount of senior debt to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule HC, item 16, ''Other borrowed money.''

After foreclosure, each individual foreclosed real estate asset must be carried at the lower of (1) the fair value of the asset minus estimated costs to sell the asset as of the reporting date or (2) the ''cost'' of the asset as defined in the preceding paragraph. This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs. For further information, see the glossary entries for ''foreclosed assets'' and ''troubled debt restructurings.''

(3) Foreclosed real estate sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, ''Accounting for Sales of Real Estate.'' Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when the 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 FASB Statement No. 66 is being used to account for the sale, the receivable resulting from the sale of the foreclosed real estate should be reported as a loan in Schedule HC-C, and any gain on the sale should be recognized in accordance with FASB Statement No. 66. For further information, see the Glossary entry for ''foreclosed assets.''

Line item 13(b) Other real estate owned.

Report in this item all real estate acquired and held by the consolidated bank holding company for investment purposes. Property formerly but no longer used for banking or nonbanking activities may be reported in this item as ''Other real estate owned'' or in item 6, as ''Premises and fixed assets.''

Include in this item the following:

(1) Any real estate acquired, directly or indirectly, by the bank holding company or a consolidated subsidiary and held for development or other investment purposes. (Do not include real estate acquired in any manner for debts previously contracted, which are to be reported in item 13(a) above.)

(2) Real estate acquisition, development, or construction (ADC) arrangements that are accounted for as investments in real estate in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.

(3) Real estate acquired and held for investment by the consolidated holding company or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method in accordance with FASB Statement No. 66, ''Accounting for Sales of Real Estate.'' Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when the recovery of the carrying value of the property is not reasonably assured. Once the criteria for sale treatment under FASB Statement No. 66 have been met, the receivable resulting from the sale of the foreclosed real estate should continue to be reported in this item or should be reported as a loan in Schedule HC-C, and any gain on the sale should be recognized in accordance with FASB Statement No. 66.

(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 corporate joint ventures, unincorporated joint ventures, and general or limited partnerships that are primarily engaged in the holding of

real estate for development, resale, or other investment purposes and over which the bank does not exercise significant influence.

(6) Property originally acquired for future expansion but no longer intended to be used for that purpose.

Line Item 13(c) Total.

Report the sum of items 13(a) and 13(b). This amount must equal Schedule HC, item 7, ''Other real estate owned.''

Line Item 14 Other borrowed money.

Report in the appropriate subitem the amount borrowed by the consolidated bank holding company.

Line Item 14(a) Commercial paper.

Report the total amount outstanding of commercial paper issued by the reporting bank holding company or its subsidiaries.

(See the Glossary entry for ''commercial paper'' for a description of commercial paper.)

Line Item 14(b) Other borrowed money with a remaining maturity of one year or less.

Report the total amount of money borrowed by the consolidated bank holding company with a remaining maturity of one year or less. For purposes of this item, remaining maturity is the amount of time remaining from the report date until final contractual maturity of a borrowing without regard to the borrowing's repayment schedule, if any.

Report the dollar amount outstanding of all interest-bearing demand notes issued to the U.S. Treasury by the depository institutions that are consolidated subsidiaries of the reporting bank holding company. If the depository institution subsidiary participates in the Treasury Tax and Loan note program, funds received for credit to the U.S. government are demand deposits on the day received and become note balances on the following business day.

Report in this item mortgage indebtedness and obligations under capitalized leases with a remaining maturity of one year or less. Report the amount of mortgages, liens, or other encumbrances on premises and fixed assets and on other real estate owned for which the bank holding company or its consolidated subsidiaries are liable.

If the bank holding company is the lessee on capitalized lease property, include the bank holding company's liability for capitalized lease payments. (See the Glossary entry for ''lease accounting'' for a discussion of accounting with bank holding company as lessee.)

Report the total amount of money borrowed with a remaining maturity of one year or less:

(1) on its promissory notes;

(2) on notes and bills rediscounted (including commodity drafts rediscounted);

(3) on financial assets (other than securities) sold under repurchase agreements that have an original maturity of more than one business day and sales of participations in pools of loans that have an original maturity of more than one business day;

(4) by transferring financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) in transactions that do not satisfy the criteria for sale treatment under FASB Statement No. 140 (see the Glossary entry for ''transfers of financial assets'' for further information);

(5) by the creation of due bills representing the bank holding company's receipt of payment and similar instruments, whether collateralized or uncollateralized (see the Glossary entry for ''due bills'');

(6) from Federal Reserve Banks;

(7) by overdrawing ''due from'' balances with depository institutions, except overdrafts arising in connection with checks or drafts drawn by subsidiary depository institutions of the reporting bank holding company 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 HC-E until the funds are remitted).

(8) on purchases of ''term federal funds'' (as defined in the Glossary entry for ''federal funds transactions''); and

(9) by borrowing immediately available funds in foreign offices that have an original maturity of one business day or roll over under a continuing contrast that are not securities repurchase agreements.

(10) on any other obligation for the purpose of borrowing money that has a remaining maturity of one year or less and that is not reported elsewhere.

(For a discussion of borrowings in foreign offices, see the Glossary entry for ''borrowings and deposits in foreign offices.'')

Exclude from this item the following:

(1) Federal funds purchased (in domestic offices) and securities sold under agreements to repurchase (report in Schedule HC, items 14(a) and 14(b), respectively);

(2) Liabilities resulting from the sales of assets that the reporting bank holding company or its consolidated subsidiaries does not own (see Glossary entry for ''short position'') (report in Schedule HC, item 15); and

(3) Subordinated notes and debentures (report in Schedule HC, item 19).

Line Item 14(c) Other borrowed money with a remaining maturity of more than one year.

For purposes of this item, remaining maturity is the amount of time remaining from the report date until final contractual maturity of a borrowing without regard to the borrowing's repayment schedule, if any.

Report in this item mortgage indebtedness and obligations under capitalized leases with a remaining maturity of more than year. Report the amount of mortgages, liens, or other encumbrances on premises and fixed assets and on other real estate owned for which the bank holding company or its consolidated subsidiaries are liable.

If the bank holding company is the lessee on capitalized lease property, include the bank holding company's liability for capitalized lease payments. (See the Glossary entry for ''lease accounting'' for a discussion of accounting with bank holding company as lessee.)

Report the total amount of money borrowed by the consolidated bank holding company with a remaining maturity of more than one year:

(1) on its promissory notes;

(2) in the form of perpetual debt securities that are unsecured and not subordinated;

(3) on notes and bills rediscounted (including commodity drafts rediscounted);

(4) on loans sold under repurchase agreements that mature in more than one business day; and

(5) on any other obligation with a remaining maturity of more than one year for the purpose of borrowing money that is not reported elsewhere.

NOTE: When the reporting bank holding company has explicitly or implicitly guaranteed the long-term debt of its Employee Stock Ownership Plan (ESOP), report in this item the dollar amount outstanding of the long-term debt guaranteed.

For a discussion of borrowings in foreign offices, see the Glossary entry for ''borrowings and deposits in foreign offices.''

Exclude from this item the following:

(1) federal funds purchased (in domestic offices) and securities sold under agreements to repurchase (report in Schedule HC, items 14(a) and 14(b), respectively);

(2) liabilities resulting from the sales of assets that the reporting bank holding company or its consolidated subsidiaries do not own (see Glossary entry for ''short position'') (report in Schedule HC, item 15); and

(3) subordinated notes and debentures (report in Schedule HC, item 19).

Line Item 14(d) Total.

Report the sum of items 14(a), 14(b) and 14(c). This amount must equal Schedule HC, item 16, ''Other borrowed money.''

Line Item 15 Does the holding company sell private label or third party mutual funds and annuities?

Indicate whether the reporting bank holding company currently sells private label or third party mutual funds and annuities.

Place ''1'' for yes if the bank holding company, a bank holding company subsidiary or other affiliate, or an unaffiliated entity sells private label or third party mutual funds and annuities:

(1) on premises of the bank holding company;

(2) from which the bank holding company receives income at the time of the sale or over the duration of the account (e.g., annual fees, Rule 12b-1 fees or ''trailer fees,'' and redemption fees); or

(3) through the reporting bank holding company's trust department in transactions that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator).

Otherwise, enter ''0'' for no.

Mutual fund is the common name for an open-end investment company whose shares are sold to the investing public. An annuity is an investment product, typically underwritten by an insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a banking organization's customers. A proprietary product is a product for which the reporting bank holding company or a subsidiary or other affiliate of the reporting bank holding company acts as investment adviser and may perform additional support services. In a private label product, an unaffiliated entity acts as the investment adviser. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Mutual funds and annuities that are not proprietary or private label products are considered third party products. For example, third party mutual funds and annuities include products that are widely marketed by numerous parties to the investing public and have investment advisers that are not affiliated with the reporting bank holding company.

Line Item 16 Assets under management in proprietary mutual funds and annuities.

Report the amount of assets (stated in U.S. dollars) held by mutual funds and annuities as of the report date for which the reporting bank holding company or a subsidiary of the bank holding company acts as investment adviser.

A general description of a proprietary product is included in the instruction to Schedule HC-M, item 15, above. Proprietary mutual funds and annuities are typically created by large banking organizations and offered to customers of the banking organization's subsidiary banks. Therefore, small, independent banks do not normally act as investment advisers for mutual funds and annuities.

If neither the bank holding company nor any subsidiary of the bank holding company acts as investment adviser for a mutual fund or annuity, the bank holding company should report a zero in this item.

Determination for filing the FR Y-12 report (Line Items 17, 18, 19)

The following three questions will be used to determine if the reporting bank holding company must complete the Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12). In a multi-tiered organization with one or more bank holding companies (BHCs), only the top-tier BHC should complete items 17 through 19 on a consolidated basis. However, if a lower-tier BHC is functioning as the consolidated top-tier reporter for other financial reports (for example, when the top-tier is a non-U.S. BHC, ESOP, or limited partnership), this lower-tier BHC should complete items 17 through 19 on a consolidated basis.

Line Item 17 Do your aggregate nonfinancial equity investments equal or exceed the lesser of $200 million (on an acquisition cost basis) or 5 percent of the BHC's consolidated Tier 1 capital as of the report date?

Enter a ''1'' if the answer to this question is yes. Enter a ''0'' if the response to this question is no. If the answer to this question is no, your organization does not need to complete the FR Y-12. Skip items 18 and 19. If the answer to this question is yes, proceed to items 18 and 19 below.

For purposes of this question, an *equity investment* refers to common stock, partnership interests, convertible preferred stock, convertible debt, and warrants, options, and other rights that give the holder the right to acquire common stock or instruments convertible into common stock. An equity investment does not include any position or security held in a trading account in accordance with applicable accounting principles and as part of an underwriting, market making or dealing activity.

A *nonfinancial* equity investment means an equity investment made by the BHC or any of its subsidiaries (including all U.S. offices, International Banking Facilities, foreign branches, branches in Puerto Rico and U.S. territories and possessions, and majority-owned bank and nonbank domestic and foreign subsidiaries, including Edge and agreement subsidiaries, domestic nonbanking subsidiaries, and small business investment companies (SBICs)):

- pursuant to the merchant banking authority of section 4(k)(4)(H) of the BHC Act (12 U.S.C. 1843(k)(4)(H)) and subpart J of the Board's Regulation Y,
- under section 4(c)(6) or 4(c)(7) of the BHC Act (12 U.S.C. 1843(c)(6) and (c)(7)) in a nonfinancial company (as defined below) or in a company that makes investments in nonfinancial companies,
- investments made through a SBIC that is consolidated with the BHC or subsidiary, or in an SBIC that is not consolidated, under section 302(b) of the Small Business Investment Act of 1958,
- in a nonfinancial company under the portfolio investment provisions of the Board's Regulation K (12 CFR 211.8(c)(3), or
- in a nonfinancial company under section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a).

This question does not apply to equity investments that a BHC or any of its subsidiaries may make under other legal authorities. For example, this question does not apply to nonfinancial investments made by an insurance company subsidiary of a financial holding company under section 4(k)(4)(I) of the BHC Act (12 U.S.C. 1843(k)(4)(I)). Also, this question does not apply to DPC investments.

Acquisition cost is the amount paid by the BHC for the nonfinancial equity investment when it was acquired.

Tier 1 capital is the amount reported in Schedule HC-R, Regulatory Capital, item 11.

A *nonfinancial company* is a company that is engaged in any activity that has not been determined to be financial in nature or incidental to a financial activity under section 4(k) of the BHC Act (12 U.S.C. 1843(k)).

Line Item 18 Has the bank holding company made an effective election to become a financial holding company?

Enter a "1" if the answer to this question is yes. Enter a "0" if the response to this question is no.

Line Item 19 Does the bank holding company hold, directly or indirectly, an Edge corporation, agreement corporation, or Small business investment company (SBIC) subsidiary or hold equities under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act?

Enter a "1" if the answer to this question is yes. Enter a "0" if the response to this question is no.

If the answer to ***either*** *line item 18 or line item 19 is yes, your organization must complete the FR Y-12 report. If the answer is no to* ***both*** *line item 18 and line item 19, your organization does not need to complete the FR Y-12.*

Line Item 20 Balances of broker–dealer subsidiaries engaged in underwriting or dealing securities pursuant to Section 4(k)(4)(E) of the Bank Holding Company Act as amended by the Gramm–Leach–Bliley Act.

These items are to be completed only by top-tier financial holding companies. A financial holding company is a U.S. bank holding company that has submitted a declaration to become a financial holding company with the appropriate Federal Reserve Bank and whose declaration has been determined to be effective as of the reporting period (e.g., March 31, June 30, September 30, or December 31).

Line Item 20(a) Net Assets.

Report the total net assets of all broker–dealer subsidiaries engaged in underwriting or dealing securities pursuant to Section 4(k)4(E) of the Bank Holding Company Act as amended by the Gramm–Leach–Bliley Act. The definition of assets generally corresponds to Schedule HC, Balance Sheet, line 12. *Include* both domestic and foreign subsidiaries that are owned by the financial holding company. *Exclude* from this item intercompany assets and claims on affiliates that are eliminated when preparing consolidated financial statements for the financial holding company. Report intercompany assets and claims in items 20(b) and 20(c), respectively. Also exclude any subsidiaries that are held through a U.S. depository institution.

Line Item 20(b) Balances due from related institutions.

Report intercompany transaction balances due from the parent company, subsidiary banks and their subsidiaries, and nonbank subsidiaries of the parent bank holding company. This may include cash, receivables and all other amounts due from operating the underwriting subsidiary. All amounts are reported gross.

Line Item 20(b)(1) Due from bank holding company (parent company only), gross.

Report intercompany transaction balances due from the reporting parent bank holding company. This may include receivables and amounts owed from operating the subsidiary or providing services to the parent company.

Line Item 20(b)(2) Due from subsidiary banks of the bank holding company, gross.

Report intercompany transaction balances due from subsidiary banks and their subsidiaries of the bank holding company. This may include cash due from subsidiary banks or amounts owed for services provided.

Line Item 20(b)(3) Due from nonbank subsidiaries of the bank holding company, gross.

Report intercompany transaction balances due from nonbank subsidiaries of the bank holding company.

Line Item 20(c) Balances due to related institutions.

Line items 20(c)(1) through 20(c)(3) include intercompany liabilities that are owed to affiliates or are derived from subordinated debt agreement(s) with affiliates that are considered capital under the SEC's net capital rule (Rule 15c3-1). The aggregate amount of that subordinated debt is reported in line 20(d).

Line Item 20(c)(1) Due to bank holding company (parent company only), gross.

Report the amount of all intercompany liabilities that are owed to the reporting parent bank holding company. Such liabilities may consist of administrative service agreements, utilized lines of credit, management fees, advances or any other amounts due to the bank holding company parent.

Line Item 20(c)(2) Due to subsidiary banks of the bank holding company, gross.

Report the amounts of all intercompany liabilities owed to the subsidiary banks and their subsidiaries of the bank holding company. Such liabilities may consist of short-term loans and transaction processing fees.

Line Item 20(c)(3) Due to the nonbank subsidiaries of the bank holding company, gross.

Report the amount of all intercompany liabilities owed to the nonbank subsidiaries of the bank holding company.

Line Item 20(d) Intercompany liabilities reported in items 20.c(1), 20.c(2), and 20.c(3) above that qualify as liabilities subordinated to claims of general creditors.

Report the amount of intercompany liabilities that are derived from subordinated debt agreement(s) that are considered capital under SEC net capital rules (Rule 15c3-1).

Line Item 21 Net assets of insurance underwriting subsidiaries.

This item is to be completed only by the top-tier financial holding company in a multi-tiered organization (and single-tiered financial holding companies), and includes only newly authorized insurance underwriting activities permitted under the Gramm–Leach–Bliley

Act. A financial holding company is a U.S. bank holding company that has submitted a declaration to become a financial holding company with the appropriate Federal Reserve Bank and whose declaration has been determined to be effective as of the reporting period (e.g., March 31, June 30, September 30, or December 31). Report the total net assets for insurance underwriting subsidiaries. The definition of assets generally corresponds to Schedule HC, Balance Sheet, line 12. *Include* both domestic and foreign subsidiaries that are owned by the financial holding company. *Exclude* from this item:

(1) intercompany assets and claims on affiliates that are eliminated when preparing consolidated financial statements for the financial holding company,

(2) subsidiaries that engage solely in underwriting credit-related insurance that was permissible for bank holding companies to engage in prior to the Gramm–Leach–Bliley Act under Section 225.28(b)(11)(i) of Regulation Y, and

(3) subsidiaries that are principally engaged in insurance *agency* activities.

LINE ITEM INSTRUCTIONS FOR

Past Due and Nonaccrual Loans, Leases, and Other Assets

Schedule HC-N

General Instructions

Report on a fully consolidated basis all loans including loans held for sale, leases, debt securities, and other assets that are past due or are in nonaccrual status, regardless of whether such credits are secured or unsecured and regardless of whether such credits are guaranteed by the government or by others. Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule HC-C. All lease, debt security, and other asset amounts must be reported net of unearned income. Report the *full* outstanding balances of assets that are past due or in nonaccrual status, as reported for purposes of Schedule HC, Balance Sheet, not simply the delinquent payments.

The information reported in column A on assets past due 30 through 89 days and still accruing and in all of Memorandum item 1 on restructured loans and leases included in the past due and nonaccrual totals will be treated as confidential by the Federal Reserve for reporting periods prior to March 31, 2001. However, for all subsequent periods such information and the information reported in columns B and C for each bank holding company and all other schedules of its FR Y-9C report will be available to the public upon request.

Consolidated bank holding companies which service for others Government National Mortgage Association (GNMA) pools consisting of 1-to-4 family residential mortgage loans insured by the Federal Housing Administration (FHA) or the Farmers Home Administration (FmHA) or guaranteed by the Veterans Administration (VA) and which, in order to satisfy GNMA's servicing requirements, choose to purchase delinquent FHA, FmHA, or VA residential mortgages in foreclosure status from the pool in lieu of continuing to make monthly advances to the pool need not report such loans in Schedule RC-N provided the process of reimbursement by FHA, FmHA, or VA is proceeding normally.

Definitions

Past Due—For purposes of this schedule, grace periods allowed by the bank holding company after a loan or other asset technically has become past due but before the imposition of late charges are not to be taken into account in determining past due status. Furthermore, loans, leases, debt securities, and other assets are to be reported as past due when either interest *or* principal is unpaid in the following circumstances:

(1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (At a bank holding company's option, loans and leases with payments scheduled monthly may be reported as past due when one scheduled payment is due and unpaid for 30 days or more.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.

(2) Open-end credit such as charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.

(3) Single payment and demand notes, debt securities, and other assets providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

(4) Single payment notes, debt securities, and other assets providing for the payment of interest at maturity are to be reported as past due after maturity if interest *or* principal remains unpaid for 30 days or more.

(5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, a full payment in computing past due status for consumer installment loans (both closed-end and open-end) is defined to include a partial payment equivalent to 90 percent or more of the contractual payment.

NOTE: The time period used for reporting past due status as indicated above may not in all instances conform to those utilized by federal bank regulators in bank examinations.

Nonaccrual—For purposes of this schedule, an asset is to be reported as being in nonaccrual status if: (1) it is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) payment in full of principal or interest is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the asset is *both* well secured *and* in the process of collection.

An asset is ''well secured'' if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is ''in the process of collection'' if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

In the following situations, an asset need not be placed in nonaccrual status:

(1) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6 are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan or a loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank holding company's net income is not materially overstated. To the extent that the bank holding company has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank holding company expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. For purposes of meeting the first test, the bank holding company must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for ''nonaccrual status,'' (1) the asset has been formally restructured and qualifies for accrual status, (2) the asset has been acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party and meets the criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6, or (3) the borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met.

For further information, see the Glossary entry for ''nonaccrual status.''

Schedule HC-N

Restructured—For purposes of this schedule, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate, until the year subsequent to the year in which the restructuring takes place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a restructured loan. Also, a loan to a purchaser of ''other real estate owned'' by the reporting bank holding company for the purpose of facilitating the disposal of such real estate is not considered a restructured loan.

For further information, see the Glossary entry for ''troubled debt restructurings.''

Column Instructions

The columns of Schedule HC-N are mutually exclusive. Any given loan, lease, debt security, or other asset should be reported in only one of columns A, B, and C. Information reported for any given off-balance sheet contract should be reported in only column A or column B.

Report in columns A and B of Schedule HC-N (except for Memorandum item 5) the full outstanding balances (not just delinquent payments) of loans, leases, debt securities, and other assets that are past due and upon which the bank continues to accrue interest, as follows:

(1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations with payments scheduled other than monthly when one scheduled payment is due and unpaid for 30 through 89 days; single payment and demand notes, debt securities, and other assets providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes, debt securities, and other assets providing for payment of interest at maturity, on which interest *or* principal remains unpaid for 30 through 89 days after maturity; unplanned overdrafts, whether or not the bank hold company is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

(2) In column B, report the loans, lease financing receivables, debt securities, and other assets as specified above on which payment is due and unpaid for 90 days or more.

Include in columns A and B, as appropriate (except for Memorandum item 5), all loans, leases, debt securities, and other assets which, subsequent to their restructuring by means of a modification of terms, have become 30 days or more past due and upon which the bank holding company continues to accrue interest. Exclude from columns A and B all loans, leases, debt securities, and other assets that are in nonaccrual status.

Report in columns A and B of Memorandum item 5 the specified information for interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts on which a required payment by the bank holding company's counterparty is due and unpaid for 30 through 89 days and due and unpaid for 90 days or more, respectively.

Report in column C the full outstanding balances of loans, leases, debt securities, and other assets that are in nonaccrual status. Include all restructured loans, leases, debt securities, and other assets that are in nonaccrual status. However, restructured loans, leases, debt securities, and other assets with a zero percent effective interest rate are *not* to be reported in this column as nonaccrual assets.

Item Instructions

The loan category definitions used in Schedule HC-N correspond with the loan category definitions found in Schedule HC-C. Consistent with Schedule HC-C, the category-by-category breakdown of loans and leases in Schedule HC-N includes (1) loans and leases held for sale and (2) loans and leases that the reporting bank holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff.

Line Item 1 Loans secured by real estate.

Report in the appropriate subitem and column all past due and nonaccrual loans secured by real estate as defined in Schedule HC-C, item 1. In addition, report in item 1(f), ''In foreign offices'' past due and nonaccrual loans and leases secured by real estate in foreign offices.

Line Item 1(a) Construction, land development, and other land loans in domestic offices.

Report in the appropriate column all past due and nonaccrual loans in domestic offices secured by real estate made to finance land development (i.e., the process of improving land—laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings as defined in Schedule HC-C, item 1(a).

Line Item 1(b) Secured by farmland in domestic offices.

Report in the appropriate column all past due and nonaccrual loans in domestic offices secured by farmland and improvements thereon, as defined in Schedule HC-C, item 1(b).

Line Item 1(c) Secured by 1–4 family residential properties in domestic offices.

Report in the appropriate column all past due and nonaccrual loans in domestic offices secured by 1–4 family residential properties as defined in Schedule HC-C, item 1(c).

Line Item 1(c)(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit.

Report in the appropriate column all past due and nonaccrual loans secured by revolving, open-end lines of credit secured by 1-to-4 family residential properties, as defined in Schedule HC-C, item 1(c)(1).

Line Item 1(c)(2) Closed-end loans secured by 1–4 family residential properties.

Report in the appropriate subitem and column the amount of all closed-end loans secured by 1–4 family residential properties (in domestic offices), as defined for Schedule HC-C, item 1(c)(2), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 1(c)(2)(a) Secured by first liens.

Report in the appropriate column the amount of all closed-end loans secured by first liens on 1–4 family residential properties (in domestic offices), as defined for Schedule HC-C, item 1(c)(2)(a), column B, that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 1(c)(2)(b) Secured by junior liens.

Report in the appropriate column the amount of all closed-end loans secured by junior liens on 1–4 family residential properties (in domestic offices), as defined for Schedule HC-C, item 1(c)(2)(b), column B, that are past due 30 days or more or are in nonaccrual status as of the report date. Include loans secured by junior liens in this item even if the bank holding company also holds a loan secured by a first lien on the same 1–4 family residential property and there are no intervening junior liens.

Line Item 1(d) Secured by multifamily (5 or more) residential properties in domestic offices.

Report in the appropriate column all past due and nonaccrual loans secured by (5 or more) residential properties (in domestic offices) as defined in Schedule HC-C, item 1(d).

Line Item 1(e) Secured by nonfarm nonresidential properties in domestic offices.

Report in the appropriate column all past due and nonaccrual loans in domestic offices secured by nonfarm nonresidential properties as defined in Schedule HC-C, item 1(e).

Line Item 1(f) Secured by loans in foreign offices.

Report in the appropriate column all past due and nonaccrual loans secured by real estate in foreign offices that are included in Schedule HC-C, item 1, column A.

Line Item 2 Loans to depository institutions and acceptances of other banks.

Report in the appropriate column all past due and nonaccrual loans and acceptances of other banks as defined in Schedule HC-C, item 2.

Schedule HC-N

Line Item 2(a) U.S. banks and other U.S. depository institutions.

Report in the appropriate column all past due and nonaccrual loans to and acceptances of U.S. banks and other depository institutions as defined on Schedule HC-C, item 2(a).

Line Item 2(b) Foreign banks.

Report in the appropriate column all past due and nonaccrual loans to and acceptances of foreign banks as defined in Schedule HC-C, item 2(b).

Line Item 3 Loans to finance agricultural production and other loans to farmers.

Report in the appropriate column all past due and nonaccrual loans to finance agricultural production and other loans to farms as defined in Schedule HC-C, item 3.

Line Item 4 Commercial and industrial loans.

Report in the appropriate column all past due and nonaccrual commercial and industrial loans as defined in Schedule HC-C, item 4.

Line Item 5 Loans to individuals for household, family, and other personal expenditures.

Report in the appropriate column all past due and nonaccrual loans to individuals for household, family, and other personal expenditures as defined in Schedule HC-C, item 6, column A.

Line Item 5(a) Credit cards.

Report in the appropriate column all past due and nonaccrual loans arising from credit cards as defined in Schedule HC-C, item 6(a).

Line Item 5(b) Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).

Report in the appropriate column all other past due and nonaccrual loans to individuals for household, family, and other personal expenditures as defined in Schedule HC-C, items 6(b) and 6(c).

Line Item 6 Loans to foreign governments and official institutions.

Report in the appropriate column all past due and nonaccrual loans to foreign governments and official institutions as defined in Schedule HC-C, item 7.

Line Item 7 All other loans.

Report in the appropriate column all other past due and nonaccrual loans as defined in Schedule HC-C, item 9.

Line Item 8 Lease financing receivables (net of unearned income).

Report in the appropriate column all past due and nonaccrual lease financing receivables as defined in Schedule HC-C, item 10.

Line Item 9 Debt securities and other assets (exclude other real estate owned and other repossessed assets).

Report in the appropriate column all assets other than loans and leases reportable in Schedule HC that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Exclude other real estate owned reportable in Schedule HC, item 7, and other repossessed assets reportable in Schedule HC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.

Line Item 10 Total.

Report the sum of items 1 through 9.

Line Item 11 Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U.S. Government.

Report in the appropriate column the aggregate book value of all loans and leases reported in items 1 through 8 above for which repayment of principal is wholly or partially guaranteed by the U.S. Government, including its agencies and its government-sponsored agencies. Examples include loans guaranteed by the FDIC (through loss-sharing arrangements in FDIC-assisted acquisitions), the Small Business Administration, and the Federal Housing Administration.

Exclude from this item loans and leases guaranteed by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also *exclude* loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies. Amounts need not be reported in this item and in item 11(a) below if they are considered immaterial.

Line Item 11(a) Guaranteed portion of loans and leases included in item 11 above.

Report the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee provisions applicable to the loans and leases included in item 11 above.

Memoranda

Line Item M1 Restructured loans and leases included in items 1 through 8, above (and not reported in Schedule HC-C, memoranda item 1.)

Report the amount of restructured loans and leases (as defined above) that under their modified terms are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan categories in items 1 through 8 of this schedule. However, exclude from this item all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures.

Line Item M2 Loans to finance commercial real estate, construction, and land development activities included (not secured by real estate) in Schedule HC-N, items 4 and 7, above.

Report the amount of loans to finance commercial real estate, construction, and land development activities not secured by real estate that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule HC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule HC-N above. This item corresponds with the amounts reported in memoranda item 2 of Schedule HC-C.

Line Item M3 Loans and leases included in Schedule HC-N, items 1, 2, 4, 5, 6, 7, and 8 extended to non-U.S. addresses.

Report the total amount of past due and nonaccrual loans and leases extended to customers domiciled in a foreign country.

See the Glossary entry for ''domicile'' for the definition of non-U.S. addressee.

Line Item M4 Not applicable.

Line Item M5 Loans and leases held for sale.

Report in the appropriate column the amount of all loans and leases held for sale, as defined for Schedule HC, item 4(a), that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan and lease categories in items 1 through 8 of Schedule HC-N above.

Line Item M6 Interest rate, foreign exchange rate, and other commodity and equity contracts: Fair value of amounts carried as assets.

Report in the appropriate column the fair value for all interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts (as defined for Schedule HC-L, item 11) on which a required payment by the bank holding company's counterparty is past due 30 days or more as of the report date.

Line Item M7 Additions to nonaccrual assets during the quarter. *(This item is to be reported beginning December 31, 2003.)*

Report the gross amount of the outstanding balance of loans (net of unearned income) and other assets that have been placed on nonaccrual status since the prior quarter-end. These additions to nonaccrual assets are a subset of items currently reported or included in Schedule HC-N, column C, items 1 through 9. Do not deduct net charge-offs. Do not include transfers to the accrual status or transfers to another past due category.

Line Item M8 Nonaccrual assets sold during the quarter. *(This item is to be reported beginning December 31, 2003.)*

Report the gross outstanding balance of all assets held in nonaccrual status (i.e., reportable in Schedule HC-N, column C items 1 through 9) that were sold during the current quarter. The amount refers to the outstanding balance at the time of the sale. Do not include any gains or losses from the sale. For purposes of this item, only include those nonaccrual asset sales that meet the criteria for a sale as set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. For further information, see the Glossary entry for ''Transfers of Financial Assets.''

LINE ITEM INSTRUCTIONS FOR

Regulatory Capital

Schedule HC-R

General Instructions

The instructions for Schedule HC-R should be read in conjunction with the capital guidelines issued by the Federal Reserve. Under the Federal Reserve's risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are added together, and generally this sum is the bank holding company's total risk weighted assets which comprises the denominator of the risk-based capital ratio.

Risk weights for derivative contracts and off-balance sheet items are determined by a two-step process. First, the ''credit equivalent amount'' is determined. In the case of derivative contracts, the credit equivalent amount is the sum of the current credit exposure (fair value of the contract, if positive) and the potential future exposure. In the case of most off-balance sheet items, the credit equivalent amount is determined by multiplying the face value or notional amount of the off-balance sheet item by a credit conversion factor. Second, the credit equivalent amount is treated like a balance sheet asset and generally is assigned to the appropriate risk category according to the obligor or, if relevant, the guarantor or the nature of the collateral. A summary of the credit conversion factors for off-balance sheet items is presented below.

In general, if a particular asset, derivative contract, or off-balance sheet item has features that could place it in more than one risk category, it is assigned to the category that has the lowest risk weight. For example, a holding of a U.S. municipal revenue bond that is fully guaranteed by a U.S. bank would be assigned the 20 percent risk weight appropriate to claims guaranteed by U.S. banks, rather than the 50 percent risk weight appropriate to U.S. municipal revenue bonds.

At each bank holding company's option, assets and the credit equivalent amounts of derivative contracts and off-balance sheet items that are assigned to a risk weight category of less than 100 percent may be included in the amount reported for a higher risk weight category (e.g., the 100 percent category) than the risk weight category to which the asset or credit equivalent amount of the off-balance sheet item would otherwise be assigned.

For risk-based capital purposes, the term ''claim'' refers to loans to, securities issued by, balances due from, accrued interest receivable from, and all other claims against the various entities with which the reporting bank holding company conducts its business.

If a reporting bank holding company has conveyed risk participations in bankers' acceptances, standby letters of credit, and commitments, it may segregate the amounts conveyed from the total outstanding amount. The bank holding company may then risk weight the amounts conveyed according to the guarantors (i.e., the parties that have acquired the conveyances) separately from the amounts retained if this results in a lower risk weight for the amounts conveyed.

When assets have been transferred with recourse, the amount of risk-based capital required to be maintained to support this exposure may not exceed the maximum amount of recourse for which the transferring institution is contractually liable under the recourse agreement. This rule applies to recourse transactions in which a bank holding company contractually limits its recourse exposure to less than the full effective minimum risk-based capital requirement for the assets transferred—generally, four percent for first lien residential mortgage loans and eight percent for most other assets. These types of asset transfers are referred to as low level recourse transactions and should be reported in Schedule HC-R, item 50, column A.

Credit Conversion Factors for Off-Balance Sheet Items—A summary of the credit conversion factors follows. For further information on these factors, refer to the risk-based capital guidelines.

Off-balance sheet items subject to a 100 percent conversion factor:

(1) Direct credit substitutes, including general guarantees of indebtedness and guarantee-type instruments, such as financial standby letters of credit.

(2) Risk participations acquired in bankers acceptances and in direct credit substitutes such as financial standby letters of credit.

(3) Sale and repurchase agreements and assets sold with recourse, if not included on the balance sheet, except low level recourse transactions and small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, each of which is discussed below.

(4) Forward agreements/contingent obligations to purchase assets with drawdown certain. (Exclude forward agreements that are reported as derivative contracts.)

(5) Securities lent, if the lending bank holding company is exposed to risk of loss.

Off-balance sheet items subject to a 50 percent conversion factor:

(1) Transaction-related contingencies, including performance standby letters of credit, shipside guarantees, bid bonds, performance bonds, and warranties.

(2) Unused portions of commitments with an original maturity exceeding one year, including underwriting commitments and commercial credit lines.

(3) Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements, regardless of maturity.

Off-balance sheet items subject to a 20 percent conversion factor:

(1) Short-term, self-liquidating, trade-related contingencies, including commercial letters of credit.

Off-balance sheet items subject to a zero percent conversion factor:

(1) Unused portions of commitments with an original maturity of one year or less.

(2) Unused portions of commitments (regardless of maturity) which are unconditionally cancellable at any time, provided a separate credit decision is made before each drawing.

Tier 1 Capital

Line item 1 Total equity capital.

Report the amount of the bank holding company's total equity capital as reported in Schedule HC, item 28.

Line item 2 LESS: Net unrealized gains (losses) on available-for-sale securities (if a gain, report as a positive value; if a loss, report as a negative value).

Report the amount of net unrealized holding gains (losses) on available-for-sale securities that is included in Schedule HC, item 26(b), ''Accumulated other comprehensive income.'' If the amount is a net unrealized holding gain, report it as a positive value in this item. If the amount is a net unrealized holding loss, report it as a negative value in this item.

Line item 3 LESS: Net unrealized loss on available-for-sale equity securities (report loss as a positive value).

Report as a positive value the amount of any net unrealized holding loss on available-for-sale equity securities that is included in Schedule HC, item 26(b), ''Accumulated other comprehensive income.''

Line item 4 LESS: Accumulated net gains (losses) on cash flow hedges (if a gain, report as a positive value; if a loss, report as a negative value).

Report the amount of accumulated net gains (losses) on cash flow hedges that is included in Schedule HC, item 26(b), ''Accumulated other comprehensive income.'' If the amount is an accumulated net gain, report it as a positive value in this item. If the amount is an accumulated net loss, report it as a negative value in this item.

Line item 5 LESS: Nonqualifying perpetual preferred stock.

Report the portion of perpetual preferred stock (and any related surplus) included in Schedule HC, item 23, that **does not** qualify for inclusion in Tier 1 capital based on the Federal Reserve's capital guidelines for bank holding companies. For bank holding companies, both cumulative and noncumulative perpetual preferred stock qualifies for inclusion in Tier 1 capital. However, the aggregate amount of cumulative preferred stock that may be included in a bank holding company's Tier 1 capital is limited to one-third of the sum of (1) common stockholders' equity, (2) qualifying noncumulative preferred stock (including related surplus) and (3) minority interest in the equity accounts of consolidated subsidiaries. Cumulative perpetual preferred stock in excess of this limit should be reported as nonqualifying perpetual preferred stock in this item. Although the amount reported in this item is not eligible for Tier 1 capital, it may be eligible for inclusion in Tier 2 capital in Schedule HC-R, item 13.

NOTE: For assistance in determining the amounts to be reported in items 5 and 6, see the examples presented at the end of Schedule HC-R instructions.

Line item 6 Qualifying minority interests in consolidated subsidiaries.

Report the portion of minority interests in consolidated subsidiaries included in Schedule HC, item 22, that is eligible for inclusion in Tier 1 capital based on the capital guidelines. Generally, bank holding companies may include minority interests in equity capital accounts (both common and noncumulative perpetual preferred stocks) of consolidated subsidiaries unless such accounts would not otherwise qualify for inclusion in Tier 1 capital.

NOTE: For assistance in determining the amounts to be reported in items 5 and 6, see the examples presented at the end of Schedule HC-R instructions.

Line item 7 LESS: Disallowed goodwill and other disallowed intangible assets.

Report the portion of goodwill included in Schedule HC, item 10(a), and the portion of other identifiable intangible assets included in Schedule HC-M, item 12(c), that does not qualify for inclusion in Tier 1 capital based on the capital guidelines. Generally, all goodwill reported in Schedule HC, item 10(a), and all other identifiable intangible assets reported in Schedule HC-M, item 12(c), do not qualify for Tier 1 capital and should be included in this item.

However, if the bank holding company has a deferred tax liability that is specifically related to an intangible asset (other than servicing assets and purchased credit card relationships) acquired in a nontaxable purchase business combination 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 this deferred tax liability. However, a deferred tax liability that the bank holding company chooses to net against the related intangible asset for purposes of this item may not also be netted against deferred tax assets when the bank holding company determines the amount of deferred tax assets that are dependent upon future taxable income and calculates the maximum allowable amount of such deferred tax assets for regulatory capital purposes.

If the amount reported for other identifiable intangible assets in Schedule HC-M, item 12(c), includes intangible assets that were recorded on the reporting bank holding company'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.

Line item 8 Subtotal.

Report the sum of Schedule HC-R, items 1 and 6, less items 2, 3, 4, 5, and 7. The amount reported in this item should be used to determine the limitations on servicing assets and purchased credit card relationships for Schedule HC-R, item 9(a); deferred tax assets for Schedule HC-R, item 9(b); and credit-enhancing interest-only strips and nonfinancial equity investments for Schedule HC-R, item 10, below.

Line item 9(a) LESS: Disallowed servicing assets and purchased credit card relationships.

Report the portion of servicing assets and purchased credit card relationships included in Schedule HC-M, items 12(a) and 12(b), that does not qualify for inclusion in Tier 1 capital based on the capital guidelines. Generally, servicing assets and purchased credit card relationships (PCCRs) are limited to 100 percent of Tier 1 capital. In addition, nonmortgage servicing assets and PCCRs are subject to a separate sublimit of 25 percent of Tier 1 capital. Bank holding companies may use the following approach to determine the amount of disallowed servicing assets and PCCRs.

Disallowed Mortgage Servicing Assets, Nonmortgage Servicing Assets, and PCCRs Calculation

(a) Enter the amount from Schedule HC-R, item 8 .... ______

(b) Enter 25% of the amount in (a) above ...... ______

(c) Enter the amount of nonmortgage servicing assets and PCCRs reported in Schedule HC-M, item 12(b) .... ______

(d) Enter 90% of the fair value of the nonmortgage servicing assets and PCCRs reported in (c) above .... ______

(e) Enter the lesser of (b), (c), or (d) .... ______

(f) Minimun amount of nonmortgage servicing assets and PCCRs to be deducted from Tier 1 capital: subtract (e) from (c); enter 0 if the result is a negative amount .... ______

(g) Enter the amount of mortgage servicing assets reported in Schedule HC-M, item 12(a) .... ______

(h) Enter 90% of the estimated fair value of mortgage servicing assets reported in Schedule HC-M, item 12(a)(1) .... ______

(i) Enter the lesser of (a), (g), or (h) .... ______

(j) Minimum amount of mortgage servicing assets to be deducted from Tier 1 capital: subtract (i) from (g); enter 0 if the result is a negative amount .... ______

(k) Excess nonmortgage servicing assets, PCCRs, and mortgage servicing assets (i.e., the combined amount exceeding 100 percent of Tier 1 capital): sum of (e) and (i) minus (a); enter 0 if the result is a negative amount .... ______

(l) Disallowed nonmortgage servicing assets, PCCRs, and mortgage servicing assets: enter the sum of (f), (j), and (k) .... ______

Line item 9(b) LESS: Disallowed deferred tax assets.

Report the portion of net deferred tax assets included in Schedule HC-F, item 2, that does not qualify for inclusion in Tier 1 capital based on the capital guidelines. Generally, deferred tax assets that are dependent upon future taxable income are limited to the lesser of: (i) the amount of such deferred tax assets that the bank holding company expects to realize within one year of the calendar quarter-end date, based on its projected future taxable income for that year or (ii) 10% of the amount of the bank holding company's Tier 1 capital that exists before the deduction of any disallowed servicing assets and purchased credit card relationships and any disallowed deferred tax assets. A bank holding company may calculate one overall limit on deferred tax assets that covers all tax jurisdictions in which the bank holding company operates.

Deferred tax assets that are dependent upon future taxable income are (a) deferred tax assets arising from deductible temporary differences that exceed the amount of taxes previously paid that a bank holding company could recover through loss carrybacks if the bank holding company's temporary differences (both deductible and taxable) fully reverse at the report date and (b) deferred tax assets arising from operating loss and tax credit carryforwards. Therefore, for purposes of this item, all temporary differences should be assumed to fully reverse at the report date.

A bank holding company may use its future taxable income projection for its current fiscal year (adjusted for any significant changes that have occurred or are expected to occur) when determining the regulatory capital limit for its deferred tax assets at an interim calendar quarter-end date rather than preparing a new projection each quarter. Projected future taxable income should not include net operating loss carryforwards expected to be used within one year of the quarter-end report date or the amount of existing temporary differences expected to reverse within that year, but should include the estimated effect of tax planning strategies that are expected to be implemented to realize carryforwards that will otherwise expire during that year.

Deferred tax assets which can be realized from taxes paid in prior carryback years and from future reversals of existing taxable temporary differences should generally not be reported in this item.

Treatment of deferred tax assets relating to available-for-sale securities: In accordance with FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, available-for-sale securities are reported on the balance sheet at fair value, with unrealized holding gains and losses on such securities, net of tax effects, included in a separate component of equity capital. These tax effects may increase or decrease the reported amount of a bank holding company's deferred tax assets. The Federal Reserve excludes from regulatory capital the amount of net unrealized holding gains andlosses on available-for-sale securities (except net unrealized holding losses on available-for-sale equity securities with readily determinable fair values). When determining the regulatory capital limit for deferred tax assets, a bank holding company may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets and liabilities arising from marking-to-market available-for-sale debt securities for purposes of these reports. A bank holding company must follow a consistent approach with respect to such adjustments.

Bank holding companies may use the following approach to determine the amount of disallowed deferred tax assets.

Disallowed Deferred Tax Assets Calculation

(a) Enter the amount from Schedule HC-R, item 8 .... ______

(b) Enter 10% of the amount in (a) above ...... ______

(c) Enter the amount of deferred tax assets reported in Schedule HC-F, item 2 .... ______

(d) Enter the amount of taxes previously paid that the bank holding company could recover through loss carrybacks if the bank holding company's temporary differences (both deductible and taxable) fully reverse at the report date.............. ______

(e) Amount of deferred tax assets that is dependent upon future taxable income: subtract (d) from (c); enter -0- if the result is a negative amount .... ______

(f) Enter the portion of (e) that the bank holding company could realize within the next 12 months based on its projected future taxable income. Future taxable income should not include net operating loss carryforwards to be used during the next 12 months or existing temporary differences that are expected to reverse over the next 12 months .... ______

(g) Enter the lesser of (b) and (f) .... ______

(h) Disallowed net deferred tax assets: subtract (g) from (e); enter 0 if the result is a negative amount .... ______

Line item 10 Other additions to (deductions from) Tier 1 capital.

Report the amount of any additions to or deductions from Tier 1 capital based on the Federal Reserve's capital guidelines for bank holding companies that are not included in Schedule HC-R, items 1 through 9(b), above.

For example, include the portion of credit-enhancing interest-only strips included in the bank holding company's total assets that **does not** qualify for inclusion in Tier 1 capital based on the Federal Reserve's capital guidelines. A credit-enhancing interest-only strip is defined in the capital guidelines as ''an on-balance sheet asset that, in form or in substance: (i) represents the contractual right to receive some or all of the interest due on transferred assets; and (ii) exposes the bank holding company to credit risk directly or indirectly associated with the transferred assets that exceeds a pro rata share of the bank holding company's claim on the assets, whether through subordination provisions or other credit enhancement techniques.'' Credit-enhancing interest-only strips include other similar ''spread'' assets and can be either retained or purchased. In general, credit-enhancing interest-only strips are limited to 25 percent of Tier 1 capital. Bank holding companies may use the following approach to determine the amount of disallowed credit-enhancing interest-only strips.

Disallowed Credit-Enhancing Interest-Only Strips Calculation

(a) Enter the amount from Schedule HC-R, item 8 .... ______

(b) Enter 25% of the amount in (a) above ...... ______

(c) Retained credit-enhancing interest-only strips from Schedule HC-S, items 2(a) and 12: enter the fair value of those strips included in Schedule HC, item 5, ''Trading assets,'' and the amortized cost of those strips not held for trading[1] .... ______

1. While credit-enhancing interest-only strips not held for trading are reported at fair value in Schedule HC-S, the amortized cost of these strips should be used in this calculation.

(d) Purchased credit-enhancing interest-only strips included in Schedule HC-S, item 9:[2] enter the fair value of those strips included in Schedule HC, item 5, ''Trading assets,'' and the amortized cost of those strips not held for trading[3] . . . . ______

(e) Total credit-enhancing interest-only strips: enter the sum of (c) and (d) . . . . ______

(f) Enter the lesser of (b) and (e) . . . . ______

(g) Disallowed credit-enhancing interest-only strips: subtract (f) from (e); enter 0 if the result is a negative amount . . . . ______

If the bank holding company has disallowed credit-enhancing interest-only strips, i.e., line (g) in the preceding calculation is a positive amount, include this amount as a deduction from Tier 1 capital in this item. Bank holding companies are permitted, but not required, to deduct disallowed credit-enhancing interest-only strips, i.e., the amount from line (g) above, on a basis that is net of a proportional amount of any associated deferred tax liability recorded on the balance sheet. Any deferred tax liability used in this manner would not be available for the bank holding company to use in determining the amount of disallowed deferred tax assets in Schedule HC-R, item 9(b), above.

If a bank holding company has **nonfinancial equity investments** that are subject to Tier 1 capital deductions, these deductions should be reported in this item. Under the Federal Reserve's capital rules on nonfinancial equity investments, which were published on January 25, 2002, a nonfinancial equity investment is any equity investment that a bank holding company holds in a nonfinancial company:[4]

- Under the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act and subpart J of Federal Reserve Regulation Y,
- Under the authority to acquire up to 5 percent of the voting shares of any company under section 4(c)(6) or (7) of the Bank Holding Company Act,
- through a small business investment company (SBIC) under section 302(b) of the Small Business Investment Act of 1958 (15 U.S.C. 682(b)),[5]
- under the portfolio investment provisions of Federal Reserve Regulation K (12 CFR 211.8(c)(3)), or
- under section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a). However, investments made by state banks under section 24(f) of the Federal Deposit Insurance Act are exempt from these capital rules and are not subject to any Tier 1 capital deductions.

The capital guidelines impose Tier 1 capital deductions on nonfinancial equity investments that increase as the aggregate amount of nonfinancial equity investments held by a bank holding company increases. These marginal capital charges are based on the adjusted carrying value of the investments as a percent of the bank holding company's Tier 1 capital as calculated in item 8 of Schedule HC-R. The total adjusted carrying value of a nonfinancial equity investment that is subject to the Tier 1 deduction is excluded from risk-weighted assets for purposes of computing the bank holding company's risk-based capital ratio and from average assets for purposes of computing the Tier 1 leverage ratio. The adjusted carrying value is the value at which the investment is recorded on the balance sheet of the banking organization, reduced by (i) any net unrealized gains that are included in the carrying value but that have not been included in Tier 1 capital and (ii) any associated deferred tax liabilities.

The following table details the marginal capital charges for nonfinancial equity investments:

2. Also include any purchased interest-only strips that act as credit enhancements for assets that have not been securitized because these strips are not reported in Schedule HC-S, item 9.

3. See footnote 1 above.

4. Generally, this capital calculation does not apply to investments in nonconvertible senior or subordinated debt, equity investments in a company that engages only in activities that are permissible for a bank holding company to conduct, equity investments in community development corporations under 12 U.S.C. 24(Eleventh) that promote the public welfare, equity securities acquired in satisfaction of a debt previously contracted that are held and divested in accordance with applicable law, unexercised warrants acquired by a bank holding company as additional consideration for making a loan that are not held under the legal authorities covered by this rule, equity investments made by an insurance underwriting affiliate, equity investments held by a securities broker or dealer as part of an underwriting/market making/dealing activity, or equity instruments held as a hedge of an equity derivative transaction.

5. An equity investment made under section 302(b) of the Small Business Investment Act of 1958 in an SBIC that is not consolidated with the bank holding company is treated as a nonfinancial equity investment.

Deduction for Nonfinancial Equity Investments

Aggregate adjusted carrying value of all nonfinancial equity investments held directly or indirectly by the bank holding company (as a percentage of Tier 1 capital as reported in Schedule HC-R, item 8)	*Deduction from Tier 1 capital as a percentage of the adjusted carrying value of the investment*
Less than 15%	8%
Greater than or equal to 15% but less than 25%	12%
Greater than or equal to 25%	25%

NOTE: ''High concentrations'' (generally more than 50% of Tier 1 capital) of nonfinancial equity investments will be monitored and may be subject to heightened supervision and a higher minimum capital requirement.

These deductions are applied on a marginal basis to the portions of the adjusted carrying value of nonfinancial equity investments that fall within the specified ranges of Tier 1 capital. For example, if the adjusted carrying value of all nonfinancial equity investments held by a bank holding company equals 20 percent of the bank holding company's Tier 1 capital, then the amount of the deduction would be 8 percent of the adjusted carrying value of all investments up to 15 percent of Tier 1 capital, and 12 percent of the adjusted carrying value of all investments in excess of 15 percent of Tier 1 capital.

Nonfinancial equity investments that are covered by the agencies' capital rules, but which are not subject to any Tier 1 capital deductions, generally include the following:

SBIC investments. Nonfinancial equity investments held by a bank holding company through one or more SBICs under section 302(b) of the Small Business Investment Act are not subject to the marginal capital charges to the extent that the aggregate adjusted carrying value of all such investments does not exceed 15% of Tier 1 capital. The adjusted carrying value of all SBIC investments, however, must be included in the total amount of nonfinancial equity investments held by the bank holding company when determining the total amount of these investments in relation to Tier 1 capital for purposes of computing the bank holding company's marginal capital charge.

Nonfinancial equity investments that are held through or in SBICs and are not required to be deducted from Tier 1 capital continue to be included in average total assets for the leverage ratio calculation and in risk-weighted assets (at a 100% risk weight) for the risk-based capital calculations.

Grandfathered nonfinancial equity investments. Nonfinancial equity investments made by a bank holding company prior to March 13, 2000, or that were made by a bank holding company after that date pursuant to a binding written commitment entered into prior to March 13, 2000, are not subject to the marginal capital charge. The adjusted carrying value of these grandfathered assets, however, must be included in the total amount of nonfinancial equity investments held by the bank holding company when determining the total amount of these investments in relation to Tier 1 capital for purposes of computing the bank holding company's marginal capital charge.

Grandfathered nonfinancial equity investments continue to be included in average total assets for the leverage ratio calculation and in risk-weighted assets (at a 100% risk weight) for the risk-based capital calculations.

In addition, for purposes of the item, bank holding companies are to report as a deduction from Tier 1 capital 50 percent of the aggregate amount of its investments in banking and finance subsidiaries that are not consolidated for accounting or regulatory reporting purposes. For further information, refer to the capital guidelines.

If the amount to be reported is a net deduction, enclose the amount in parentheses.

NOTE: Investments in ''financial subsidiaries,'' as defined by the Gramm–Leach–Bliley Act, that are deducted from banks' regulatory capital on the Reports of Condition and Income (FFIEC 031 and 041 reports) should not be deducted by bank holding companies when determining the consolidated regulatory capital for bank holding companies.

Line item 11 Tier 1 capital.

Report the sum of Schedule HC-R, items 8 and 10, less items 9(a) and 9(b). The amount reported in this item is the numerator of the bank holding company's Tier 1 risk-based capital ratio and its Tier 1 leverage ratio.

Schedule HC-R

Tier 2 Capital

Line item 12 Qualifying subordinated debt and redeemable preferred stock.

Report the portion of the bank holding company's qualifying limited-life capital instruments that is includible in Tier 2 capital based on the capital guidelines. This amount is the sum of:

(1) the portion of qualifying subordinated debt and intermediate-term preferred stock includible in Tier 2 capital, and

(2) the portion of qualifying other limited-life capital instruments includible in Tier 2 capital.

The portion of limited-life capital instruments that is includible in Tier 2 capital is the amount that remains after discounting those instruments, if any, with five years or less until maturity and then applying any applicable percentage of a Tier 1 capital limit. For limited-life capital instruments with serial maturities or with sinking fund provisions, the amount associated with each maturity date is to be treated as a separate issue and discounted on an individual basis. If the holder of the reporting bank holding company's subordinated debt or intermediate-term or long-term preferred stock has the right to require the bank holding company to redeem, repay, or repurchase the instrument prior to the original stated maturity, then maturity would be defined as the earliest possible date on which the holder can put the instrument back to the issuing bank holding company.

Qualifying term subordinated debt and intermediate-term preferred stock (including any related surplus) must have an original weighted average maturity of at least five years. Intermediate-term preferred stock includes those issues of preferred stock with an original maturity of less than 20 years. Mandatory convertible debt, i.e., equity contract notes, is not considered a limited-life capital instrument for risk-based capital purposes and should be excluded from this item.

The portion of qualifying term subordinated debt and intermediate-term preferred stock that remains after discounting and is includible in Tier 2 capital is limited to 50 percent of Tier 1 capital. This portion is calculated as follows:

(A1)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than five years	______	×	100% =	______
(A2)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than four years, but less than five years	______	×	80% =	______
(A3)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than three years, but less than four years	______	×	60% =	______
(A4)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than two years, but less than three years	______	×	40% =	______
(A5)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than one year, but less than two years	______	×	20% =	______
(A6)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of one year or less	______	×	0% =	______
(A7)	Qualifying subordinated debt and intermediate-term preferred stock (sum of discounted amounts of lines (A1) through (A6))				______
(A8)	Tier 1 capital (from Schedule HC-R, item 11)				______
(A9)	Multiplied by 50 percent	______	×	50% =	______
(A10)	Limit for qualifying subordinated debt and intermediate-term preferred stock (line (A8) multiplied by 50 percent)				______

(A11) Portion of qualifying subordinated debt and intermediate-term preferred stock includible in Tier 2 capital (lesser of lines (A7) and (A10)) .... ______

The entire amount of qualifying other limited-life capital instruments, such as long-term preferred stock with an original maturity of 20 years or more, that remains after discounting is includible in Tier 2 capital. This portion is calculated as follows:

(B1) Amount of other limited-life capital instruments with a remaining maturity of more than five years .... ______ × 100% = ______

(B2) Amount of other limited-life capital instruments with a remaining maturity of more than four years, but less than five years .... ______ × 80% = ______

(B3) Amount of other limited-life capital instruments with a remaining maturity of more than three years, but less than four years .... ______ × 60% = ______

(B4) Amount of other limited-life capital instruments with a remaining maturity of more than two year, but less than three years .... ______ × 40% = ______

(B5) Amount of other limited-life capital instruments with a remaining maturity of more than one year, but less than two years .... ______ × 20% = ______

(B6) Amount of other limited-life capital instruments with a remaining maturity of one year or less .... ______ × 0% = ______

(B7) Portion of qualifying other limited-life capital instruments (sum of discounted amounts of lines (B1) through (B6)) .... ______

Report the sum of the amounts from lines (A11) and (B7) above in Schedule HC-R, item 12.

Line item 13 Cumulative perpetual preferred stock includible in Tier 2 capital.

Report the amount of outstanding cumulative perpetual preferred stock, including any amounts received in excess of its par or stated value, that is included in Schedule HC, item 23. Include cumulative perpetual preferred stock that exceed the limits for Tier I capital, and, therefore, was excluded from Tier 1 capital. Also include perpetual preferred stock issues that were excluded from Tier 1 capital such as noncumulative perpetual preferred where the dividend is reset periodically based, in whole or in part, upon the bank holding company's current credit standing (including, but not limited to, auction rate, money market, and remarketable preferred stock).

Line item 14 Allowance for loan and lease losses includible in Tier 2 capital.

Report the portion of the bank holding company's allowance for loan and lease losses that is includible in Tier 2 capital. (None of the bank holding company's allocated transfer risk reserve, if any, is includible in Tier 2 capital.) The amount reported in this item cannot exceed 1.25 percent of the bank holding company's gross risk-weighted assets. For risk-based capital purposes, the allowance for loan and lease losses is the sum of Schedule HC, item 4(c), ''Allowance for loan and lease losses,'' less Schedule HI-B, part II, memorandum item 1, ''Allocated transfer risk reserve included in Schedule HI-B, part II item 7,'' plus Schedule HC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures.''

Gross risk-weighted assets is reported in Schedule HC-R, item 59. If the bank holding company has any low-level exposure transactions or residual interests and chooses to use the ‘‘direct reduction method’’ for reporting these transactions in Schedule HC-R, refer to the discussion of this subject in the instructions for Schedule HC-R, item 50, ‘‘Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low level exposure rule and residual interests subject to a dollar-for-dollar capital requirement,’’ for guidance on determining the limit on the allowance for loan and lease losses for Tier 2 capital purposes.

Line item 15 Unrealized gains on available-for-sale equity securities includible in Tier 2 capital.

Report the pretax net unrealized holding gain (i.e., the excess of fair value as reported in Schedule HC-B, item 7, column D, over historical cost as reported in Schedule HC-B, item 7, column C), if any, on available-for-sale equity securities that is includible in Tier 2 capital subject to the limits specified by the capital guidelines. The amount reported in this item cannot exceed 45 percent of the bank holding company’s pretax net unrealized holding gain on available-for-sale equity securities with readily determinable fair values.

Line item 16 Other Tier 2 capital components.

Report the amount of any items that qualify for inclusion in Tier 2 capital based on the capital guidelines that are not included in Schedule HC-R, items 12 through 15, above. Include mandatory convertible debt, i.e., equity contract notes, which is a form of subordinated debt that obligates the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal. For purposes of the item, bank holding companies are to report as a deduction from Tier 2 capital 50 percent of the aggregate amount of its investments in banking and finance subsidiaries that are not consolidated for accounting or regulatory reporting purposes. For further information, refer to the capital guidelines.

If the amount to be reported is a net deduction, enclose the amount in parentheses.

Line item 17 Tier 2 capital.

Report the sum of Schedule HC-R, items 12 through 16.

Line item 18 Allowable Tier 2 capital.

Report the amount of the bank holding company’s allowable Tier 2 capital. The maximum amount of Tier 2 capital that is allowable in a bank holding company’s qualifying total capital is 100 percent of Tier 1 capital. The amount reported in this item must be the lesser of Schedule HC-R, item 11, ‘‘Tier 1 capital,’’ and item 17, ‘‘Tier 2 capital.’’

Line item 19 Tier 3 capital allocated for market risk.

Report the amount of the bank holding company’s Tier 3 capital allocated for market risk. This item is only applicable to bank holding companies that are subject to the market risk capital guidelines. The amount reported in this item may only be used to satisfy the bank holding company’s market risk capital requirement and may not be used to support credit risk. The sum of the amount reported in this item and the amount reported in Schedule HC-R, item 18, ‘‘Allowable Tier 2 capital,’’ must be less than or equal to the amount reported in Schedule HC-R, item 11, ‘‘Tier 1 capital.’’ In addition, Tier 3 capital allocated for market risk plus Tier 2 capital allocated for market risk are limited to 71.4 percent of a bank holding company’s measure for market risk.

Line item 20 LESS: Deductions for total risk-based capital.

Report the amount of any intentional reciprocal cross-holdings of banking organizations’ capital instruments, and any other deductions for total risk-based capital as determined by the Federal Reserve or the capital guidelines.

NOTE: Investments in ‘‘financial subsidiaries,’’ as defined by the Gramm–Leach–Bliley Act, that are deducted from banks’ regulatory capital on the Reports of Condition and Income (FFIEC 031 and 041 reports) should not be deducted by bank holding companies when determining the consolidated regulatory capital for bank holding companies.

Line item 21 Total risk-based capital.

Report the sum of Schedule HC-R, items 11, 18, and 19, less item 20. The amount reported in this item is the numerator of the bank holding company’s total risk-based capital ratio.

Total assets for leverage ratio

Line item 22 Average total assets.

Report the bank holding company's average total assets as reported in Schedule HC-K, item 5.

Line item 23 LESS: Disallowed goodwill and other disallowed intangible assets.

Report the amount of any disallowed goodwill and other disallowed intangible assets from Schedule HC-R, item 7, above.

Line item 24 LESS: Disallowed servicing assets and purchased credit card relationships.

Report the amount of any disallowed servicing assets and purchased credit card relationships from Schedule HC-R, item 9(a), above.

Line item 25 LESS: Disallowed deferred tax assets.

Report the amount of any disallowed deferred tax assets from Schedule HC-R, item 9(b), above.

Line item 26 LESS: Other deductions from assets for leverage capital purposes.

Report the amount of any other assets that are deducted in determining Tier 1 capital in accordance with the capital standards. Include the amount of any disallowed credit-enhancing interest-only strips from Schedule HC-R, item 10, above. Also include the adjusted carrying value of any nonfinancial equity investments for which a Tier 1 capital deduction is included on Schedule HC-R, item 10 above.

In addition, for purposes of the item, bank holding companies are to report as a deduction from Tier 1 capital 50 percent of the aggregate amount of its investments in banking and finance subsidiaries that are not consolidated for accounting or regulatory reporting purposes. For further information, refer to the capital guidelines.

Line item 27 Average total assets for leverage capital purposes.

Report Schedule HC-R, item 22, less items 23 through 26.

Line items 28–30 Not applicable.

Capital Ratios

Line item 31 Tier 1 leverage ratio.

Report the bank holding company's Tier 1 leverage ratio as a percentage, rounded to two decimal places. The ratio is determined by dividing Schedule HC-R, item 11, by Schedule HC-R, item 27.

Line item 32 Tier 1 risk-based capital ratio.

Report the bank holding company's Tier 1 risk-based capital ratio as a percentage, rounded to two decimal places. The ratio is determined by dividing Schedule HC-R, item 11, by Schedule HC-R, item 62.

Line item 33 Total risk-based capital ratio.

Report the bank holding company's total risk-based capital ratio as a percentage, rounded to two decimal places. The ratio is determined by dividing Schedule HC-R, item 21, by Schedule HC-R, item 62.

Risk-Weighted Assets

The instructions for Schedule HC-R, items 34 through 54 provide general directions for the allocation of bank holding company balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items to the risk weight categories in columns C through F and, for items 34 through 43 only, to the items not subject to risk-weighting in column B. These instructions should provide sufficient guidance for most bank holding companies for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions may not identify every asset and other bank holding company transactions that qualify for a risk weight lower than the maximum risk weight. For further information on allocating assets and off-balance sheet transactions to the proper risk weight category, bank holding companies should consult the risk-based capital guidelines.

In order to save time and reduce burden, a bank holding company may decide not to determine every asset or off-balance sheet transaction that is accorded a risk weight lower than 100%(50% for derivative contracts). **Accordingly, at its option, a bank holding company may risk-weight any asset or credit equivalent**

amount at a higher risk weight than the risk weight that would otherwise apply to the asset or credit equivalent amount, e.g., an asset that qualifies for a 20% risk weight may be assigned a 100% risk weight.

For items 34 through 43 of Schedule HC-R, column B should include the amount of the reporting bank holding company'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, disallowed deferred tax assets, disallowed servicing assets and PCCRs, disallowed credit-enhancing interest-only strips, intentional reciprocal cross-holdings of banking organization's capital instruments, the adjusted carrying value of nonfinancial equity investments subject to a Tier 1 capital deduction, and any other assets that must be deducted in accordance with the requirements of the Federal Reserve's capital guidelines. 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, allocated transfer risk reserves, and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of their credit equivalent amounts. For items 34 through 43 of Schedule HC-R, the sum of columns B through F must equal the balance sheet asset amount reported in column A.

For items 44 through 54 of Schedule HC-R, column B should include the credit equivalent amounts of the reporting bank holding company's derivative contracts and off-balance sheet items that are covered by the risk-based capital standards. For off-balance sheet items, the credit equivalent amount to be reported in column B is calculated by multiplying the face or notional amount in column A by the appropriate credit conversion factor. The credit equivalent amounts in column B are to be risk weighted in columns C through F. For items 44 through 54 of Schedule HC-R, the sum of columns C through F must equal the credit equivalent amount reported in column B.

The following are some of the most common exceptions to the risk weight category assignments that are described below in the instructions for items 34 through 54. These exceptions enable a bank holding company, **at its option**, to assign assets, derivatives, and off-balance sheet items to lower risk weight categories than under the instructions for each of these items.

Column C 0% column:

(1) All claims (defined broadly to include securities, loans, and leases) that are direct claims on, or the portion of claims that are directly and unconditionally guaranteed by, the U.S. Government, other OECD central governments, or U.S. Government agencies.

(2) For national and state member banks, claims that are collateralized by cash on deposit in the bank or by securities issued or guaranteed by the U.S. Government, other OECD central governments, or U.S. Government agencies (refer to the risk-based capital guidelines for the collateral criteria).

(3) For state nonmember banks, claims on, or guaranteed by, qualifying securities firms incorporated in the U.S. or in other OECD countries that are collateralized by cash on deposit in the bank or by securities issued or guaranteed by the U.S. Government, other OECD central governments, or U.S. Government agencies (refer to the risk-based capital guidelines for the collateral and qualifying securities firm criteria).

Column D 20% column:

(1) The portion of claims that are conditionally guaranteed by the U.S. Government, other OECD central governments, or U.S. Government agencies.

(2) The portion of claims that are collateralized by cash on deposit in the bank holding company or by securities issued or guaranteed by the U.S. Government, other OECD central governments, or U.S. Government agencies that are not included in the zero percent column.

(3) The portion of local currency securities that are conditionally guaranteed by non-OECD central governments (to the extent that the bank holding company has liabilities booked in that currency).

(4) General obligation claims on, or portions of claims guaranteed by the full faith and credit of, states or other political subdivisions of the U.S.

(5) Claims on, and the portions of claims guaranteed by, multilateral lending institutions or regional development banks in which the U.S. Government is a shareholder or contributing member.

(6) Claims on, or guaranteed by, qualifying securities firms incorporated in the U.S. or in other OECD countries provided the firm meets certain rating criteria, the claim is guaranteed by the firm's parent company and that company meets the rating criteria, or the claim is a repurchase/resale agreement or a securities lending/borrowing transaction that is collateralized and meets certain criteria (refer to the risk-based capital guidelines for the rating, collateral, and qualifying securities firm criteria).

The risk-based capital guidelines include a ratings-based approach that sets the risk-based capital requirements for asset-backed and mortgage-backed securities and other positions in securitization transactions (except credit-enhancing interest-only strips) according to their relative risk using credit ratings from nationally recognized statistical rating organizations, i.e., rating agencies, to measure the level of risk. (The ratings-based approach does **not** apply to corporate bonds, municipal bonds, or other debt securities that have been rated by a rating agency.) In general, under the ratings-based approach, the risk-based capital requirement for a position in a securitization is computed by multiplying the face amount of the position by the risk weight appropriate for the external credit rating of the position. The risk weights for long-term and short-term external ratings are as follows:

Long-Term Rating Category	*Examples*	*Risk Weight*
Highest or second highest investment grade	AAA or AA	20%
Third highest investment grade	A	50%
Lowest investment grade	BBB	100%
One category below investment grade	BB	200%
More than one category below investment grade, or unrated	B or unrated	Not eligible for ratings-based approach

Short-Term Rating Category	*Examples*	*Risk Weight*
Highest investment grade	A-1, P-1	20%
Second highest investment grade	A-2, P-2	50%
Lowest investment grade	A-3, P-3	100%
Below investment grade, or unrated	B or unrated	Not eligible for ratings-based approach

Under the ratings-based approach, a position in a securitization that is a ''traded position,'' as defined in the risk-based capital guidelines, must receive at least one external rating. If a traded position receives more than one external ratings, the lowest rating will apply. For a position in a securitization that is not a traded position to be eligible for the ratings-based approach, the position must receive at least two publicly available external ratings that are based on the same criteria used to rate traded positions. The lowest external rating will determine the risk weight category for the position.

In addition, a position (other than a residual interest) in a securitization or structured finance program that is not externally rated may use the credit rating for the position under one of three alternative standards to determine the risk weight for the position. These alternatives are internal risk ratings for direct credit substitutes (but not purchased credit-enhancing interest-only strips) supporting asset-backed commercial paper programs and program ratings and credit assessment computer programs for credit enhancements (but not residual interests) supporting structured finance programs. Under these alternatives, a position receiving an investment grade rating is assigned a 100% risk weight and a position receiving a rating one category below investment grade is assigned a 200% risk weight.

The extent to which qualifying securities are recognized as collateral for risk-based capital purposes is determined by their current market value. If a claim is partially secured, that is, the market value of the pledged securities is less than the face amount of an asset or off-balance sheet item, only the portion that is covered by the market value of the collateral is to be reported in this item. The face amount of a claim secured by two types of qualifying collateral is to be reported in the items appropriate to the collateral types, apportioned according to the market value of each of the two types of collateral.

If a claim is partially guaranteed or covered by two types of guarantees, then the preceding discussion on the treatment of claims that are collateralized is applicable. A guarantee is conditional if its validity is dependent upon some affirmative action by the bank holding company or a third party (e.g., servicing requirements).

NOTE: Claims collateralized by deposits in other depository institutions (e.g., certificates of deposit issued by other banks) do not qualify for a 20 percent risk weight. Such collateralized claims are to be reported in the 50 percent or 100 percent risk weight category in columns E or F of Schedule HC-R, as appropriate, according to the obligor or, if relevant, the guarantor or the nature of any other collateral.

These instructions contain several references to the OECD, i.e., the Organization for Economic Cooperation and Development. The following countries are members of the OECD: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. In addition, Saudi Arabia should be treated as an OECD country. All other countries should be treated as non-OECD countries.

Bank holding companies that are subject to the market risk capital guidelines

The risk-based capital standards require all bank holding companies with significant market risk to measure their market risk exposure and hold sufficient capital to mitigate this exposure. In general, a bank holding company is subject to the market risk capital guidelines if its consolidated trading activity, defined as the sum of trading assets and liabilities as reported in its FR Y-9C for the previous quarter, equals: (1) 10 percent or more of the bank holding company's total assets as reported in its FR Y-9C for the previous quarter, or (2) $1 billion or more. However, the Federal Reserve may exempt or include a bank holding company if necessary or appropriate for safe and sound banking practices.

A bank holding company that is subject to the market risk capital guidelines must hold capital to support its exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates, and commodity prices and its exposure to specific risk associated with certain debt and equity positions. Covered positions include all positions in a bank holding company's trading account and foreign exchange and commodity positions, whether or not in the trading account. Covered positions generally should not be risk-weighted as part of the bank holding company's gross risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all over-the-counter (OTC) derivatives continue to have a counterparty credit risk capital charge. Those positions are included in both gross risk-weighted assets for credit risk and the bank holding company's covered positions for market risk.

For a bank holding company that is subject to the market risk capital guidelines, positions in the trading account arising from asset securitizations, including recourse obligations, residual interests, and direct credit substitutes, should be treated for risk-based capital purposes in accordance with those guidelines. However, the bank holding company remains subject to the concentration limit for credit-enhancing interest-only strips (see the instructions for Schedule HC-R, item 10, ''Other additions to (deductions from) Tier 1 capital'').

Balance Sheet Asset Categories

Assets Sold with Recourse and Purchased Credit-Enhancing Interest-Only Strips

When an on-balance sheet asset that is a position in an asset securitization qualifies for the ratings-based approach, the asset should be reported in the appropriate asset category in Schedule HC-R (items 34 to 42) and risk-weighted 20%, 50%, 100%, or 200% according to its rating. (See the paragraph below for further information on assets subject to a 200% risk weight.)

Otherwise, in an asset sale with recourse in which a bank holding company has retained on-balance sheet assets that act as credit enhancements (including retained credit-enhancing interest-only strips) that do not qualify for the ratings-based approach, these assets should be reported in column B, ''Items Not Subject to Risk-Weighting,'' of the appropriate Schedule HC-R asset category (items 34 to 42). Similarly, purchased credit-enhancing interest-only strips should be reported in column B. Depending on the nature of the individual recourse transactions, the risk-weighting of these transactions will take place in Schedule HC-R, item 49, ''Retained recourse on small business obligations sold with recourse,'' item 50, ''Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low level exposure rule and residual interests subject to a dollar-for-dollar capital requirement,'' or item 51, ''All other financial assets sold with recourse.'' Purchased credit-enhancing interest-only strips are to be risk-weighted in Schedule HC-R, item 50. However, exclude disallowed credit-enhancing interest-only strips that have been deducted from Tier 1 capital and assets from Schedule HC-R, items 49, 50, and 51.

Assets Subject to a 200% Risk Weight

Asset-backed and mortgage-backed securities and other on-balance sheet positions in asset securitizations that are rated one category below investment grade (e.g., BB) by a rating agency are subject to a 200% risk weight. Because Schedule HC-R does not have a column for the 200% risk weight, assets in this risk weight category should be reported in the following manner in Schedule HC-R:

- If a 200% risk-weighted asset is reported on the balance sheet (Schedule HC) at amortized cost, e.g., in ''Held-to-maturity securities,'' report (1) the asset's amortized cost multiplied by 2 in column F—100% risk weight, and (2) the asset's amortized cost as a negative number in column B.
- If a 200% risk-weighted asset is reported on the balance sheet (Schedule HC) like an ''Available-for-sale debt security,'' i.e., at fair value with unrealized gains (losses) reported in ''Other comprehensive income,'' report (1) the difference between the asset's fair value and amortized cost in column B as a positive number if fair value exceeds cost or as a negative number if cost exceeds fair value, (2) the asset's amortized cost multiplied by 2 in column F—100% risk weight, and (3) the asset's amortized cost as a negative number in column B.
- If a 200% risk-weighted asset is reported on the balance sheet (Schedule HC) like a ''Trading asset,'' i.e., at fair value with unrealized gains (losses) included in current earnings, report (1) the asset's fair value multiplied by 2 in column F—100% risk weight, and (2) the asset's fair value as a negative number in column B.

Treatment of Embedded Derivatives

If a bank holding company has a hybrid contract containing an embedded derivative that must be separated from the host contract and accounted for as a derivative instrument under FASB Statement No. 133, then the host contract and embedded derivative should be treated separately for risk-based capital purposes. When the fair value of the embedded derivative has been reported as part of the bank holding company's assets on Schedule HC—Balance Sheet, that fair value (whether positive or negative) should be reported (as a positive or negative number) in column B of the corresponding asset category item in Schedule HC-R (items 34 to 42). The host contract, if an asset, should be risk weighted according to the obligor or, if relevant, the guarantor or the nature of the collateral.

Allocated Transfer Risk Reserves (ATRRs)

If the reporting bank holding company is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the Federal Reserve's regulation implementing the Act (Subpart D of Federal Reserve Regulation K), and in any guidelines, letters, or instructions issued by the Federal Reserve, the ATRR should be reported in Schedule HC-R, item 61. The ATRR is not eligible for inclusion in either Tier 1 or Tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule HC, item 4(c), ''Allowance for loan and lease losses,'' and separately disclosed in Sechedule HI-B, part II, memorandum item 1. However, if the bank holding company must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule HC. In this situation, the ATRR should be reported as a negative number (i.e., in parentheses) in column B, ''Items Not Subject to Risk-Weighting,'' of the corresponding asset category in Schedule HC-R, items 34 through 38, 41, and 42. The amount to be risk-weighted for this asset in column C, D, E, or F, as appropriate, would be its net carrying value plus the ATRR. For example, a bank holding company has a held-to-maturity security issued by a foreign commercial company against which it has established an ATRR of $20. The security, net of the ATRR, is included in Schedule HC, item 2(a), ''Held-to-maturity securities,'' at $80. The security should be included in Schedule HC-R, item 35, column A, at $80. The bank holding company should include $(20) in Schedule HC-R, item 35, column B, and $100 in item 35, column F.

Line item 34 Cash and balances due from depository institutions.

Report in column A the amount of cash and balances due from depository institutions reported in Schedule HC, sum of items 1(a) and 1(b).

In column C—0% risk weight, include the amount of currency and coin plus any balances due from Federal Reserve Banks reported in Schedule HC, item 1(a) and any balances due from central banks in other OECD countries reported in Schedule HC, items 1(a) and 1(b).

In column F—100% risk weight, include balances due from non-OECD depository institutions with remaining maturities of over one year, all non-local currency claims on non-OECD central banks, and local currency claims on non-OECD central banks that exceed the local currency liability held by the bank holding company.

In column D—20% risk weight, include all other amounts that are not reported in column C or F.

Line item 35 Held-to-maturity securities.

Report in column A the amortized cost of held-to-maturity (HTM) securities reported in Schedule HC, item 2(a).

In column B, include as a negative number the amortized cost of those mortgage-backed and asset-backed securities reported in Schedule HC-B, item 4(a)(3), column A, ''Other pass-through securities,'' item 4(b)(2), column A, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column A, ''All other mortgage-backed securities,'' and item 5, column A, ''Asset-backed securities,'' that are rated one category below investment grade, e.g., BB.

In column C—0% risk weight, include the amounts reported in Schedule HC-B, column A, for item 1, ''U.S. Treasury securities,'' item 2(a), Securities ''Issued by U.S. Government agencies,'' and item 4(a)(1), Pass-through securities ''Guaranteed by GNMA. Also include-the portion of Schedule HC-B, item 4(b)(1), column A, Other mortgage-backed securities ''Issued or guaranteed by FNMA, FHLMC, or GNMA,'' that represents the amortized cost of GNMA securities.

In column D—20% risk weight, include the amounts reported in Schedule HC-B, column A, for item 2(b), Securities ''Issued by U.S. Government-sponsored agencies,'' and item 4(a)(2), Pass-through securities ''Issued by FNMA and FHLMC.'' Include the portion of Schedule HC-B, item 3, column A, ''Securities issued by states and political subdivisions in the U.S.,'' that represents the amortized cost of general obligation securities and the portion of Schedule HC-B, item 4(b)(1), column A, Other mortgage-backed securities ''Issued or guaranteed by FNMA, FHLMC, or GNMA,'' that represents the amortized cost of FHLMC and FNMA securities (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). Also include the portion of Schedule HC-B, item 4(b)(2), column A, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' that represents the amortized cost of senior interests in such securities (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). Also include the portions of Schedule HC-B, item 4(a)(3), column A, ''Other pass-through securities,'' item 4(b)(2), column A, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column A, ''All other mortgage-backed securities,'' and item 5, column A, ''Asset-backed securities,'' that represents the amortized cost of securities that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.

In column E—50% risk weight, include the portion of Schedule HC-B, item 3, column A, ''Securities issued by states and political subdivisions in the U.S.,'' that represents the amortized cost of revenue obligation securities. Also include the portions of Schedule HC-B, item 4(a)(3), column A, ''Other pass-through securities,'' item 4(b)(2), column A, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column A, ''All other mortgage-backed securities,'' and item 5, column A, ''Asset-backed securities,'' that represents the amortized cost of securities that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight).

In column F—100% risk weight, include the amortized cost of all other HTM securities reported in Schedule HC, item 2(a), that are not included in columns C through E. However, for those mortgage-backed and asset-backed securities reported in Schedule HC-B, item 4(a)(3), column A, ''Other pass-through securities,'' item 4(b)(2), column A, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column A, ''All other mortgage-backed securities,'' and item 5, column A, ''Asset-backed securities,'' that are rated one category below investment grade, e.g., BB, include in column F the amortized cost of these securities multiplied by 2.

Line item 36 Available-for-sale securities.

Report in column A the fair value of available-for-sale (AFS) securities reported in Schedule HC, item 2(b). For regulatory capital purposes, however, AFS debt securities are risk weighted at their amortized cost. In addition, when AFS equity securities with readily determinable fair values have a net unrealized loss, they are risk weighted at their fair value. When such equity securities have a net unrealized gain, they are risk weighted at their historical cost plus the portion of the unrealized gain (up to 45 percent) included in Tier 2 capital. This unrealized gain is reported in Schedule HC-R, item 15.

In column B, include the difference between the fair value and amortized cost of AFS debt securities. This difference equals Schedule HC-B, items 1 through 6, column D, minus items 1 through 6, column C. When fair value exceeds cost, report the difference as a positive number in Schedule HC-R, item 36, column B. When cost exceeds fair value, report the difference as a negative number (i.e., in parentheses) in Schedule HC-R, item 36, column B. If AFS equity securities with readily determinable fair values have a net unrealized gain (i.e., Schedule HC-B, item 7, column D, exceeds item 7, column C), the portion of the net unrealized gain (55 percent or more) not included in Tier 2 capital should be included in Schedule HC-R, item 36, column B. The portion that is not included in Tier 2 capital equals Schedule HC-B, item 7, column D minus column C, minus Schedule HC-R, item 15.

Also include in column B as a negative number the amortized cost of those mortgage-backed and asset-backed securities reported in Schedule HC-B, item 4(a)(3), column C, ''Other pass-through securities,'' item 4(b)(2), column C, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column C, ''All other mortgage-backed securities,'' and item 5, column C, ''Asset-backed securities,'' that are rated one category below investment grade, e.g., BB.

In column C—0% risk weight, include the amounts reported in Schedule HC-B, column C, for item 1, ''U.S. Treasury securities,'' item 2(a), Securities ''Issued by U.S. Government agencies,'' and item 4(a)(1), Pass-through securities ''Guaranteed by GNMA. Also include the portion of Schedule HC-B, item 4(b)(1), column C, Other mortgage-backed securities ''Issued or guaranteed by FNMA, FHLMC, or GNMA,'' that represents the amortized cost of GNMA securities.

In column D—20% risk weight, include the amounts reported in Schedule HC-B, column C, for item 2(b), Securities ''Issued by U.S. Government-sponsored agencies,'' and item 4(a)(2), Pass-through securities ''Issued by FNMA and FHLMC.'' Include the portion of Schedule HC-B, item 3, column C, ''Securities issued by states and political subdivisions in the U.S.,'' that represents the amortized cost of general obligation securities and the portion of Schedule HC-B, item 4(b)(1), column C, Other mortgage-backed securities ''Issued or guaranteed by FNMA, FHLMC, or GNMA,'' that represents the amortized cost of FHLMC and FNMA securities (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). Also include the portion of Schedule HC-B, item 4(b)(2), column C, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' that represents the amortized cost of senior interests in such securities (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). Also include the portions of Schedule HC-B, item 4(a)(3), column C, ''Other pass-through securities,'' item 4(b)(2), column C, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column C, ''All other mortgage-backed securities,'' and item 5, column C, ''Asset-backed securities,'' that represents the amortized cost of securities that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.

In column E—50% risk weight, include the portion of Schedule HC-B, item 3, column C, ''Securities issued by states and political subdivisions in the U.S.,'' that represents the amortized cost of revenue obligation securities. Also include the portions of Schedule HC-B, item 4(a)(3), column C, ''Other pass-through securities,'' item 4(b)(2), column C, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column C, ''All other mortgage-backed securities,'' and item 5, column C, ''Asset-backed securities,'' that represents the amortized cost of securities that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight).

In column F—100% risk weight, include the amortized cost of all other AFS debt securities reported in Schedule HC-B, column C, that are not included in columns B through E. However, for those mortgage-backed and asset-backed securities reported in Schedule HC-B, item 4(a)(3), column C, ''Other pass-through securities,'' item 4(b)(2), column C, Other mortgage-backed securities ''Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA,'' item 4(b)(3), column C, ''All other mortgage-backed securities,'' and item 5, column C, ''Asset-backed securities,'' that are rated one category below investment grade, e.g., BB, include in column F the amortized cost of these securities multiplied by 2.

In addition, for AFS equity securities with readily determinable fair values reported in Schedule HC-B, item 7, include the fair value of these equity securities (as reported in Schedule HC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their historical cost (as reported in Schedule HC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in Tier 2 capital (as reported in Schedule HC-R, item 15). (NOTE: Certain investments in mutual funds reported in Schedule HC-B, item 7, may qualify for less than a 100 percent risk weight. For further information, refer to the risk-based capital standards.)

Line item 37 Federal funds sold and securities purchased under agreements to resell.

Report in column A the amount of federal funds sold and securities purchased under agreements to resell reported in Schedule HC, item 3.

In column C—0% risk weight, include the portion of Schedule HC, item 3, that is directly and unconditionally guaranteed by U.S. Government agencies or OECD central governments.

In column D—20% risk weight, include the amount of federal funds sold and securities resale agreements reported in Schedule HC, item 3, that are not included in columns C and F.

In column F—100% risk weight, include claims on non-depository institution counterparties that lack qualifying collateral (refer to the risk based capital guidelines for specific criteria) and claims on non-OECD depository institutions with maturities of over one year.

Line item 38 Loans and leases held for sale.

Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a).

In column C—0% risk weight, include the carrying value of the guaranteed portion of HFS SBA loans purchased in the secondary market that are included in Schedule HC-C, items 3, ''Loans to finance agricultural production and other loans to farmers,'' and 4, ''Commercial and industrial loans.''

In column D—20% risk weight, include the carrying value of HFS loans to and acceptances of other depository institutions that are reported in Schedule HC-C, item 2, (excluding the carrying value of any long-term claims on non-OECD banks that are HFS), plus the carrying value of the guaranteed portion of HFS FHA and VA mortgage loans included in Schedule HC-C, item 1(c)(2)(a), the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank holding company included in Schedule HC-C, items 3 and 4, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(c), ''Other consumer loans.''

In column E—50% risk weight, include the carrying value of HFS loans secured by 1–4 family residential properties and by multifamily residential properties included in Schedule HC-C, items 1(c)(2)(a) and 1(d), respectively, that are prudently underwritten, are fully secured by first liens on 1–4 family or multifamily residential properties, are not 90 days or more past due or in nonaccrual status, and meet other requirements specified in the risk-based capital guidelines.

In column F—100% risk weight, include the carrying value of HFS loans reported in Schedule HC, item 4(a), that is not included in columns B through E.

Line item 39 Loans and leases, net of unearned income.

Report in column A the amount of loans and leases, net of unearned income, reported in Schedule HC, item 4(b).

In column C—0% risk weight, include the carrying value of the guaranteed portion of SBA loans purchased in the secondary market that are included in Schedule HC-C, items 3, ''Loans to finance agricultural production and other loans to farmers,'' and 4, ''Commercial and industrial loans.''

In column D—20% risk weight, include the carrying value of loans to and acceptances of other depository institutions that are reported in Schedule HC-C, item 2, (excluding the carrying value of any long-term claims on non-OECD banks), plus the carrying value of the guaranteed portion of FHA and VA mortgage loans included in Schedule HC-C, item 1(c)(2)(a), the carrying value of the guaranteed portion of SBA loans originated and held by the reporting bank holding company included in Schedule HC-C, items 3 and 4, and the carrying value of the portion of student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(c), ''Other consumer loans.''

In column E—50% risk weight, include the carrying value of loans secured by 1–4 family residential properties and by multifamily residential properties included in Schedule HC-C, items 1(c)(2)(a) and 1(d), respectively, that are prudently underwritten, are fully secured by first liens on 1–4 family or multifamily residential properties, are not 90 days or more past due or in nonaccrual status, and meet other requirements specified in the risk-based capital guidelines.

In column F—100% risk weight, include the carrying value of loans reported in Schedule HC, item 4(b), that is not included in columns B through E.

Line item 40 LESS: Allowance for loan and lease losses.

Report in columns A and B the balance of the allowance for loan and lease losses reported in Schedule HC, item 4(c).

Line item 41 Trading assets.

Report in column A the fair value of trading assets reported in Schedule HC, item 5.

If the bank holding company is subject to the market risk capital requirement, also include the fair value of all trading assets reported in Schedule HC, item 5, in column B. The bank holding company will report its market risk equivalent assets in Schedule HC-R, item 58.

For bank holding companies not subject to the market risk capital requirement:

In column B, if the bank holding company completes Schedule HC-D, include the fair value of derivative contracts that are reported as assets in Schedule HC-D, item 11. If the bank holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of derivative contracts that are assets.

Also include in column B as a negative number the fair value of those mortgage-backed and asset-backed securities reported in Schedule HC-D, item 4, ''Mortgage-backed securities,'' item 5, ''Other debt securities,'' and item 10, ''Trading assets in foreign offices,'' that are rated one category below investment grade, e.g., BB. If the bank holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of mortgage-backed and asset-backed securities that are rated one category below investment grade, e.g., BB.

In column C—0% risk weight, if the bank holding company completes Schedule HC-D, include the amount reported in Schedule HC-D, item 1, ''U.S. Treasury securities,'' the portion of the amount reported in Schedule HC-D, item 2, that represents the fair value of securities issued by U.S. Government agencies, and the portion of the amounts reported in Schedule HC-D, items 4(a) and 4(b), that represents the fair value of mortgage-backed securities guaranteed by GNMA. If the bank holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of these types of securities.

In column D—20% risk weight, if the bank holding company completes Schedule HC-D, include the portion of the amount reported in Schedule HC-D, item 2, that represents the fair value of securities issued by U.S. Government-sponsored agencies, the portion of the amount reported in Schedule HC-D, item 3, that represents the fair value of general obligations issued by states and political subdivisions in the U.S., the portion of the amount reported in Schedule HC-D, items 4(a) and 4(b), that represents the fair value of mortgage-backed securities issued by FNMA and FHLMC (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). and the portion of the amount reported in Schedule HC-D, item 9, ''Other trading assets,'' that represents the fair value of certificates of deposit and bankers acceptances (excluding the fair of any long-term claims on non-OECD banks). Also include the fair value of those mortgage-backed and asset-backed securities reported in Schedule HC-D, item 4, ''Mortgage-backed securities,'' item 5, ''Other debt securities,'' and item 10, ''Trading assets in foreign offices,'' that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings. If the bank holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of these types of trading assets.

In column E—50% risk weight, if the bank holding company completes Schedule HC-D, include the portion of the amount reported in HC-D, item 3, that represents the fair value of revenue obligations issued by states and political subdivisions in the U.S. Also include the fair value of those mortgage-backed and asset-backed securities reported in Schedule HC-D, item 4, ''Mortgage-backed securities,'' item 5, ''Other debt securities,'' and item 10, ''Trading assets in foreign offices,'' that are rated in the third highest investment grade category, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g. A-2 or P-2, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). If the bank holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of these types of securities.

In column F—100% risk weight, include the fair value of trading assets reported in Schedule HC, item 5, that is not included in columns B through E. However, for those mortgage-backed and asset-backed securities reported in Schedule HC, item 5, that are rated one category below investment grade, e.g., BB, include in column F the fair value of these securities multiplied by 2.

Line item 42 All other assets.

Report in column A the sum of the amounts reported in Schedule HC, item 6, ''Premises and fixed assets,'' item 7, ''Other real estate owned,'' item 8, ''Investments in unconsolidated subsidiaries and associated companies,'' item 9, ''Customers' liability to this bank on acceptances outstanding,'' item 10(a), ''Goodwill,'' item 10(b), ''Other intangible assets,'' and item 11, ''Other assets.''

In column B, include the amount of any disallowed goodwill and other disallowed intangible assets reported in Schedule HC-R, item 7; disallowed servicing assets and purchased credit card relationships reported in Schedule HC-R, item 9(a); disallowed deferred tax assets reported in Schedule HC-R, item 9(b); all credit-enhancing interest-only strips reported in Schedule HC, item 11; all residual interests (as defined in the instructions for Schedule HC-R, item 50) not eligible for the ratings-based approach; the fair value of derivative contracts that are reported as assets in Schedule HC, item 11; and the carrying value of other assets reported in Schedule HC, item 11, that act as credit enhancements for those recourse transactions that must be reported in Schedule HC-R, items 49 and 51. Also include the amount of the bank holding company's investments in unconsolidated banking and finance subsidiaries that are reported in Schedule HC, item 8, and are deducted for risk-based capital purposes in Schedule HC-R, item 20.

If the bank holding company has residual interests in asset securitizations that are eligible for the ratings-based approach, report the difference between these residuals' fair value carrying amount and their amortized cost in column B as a positive number if fair value exceeds cost and as a negative number (i.e., in parentheses) if cost exceeds fair value. Also, include in column B as a negative number the amortized cost of any residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule HC, item 1 are rated one category below investment grade, e.g., BB.

In column C—0% risk weight, include the carrying value of Federal Reserve Bank stock included in Schedule HC-F, item 4; accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule HC-R, items 34 through 41); and the carrying value of gold bullion not held for trading that is held in the bank holding company's own vault or in another institution's vault on an allocated basis.

In column D—20% risk weight, include the carrying value of Federal Home Loan Bank stock included in Schedule HC-F, item 4; accrued interest receivable on assets included in the 20 percent risk weight category (column D of Schedule HC-R, items 34 through 41); and the portion of customers' acceptance liability reported in Schedule HC, item 9, that has been participated to other depository institutions. (These participations in acceptances conveyed to other depository institutions should be included in the amount reported in Schedule HC-L, item 5.) Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule HC, item 11, that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.

In column E—50% risk weight, include accrued interest receivable on assets included in the 50 percent risk weight category (column E of Schedule HC-R, items 34 through 41). Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule HC, item 11, that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings.

In column F—100% risk weight, include the amount of all other assets reported in column A that is not included in columns B through E. However, for residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule HC, item 11, include the amortized cost of those that are rated in the lowest investment grade category, e.g., BBB, and the amortized cost multiplied by 2 of those that are rated one category below investment grade, e.g., BB.

Line item 43 Total assets.

For columns A through F, report the sum of items 34 through 42. The sum of columns B through F must equal column A.

Derivatives and Off-Balance Sheet Items

Bank holding companies should refer to the supervisory guidance issued by the Federal Reserve for information on how they should treat credit derivatives for risk-based capital purposes and, as a consequence, for purposes of completing the section of Schedule HC-R for derivatives and off-balance sheet items.

Line item 44 Financial standby letters of credit.

For financial standby letters of credit reported in Schedule HC-L, item 2, that act as credit enhancements for asset-backed or mortgage-backed securities and to which the ratings-based approach applies, report in column A:

(1) the amount outstanding and unused of those letters of credit subject to a risk weight of 100% or less, and

(2) two times the amount outstanding and unused of those letters of credit subject to a 200% risk weight.

For these financial standby letters of credit, report in column B 100% of the amount reported in column A.

For all other financial standby letters of credit reported in Schedule HC-L, item 2, report *in column A:*

(1) the amount outstanding and unused of those letters

of credit for which this amount is less than the effective risk-based capital requirement for the assets that are credit-enhanced by the letter of credit. These financial standby letters of credit are subject to the low-level exposure rule. For these financial standby letters of credit, report as the credit equivalent amount in column B their amount outstanding and unused multiplied by either 12.5 or by the institution-specific factor determined in the manner described in the instructions for Schedule HC-R, item 50.

(2) the full amount of the assets that are credit-enhanced by those letters of credit that are not subject to the low-level exposure rule. For these financial standby letters of credit, report in column B 100% of the amount reported in column A.

In column D—20% risk weight, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule HC-L, item 2(a), that has been conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less). Also include in column D the credit equivalent amount of financial standby letters of credit to which the ratings-based approach applies that are rated in the highest or second highest investment grade category, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.

In column E—50% risk weight, include the credit equivalent amount of financial standby letters of credit to which the ratings-based approach applies that are rated in the third highest investment grade category, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings.

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 45 Performance standby letters of credit.

Report in column A the face amount of performance standby letters of credit reported in Schedule HC-L, item 3.

In column B, report 50 percent of the face amount reported in column A.

In column D—20% risk weight, include the credit equivalent amount of the portion of performance standby letters of credit reported in Schedule HC-L, item 3(a), that has been conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less).

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 46 Commercial and similar letters of credit.

Report in column A the face amount of commercial and similar letters of credit reported in Schedule HC-L, item 4.

In column B, report 20 percent of the face amount reported in column A.

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 47 Risk participations in banker's acceptances acquired by the reporting institution.

Report in column A the face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding.

In column B, report 100 percent of the face amount reported in column A.

In column D—20% risk weight, include the credit equivalent amount of the portion of risk participations in bankers acceptances that the reporting bank holding company has acquired and subsequently conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for bankers acceptances with remaining maturities of one year or less).

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C and D.

Line item 48 Securities lent.

Report in column A the amount of securities lent reported in Schedule HC-L, item 6.

In column B, report 100 percent of the face amount reported in column A.

In column C—0% risk weight, include the credit equivalent amount of securities lent that is supported by the appropriate amount of collateral that qualifies for the zero percent risk weight under the risk based capital guidelines (refer to these guidelines for the specific qualifying criteria).

In column D—20% risk weight, include the credit equivalent amount of securities lent that is supported by the appropriate amount of collateral that qualifies for the 20 percent risk weight under the risk based capital guidelines (refer to these guidelines for specific qualifying criteria). Also include the credit equivalent amount of securities lent that represents claims on U.S. and other OECD depository institutions (and claims on non-OECD depository institutions for securities lent with remaining maturities of one year or less).

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 49 Retained recourse on small business obligations sold with recourse.

Report in column A the amount of retained recourse on small business obligations reported in Schedule HC-S, Memorandum item 1(b).

Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, a ‘‘qualifying institution’’ that transfers small business loans and leases on personal property (small business obligations) with recourse in a transaction that qualifies as a sale under generally accepted accounting principles (GAAP) must maintain risk-based capital only against the amount of recourse retained, provided the institution establishes a recourse liability account that is sufficient under GAAP. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under Section 3(c) of the Small Business Act (12 U.S.C. 631) are eligible for this favorable risk-based capital treatment.

In general, a ‘‘qualifying institution’’ is one that is well capitalized without regard to the Section 208 provisions. If a bank holding company ceases to be a qualifying institution or exceeds the retained recourse limit set forth in regulations implementing Section 208, all new transfers of small business obligations with recourse would not be treated as sales. However, the reporting and risk-based capital treatment described above will continue to apply to any transfers of small business obligations with recourse that were consummated during the time the bank holding company was a ‘‘qualifying institution’’ and did not exceed the limit.

In column B, report 100 percent of the amount reported in column A.

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 50 Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low level exposure rule and residual interests subject to a dollar-for-dollar capital requirement.

As defined in the risk-based capital standards,

- *Recourse* means an arrangement in which an institution retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the institution’s claim on the asset.
- *Direct credit substitute* means an arrangement in which an institution assumes, in form or in substance, credit risk directly or indirectly associated with an on- or off-balance sheet asset or exposure that was not previously owned by the institution (third-party asset) and the risk assumed by the institution exceeds the pro rata share of the institution’s interest in the third party asset.
- *Residual interest* means any on-balance sheet asset that represents an interest (including a beneficial interest) created by a transfer that qualifies as a sale (in accordance with generally accepted accounting principles)

of financial assets, whether through a securitization or otherwise, and that exposes an institution to credit risk directly or indirectly associated with the transferred asset that exceeds a pro rata share of the institution's claim on the asset, whether through subordination provisions or other credit enhancement techniques. In general, residual interests include credit-enhancing interest-only strips (both retained and purchased), spread accounts, cash collateral accounts, retained subordinated interests, other forms of overcollateralization, accrued but uncollected interest on transferred assets that (when collected) will be available to serve in a credit-enhancing capacity, and similar on-balance sheet assets that function as a credit enhancement.

Under these definitions, all recourse arrangements in the form of on-balance sheet assets are residual interests. The only type of residual interest that is not a recourse arrangement is a purchased credit-enhancing interest-only strip. Purchased credit-enhancing interest-only strips are a type of direct credit substitute. Recourse arrangements not in the form of on-balance sheet assets (e.g., off-balance sheet recourse obligations, which may have an associated on-balance sheet recourse liability) are not residual interests.

The risk-based capital standards include a low-level exposure rule, which states that if the maximum exposure to loss retained or assumed by an institution in connection with a recourse arrangement, a direct credit substitute, or a residual interest is less than the effective risk-based capital requirement for the credit-enhanced assets (generally, four percent for qualifying first lien 1–4 family residential mortgages and eight percent for most other assets), the risk-based capital requirement is limited to the institution's maximum contractual exposure, less any recourse liability account established in accordance with generally accepted accounting principles.

However, for residual interests (other than credit-enhancing interest-only strips that have been deducted from Tier 1 capital and assets) not eligible for the ratings-based approach, an institution must maintain risk-based capital equal to the face amount of the residual interest (net of any existing associated deferred tax liability recorded on the balance sheet), even if the amount of risk-based capital required to be maintained exceeds the full risk-based capital requirement for the assets transferred. The effect of this requirement is that, notwithstanding the low level exposure rule, an institution must hold one dollar in total risk-based capital against every dollar of the face amount of its residual interests that are not eligible for the ratings-based approach (a dollar-for-dollar capital requirement), except for any credit-enhancing interest-only strips that are required to be deducted from Tier 1 capital and assets.

Because all residual interests (including all retained and purchased credit-enhancing interest-only strips) are on-balance sheet assets, the on-balance sheet amount of an institution's residual interests not eligible for the ratings-based approach should be reported in column B of the Balance Sheet Asset Category section of Schedule HC-R. Similarly, when a direct credit substitute is carried as an asset on the bank holding company's balance sheet and the low level exposure rule applies, the on-balance sheet asset amount should be reported in column B of the Balance Sheet Asset Category section of Schedule HC-R.

For purposes of this item, the ''maximum contractual dollar amount of exposure'' of a residual interest and a direct credit substitute that is an on-balance sheet asset is its ''face amount'' as of the report date, i.e., its amortized cost if it is not held for trading purposes and its fair value if it is held for trading purposes. In determining the ''maximum contractual dollar amount of exposure'' for a residual interest, an institution is permitted, but not required, to reduce the face amount by the amount of any existing associated deferred tax liability.[6] The ''maximum contractual dollar amount of exposure'' of a recourse arrangement and a direct credit substitute that is not in the form of an on-balance sheet asset is the maximum contractual amount of the institution's exposure as of the report date, less the balance of any associated recourse liability account established in accordance with generally accepted accounting principles and reported in Schedule HC-G, item 4, ''Other'' liabilities.

Bank holding companies that have entered into (a) recourse arrangements and direct credit substitutes (other than financial standby letters of credit) that are subject to the low level exposure rule and (b) residual interests subject to a dollar-for-dollar capital requirement

6. Any deferred tax liability used in this manner would not be available for the bank holding company to use in determining the amount of disallowed deferred tax assets in Schedule HC-R, item 9(b), above.

should report these transactions in this item using either the ''direct reduction method'' or the ''gross-up method'' in accordance with the following guidance. Exclude from this item disallowed credit-enhancing interest-only strips that have been deducted from Tier 1 capital and assets. When using the ''gross-up method,'' an institution includes an amount in its risk-weighted assets (the denominator of its risk-based capital ratios) for its ''maximum contractual dollar amount of exposure'' that is calculated under the assumption that the institution's total risk-based capital ratio equals the 8 percent minimum requirement. In contrast, when using the ''direct reduction method,'' an institution includes an institution-specific amount in its risk-weighted assets for its ''maximum contractual dollar amount of exposure'' that is calculated using the actual amount of the institution's total risk-based capital. This institution-specific calculation produces the effect of directly reducing Tier 1 and total risk-based capital by the ''maximum contractual dollar amount of exposure'' without lowering the institution's Tier 1 leverage capital ratio. For an institution whose risk-based capital ratios exceed the required minimums, it is normally preferable to use the ''direct reduction method.''

If the bank holding company chooses to use the ''direct reduction method,'' the bank holding company should report as the credit equivalent amount in Schedule HC-R, item 50, column B, an ''institution-specific add-on factor'' for its low-level exposure or residual interest. This credit equivalent amount should then be assigned to the 100 percent risk weight category in column F of this item. The ''institution-specific add-on factor,'' which is independent of the risk weight category of the assets to which the exposure relates, is calculated as follows:

$$F = \frac{C \times A}{C - R} - A$$

where

F = institution-specific add-on factor;

C = total risk-based capital (as reported in Schedule HC-R, item 21);

A = net risk-weighted assets excluding low-level exposures and residual interests; and

R = maximum contractual dollar amount of exposure in low-level exposure transactions or of residual interests (as reported in column A of this item)

For purposes of calculating the amount of the bank holding company's total risk-based capital to be used in the preceding formula (C in the formula) and to be reported in Schedule HC-R, item 21, the bank holding company should determine the Tier 2 capital limit on the allowance for loan and lease losses by multiplying its ''maximum contractual dollar amount of exposure'' (R in the preceding formula, as defined in these instructions) by 12.5 and adding this product to its gross risk-weighted assets excluding low level exposures and residual interests. This adjusted gross risk-weighted-assets figure multiplied by 1.25 percent is the bank's Tier 2 capital limit on the allowance for loan and lease losses. Once this limit on the allowance has been calculated, the limit is fixed at this amount. This limit should not be changed after the bank holding company calculates the actual amount of its net risk-weighted assets excluding low level exposures and residual interests (A in the preceding formula) or its institution-specific add-on factor for low level exposures and residual interests under the ''direct reduction method'' (F in the preceding formula). This means that a bank holding company will measure its Tier 2 capital and its total risk-based capital prior to its application of the ''direct reduction method'' and will not recalculate these two amounts once the add-on factor is known.

If the bank holding company chooses to use the ''gross-up method,'' the ''maximum contractual dollar amount of exposure'' for the bank holding company's low level exposure transactions and its residual interests, as reported in column A of this item, should be multiplied by a factor of 12.5. The resulting dollar amount should be reported as the credit equivalent amount in column B of this item and assigned to the 100 percent risk weight category in column F.

For example, a bank holding company has sold $2 million in first lien residential mortgages subject to two percent recourse. The bank holding company has removed the $2 million in mortgages from its balance sheet and, in accordance with GAAP, has also established a recourse liability account with a balance of $10,000. The maximum amount for which the bank holding company is liable is $40,000. The mortgages qualify for a 50 percent risk weight and the bank holding company's recourse exposure is less than the $80,000 minimum risk-based capital requirement for these assets sold with recourse. Thus, the low level exposure rule applies. The ''maximum contractual dollar amount of exposure'' for this transaction is $30,000, the $40,000 maximum contractual amount of the bank holding company's recourse exposure as of the report date, less the $10,000 balance of the recourse liability account for this transaction. The bank holding company has no other transactions that would qualify for the low level exposure rule. It has gross risk-weighted assets excluding low level exposures and residual interests of $100 million, Tier 1 capital of $8 million, an allowance for loan and lease losses of $1.1 million, and other qualifying Tier 2 capital components of $1.4 million.

If the bank holding company chooses to use the ''direct reduction method,'' the bank holding company would report $30,000—its ''maximum contractual dollar amount of exposure''—as the ''face value or notional amount'' in column A of this item and would use this amount to calculate its institution-specific add-on factor using the formula provided above. To determine the Tier 2 capital limit for the bank holding company's allowance for loan and lease losses, the bank holding company would first add $375,000 ($30,000—its ''maximum contractual dollar amount of exposure''—multiplied by 12.5) to its $100 million of gross risk-weighted assets excluding low level exposures and residual interests. Its Tier 2 capital limit for the allowance would be $1,254,688 ($100,375,000 – its adjusted gross risk-weighted assets—multiplied by 1.25 percent—the limit for the allowance). Since the bank holding company's $1.1 million allowance is less than its Tier 2 capital limit for the allowance, the bank holding company would report an ''excess allowance for loan and lease losses'' of $0 in Schedule HC-R, item 60, column F. The bank holding company's total risk-based capital is $10.5 million and its net risk-weighted assets excluding low level exposures and residual interests are $100 million. Based on the facts in the example, the bank holding company calculates that its institution-specific add-on factor is $286,533. The bank holding company would report the amount of this add-on factor as the credit equivalent amount in column B of this item and assign this amount to the 100 percent risk weight category in column F.

If the bank holding company chooses to use the ''gross-up method,'' the bank holding company would report $30,000 (its ''maximum contractual dollar amount of exposure'') as the ''face value or notional amount'' in column A of this item. The bank holding company would report $375,000 as the credit equivalent amount in column B ($30,000—its ''maximum contractual dollar amount of exposure''—multiplied by 12.5). It would also assign this amount to the 100 percent risk weight category in column F of this item. Because the $2 million in mortgages sold have been removed from the balance sheet, the difference between the $375,000 credit equivalent amount and the $2 million is not reported in Schedule HC-R. In addition, the bank holding company would include the $375,000 in its gross risk-weighted assets for purposes of determining the Tier 2 capital limit for the allowance for loan and lease losses.

Line item 51 All other financial assets sold with recourse.

Include in this item all recourse arrangements (as defined in Schedule HC-R, item 50, above) in which the bank holding company's exposure has not already been included in Schedule HC-R, item 44, ''Financial standby letters of credit,'' item 49, ''Retained recourse on small business obligations sold with recourse,'' or item 50, ''Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low level exposure rule and residual interests subject to a dollar-for-dollar capital requirement.'' For example, include in this item recourse arrangements where the bank holding company is obligated to repurchase a loan or otherwise compensate the purchaser of a loan in the event of the borrower's failure to pay when due (unless the loan is a small business obligation sold with recourse that has been reported in Schedule HC-R, item 49, above). Exclude from this item disallowed credit-enhancing interest-only strips that have been deducted from Tier 1 capital and assets.

For those recourse arrangements that must be included in this item that are not eligible for the ratings-based approach, report in column A the outstanding principal balance of the loans or other financial assets that were sold with recourse, minus the amount of any recourse liability account associated with these transactions that is included in Schedule HC-G, item 4, ''Other'' liabilities. For those recourse arrangements that must be included in this item that act as credit enhancements for asset-backed or mortgage-backed securities and to which the ratings-based approach applies, report *in column A*:

(1) the maximum contractual remaining amount of the bank holding company's recourse exposures that are subject to a risk weight of 100% or less, minus the

amount of any recourse liability account associated with these exposures that is included in Schedule HC-G, item 4, and

(2) two times the maximum contractual remaining amount of the bank holding company's recourse exposures that are subject to a 200% risk weight, minus the amount of any recourse liability account associated with these exposures that is included in Schedule HC-G, item 4.

In column B, report 100 percent of the amount reported in column A.

In column C—0% risk weight, include the credit equivalent amount of financial assets sold with recourse (not eligible for the ratings-based approach) that, if they were carried as assets on the balance sheet, would meet the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column D—20% risk weight, include the credit equivalent amount of financial assets sold with recourse (not eligible for the ratings-based approach) that, if they were carried as assets on the balance sheet, would meet the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above. Also include in column D the credit equivalent amount of those recourse arrangements to which the ratings-based approach applies that are rated in the highest or second highest investment grade category, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.

In column E—50% risk weight, include the credit equivalent amount of financial assets sold with recourse (not eligible for the ratings-based approach) that, if they were carried as assets on the balance sheet, would meet the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above. Also include in column E the credit equivalent amount of those recourse arrangements to which the ratings-based approach applies that are rated in the third highest investment grade category, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings.

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 52 All other off-balance sheet liabilities.

Report in column A the notional amount of all other off-balance sheet liabilities reported in Schedule HC-L, item 9, that are covered by the risk-based capital guidelines. Also include in column A the notional amount of written option contracts that act as financial guarantees, which have been reported as derivatives in Schedule HC-L, item 11, but are treated as direct credit substitutes rather than derivatives for risk-based capital purposes. Also include in column A the amount of those credit derivatives reported in Schedule HC-L, item 7, that under Federal Reserve supervisory guidance, are covered by the risk-based capital standards, but have not been included in any of the preceding items in the Derivatives and Off-Balance Sheet Items section of Schedule HC-R. However, do not report in column A the notional amount of standby letters of credit issued by a Federal Home Loan Bank on behalf of the reporting bank holding company that are reported in Schedule HC-L, item 9, because these letters of credit are not covered by the risk-based capital guidelines.

In column B, report 100 percent of the notional amount reported in column A.

In column C—0% risk weight, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column D—20% risk weight, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column E—50% risk weight, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 53 Unused commitments with an original maturity exceeding one year.

Report in column A the unused portion of commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions as reflected in Schedule HC-L, item 1, that have an original maturity exceeding one year and are subject to the risk-based capital guidelines. Under the risk-based capital guidelines, the unused portion of commitments (facilities) with an original maturity of one year or less or which are unconditionally cancelable (without cause) at any time by the bank holding company, provided a separate credit decision is made before each drawing, have a zero percent conversion factor. The unused portion of such commitments should be excluded from this item. ''Original maturity'' is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the bank holding company (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment. Also include in column A all revolving underwriting facilities (RUFs) and note issuance facilities (NIFs), regardless of maturity.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1–4 family residential properties, a bank holding company is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans are defined to be short-term commitments that should be converted at zero percent and excluded from this item 53 if the bank holding company has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the bank holding company is obligated to advance at any time during the life of the commitment. This includes seasonal commitments where the dollar amount of the commitment increases during the customer's peak business period. In addition, this risk-based capital treatment applies to long-term commitments that contain short-term options which, for a fee, allow the customer to increase the dollar amount of the commitment. Until the short-term option has expired, the reporting bank holding company must convert and risk weight the amount which it is obligated to lend if the option is exercised. After the expiration of a short-term option which has not been exercised, the unused portion of the original amount of the commitment is to be used in the credit conversion process.

In column B, report 50 percent of the amount of unused commitments reported in column A.

In column C—0% risk weight, include the credit equivalent amount of unused commitments for extensions of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column D—20% risk weight, include the credit equivalent amount of unused commitments for extensions of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above. Include commitments that have been conveyed to U.S. and other OECD depository institutions.

In column E—50% risk weight, include the credit equivalent amount of unused commitments for extensions of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column F—100% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.

Line item 54 Derivative contracts.

Report in column B the credit equivalent amount of derivative contracts covered by the risk-based capital guidelines. Under these guidelines, the maximum risk weight to be applied to the credit equivalent amount of any derivative contract is 50 percent. However, exclude credit derivative contracts, which, if covered by the risk-based capital standards in accordance with Federal Reserve supervisory guidance, should be reported in one of the preceding items in the Derivatives and Off-Balance Sheet Items section of Schedule HC-R.

The credit equivalent amount of a bank holding company's derivative contract is the sum of its current credit exposure reported in Schedule HC-R, memorandum item 1, plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any). The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the chart presented below. The notional principal amounts of the reporting bank holding company's derivatives that are subject to the risk-based capital requirements are reported in Schedule HC-R, Memorandum items 2(a) through 2(f).

Under the risk-based capital standards and for purposes of Schedule HC-R, the existence of a legally enforceable bilateral netting agreement between the reporting bank holding company and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule HC-R, Memorandum item 1, and the risk-based capital standards.

In column C—0% risk weight, include the credit equivalent amount of derivative contracts. with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column D—20% risk weight, include the credit equivalent amount of derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, items 34 through 42, above.

In column E—50% risk weight, include the portion of the credit equivalent amount reported in column B that is not included in columns C and D.

Totals

Line item 55 Total assets, derivatives, and off-balance sheet items by risk weight category.

Report the sum of items 43 through 54 for each column (columns C through F).

Line item 56 Risk weight factor.

Line item 57 Risk-weighted assets by risk weight category.

For each of columns C through F, multiply the amount in item 55 by the risk weight factor specified for that column in item 56.

Line item 58 Market risk equivalent assets.

NOTE: Item 58 is applicable only to bank holding companies that are subject to the market risk capital guidelines.

Remaining maturity	Interest rate contracts	Foreign exchange and gold contracts	Equity contracts	Precious metals contracts (except gold)	Other commodity contracts
One year or less	0.0%	1.0%	6.0%	7.0%	10.0%
More than one year through five years	0.5%	5.0%	8.0%	7.0%	12.0%
More than five years	1.5%	7.5%	10.0%	8.0%	15.0%

Report the amount of the bank holding company's market risk equivalent assets. For further background information, bank holding companies should refer to the discussion of ''Bank holding companies that are subject to the market risk capital guidelines'' in the Risk-Weighted Assets section of these instructions and the capital guidelines for specific instructions on the calculation of the measure for market risk.

The value-at-risk (VAR) of the a bank holding company's covered positions should be used to determine the bank holding company's measure for market risk. Covered positions include all positions in a bank holding company's trading account and foreign exchange and commodity positions, whether or not in the trading account. VAR is an estimate of the amount by which a bank holding company's positions in a risk category could decline due to expected losses in the bank holding company's portfolio due to market movements during a given period, measured with a specified confidence level. A bank holding company's measure for market risk equals the sum of its VAR-based capital charge, the specific risk add-on (if any), and the capital charge for de minimus exposures (if any). A bank holding company's market risk equivalent assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

Bank holding companies subject to the market risk capital guidelines must maintain an overall minimum 8.0 percent ratio of total qualifying capital (the sum of Tier 1 capital (both allocated and excess), Tier 2 capital (both allocated and excess), and Tier 3 capital (allocated for market risk), net of all deductions) to risk-weighted assets and market risk equivalent assets. Bank holding companies should refer to the capital guidelines for specific instructions on the calculation of the measure for market risk.

Line item 59 Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.

Report the sum of item 57, columns C through F, and item 58.

Line item 60 LESS: Excess allowance for loan and lease losses.

Report the amount, if any, by which the bank holding company's allowance for loan and lease losses exceeds 1.25 percent of the bank holding company's gross risk-weighted assets. The amount to be reported in this item is Schedule HC, item 4(c), less Schedule HI-B, part II, memorandum item 1, plus Schedule HC-G, item 3, less Schedule HC-R, item 14.

Line item 61 LESS: Allocated transfer risk reserve.

Report the entire amount of any allocated transfer risk reserve the reporting bank holding company is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the Federal Reserve's regulation implementing the Act (Subpart D of Federal Reserve Regulation K), and in any guidelines, letters, or instructions issued by the Federal Reserve. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is reported in Schedule HI-B, part II, memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

Line item 62 Total risk-weighted assets.

Report the amount derived by subtracting items 60 and 61 from item 59.

Memoranda

Line item M1 Current credit exposure across all derivative contracts covered by the risk-based capital standards.

Report the total current credit exposure amount for all interest rate, foreign exchange, commodity, and equity derivative contracts covered by the risk-based capital standards after considering applicable legally enforceable bilateral netting agreements. Bank holding companies that are subject to the market risk capital guidelines should exclude all covered positions subject to these guidelines, except for foreign exchange derivatives that are outside of the trading account and all over-the-counter (OTC) derivatives. Foreign exchange derivatives that are outside of the trading account and all OTC derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

The following types of derivative contracts are not covered by the risk-based capital standards:

(1) interest rate, foreign exchange, equity, commodity and other derivative contracts traded on exchanges that require daily payment of variation margin,

(2) foreign exchange contracts with an original maturity of fourteen calendar days or less, and

(3) all written option contracts except for those that are, in substance, financial guarantees.

Purchased options held by the reporting bank holding company that are traded on an exchange are covered by the risk-based capital standards unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

If a written option contract acts as a financial guarantee, then it will be treated as a direct credit substitute for risk-based capital purposes and the notional amount of the option should be included in Schedule HC-R, item 52, column A, as an ''other off-balance sheet liability.'' An example of such a contract occurs when the reporting bank holding company writes a put option to a second institution which has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second institution, the reporting bank holding company would be required by the second institution to take the loan onto its books.

Current credit exposure (sometimes referred to as thereplacement cost) is the fair value of a contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero. Current credit exposure should be derived as follows: Determine whether a legally enforceable bilateral netting agreement is in place between the reporting bank holding company and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are netted to a single amount. Next, for all other contracts covered by the risk-based capital standards that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable derivative contracts subject to legally enforceable bilateral netting agreements and (ii) the total positive fair values of all other contracts covered by the risk-based capital standards. The current credit exposure reported in this item is a component of the credit equivalent amount of derivative contracts that is to be reported in Schedule HC-R, item 54, column B.

Consistent with the risk-based capital guidelines, if a bilateral netting agreement covers off-balance sheet derivative contracts that are normally not covered by the risk-based capital standards (e.g., foreign exchange contracts with an original maturity of 14 calendar days or less and contracts traded on exchanges that require daily payment of variation margin), the reporting bank holding company may elect to consistently either include or exclude the fair values of all such derivative contracts when determining the net current credit exposure for that agreement.

The definition of a legally enforceable bilateral netting agreement for purposes of this item is the same as that set forth in the risk-based capital rules. These rules require a written bilateral netting contract that creates a single legal obligation covering all included individual contracts and that does not contain a walkaway clause. The bilateral netting agreement must be supported by a written and reasoned legal opinion representing that an organization's claim or obligation, in the event of a legal challenge, including one resulting from default, insolvency, bankruptcy, or similar circumstances, would be found by the court and administrative authorities of all relevant jurisdictions to be the net sum of all positive and negative fair values of contracts included in the bilateral netting contract.

Line item M2 Notional principal amounts of derivative contracts.

Report in the appropriate subitem and column the notional amount or par value of all derivative contracts that are subject to the risk-based capital requirements for derivatives. Such contracts include swaps, forwards, and purchased options. Report notional amounts and par values in the column corresponding to the contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

Do not report the notional amount for single currency interest rate swaps in which payments are made based upon two floating rate indices, so-called floating/floating or basis swaps; foreign exchange contracts with an original maturity of 14 days or less; and futures contracts.

The notional amount or par value to be reported for an off-balance-sheet derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported for an amortizing derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of ''interest rate contracts,'' ''foreign exchange contracts,'' ''commodity and other contracts,'' and ''equity derivative contracts,'' refer to the instructions for Schedule HC-L, item 11.

Line item M2(a) Interest rate contracts.

Report the remaining maturities of interest rate contracts that are subject to risk-based capital requirements.

Line item M2(b) Foreign exchange contracts.

Report the remaining maturities of foreign exchange contracts that are subject to risk-based capital requirements.

Line item M2(c) Gold contracts.

Report the remaining maturities of gold contracts that are subject to risk-based capital requirements.

Line item M2(d) Other precious metals contracts.

Report the remaining maturities of other precious metals contracts that are subject to risk-based capital requirements. Report all silver, platinum, and palladium contracts.

Line item M2(e) Other commodity contracts.

Report the remaining maturities of other commodity contracts that are subject to risk-based capital requirements. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract.

Line item M2(f) Equity derivative contracts.

Report the remaining maturities of equity derivative contracts that are subject to risk-based capital requirements.

Line item M3 Preferred stock (including related surplus).

Report in memorandum items 3(a)(1) and 3(a)(2) all perpetual preferred stock that is eligible for inclusion in Tier 1 capital. Such perpetual preferred stock includes all noncumulative (report in memorandum item 3(a)(1)) and cumulative perpetual preferred stock that does not have the rate features of auction rate perpetual preferred stock (report in memorandum item 3(a)(2)). Report in memorandum item 3(b) **all** cumulative preferred stock instruments issued out of subsidiaries, including special purpose subsidiaries that are wholly owned by the parent company, that are included and reported in ''Minority interest in consolidated subsidiaries and similar items'' on Schedule HC, item 22. Such instruments, which are generally known as trust preferred securities, are marketed under a variety of names such as MIPS, QUIPS and TOPrS, should also be reported in minority interest on Schedule HC. The amounts reported in memorandum items 3(a)(1) and 3(a)(2) should be reported net of any perpetual preferred stock included in treasury stock. In addition, report in memorandum items 3(a)(1) and 3(a)(2), as appropriate, the amount of any perpetual preferred stock net of the offsetting debit to the liability recorded by the reporting bank holding company in connection with its ESOP debt to the extent that the proceeds of the borrowings were used to purchase the holding company's or its consolidated subsidiaries' perpetual preferred stock. For example, if the holding company's ESOP uses the proceeds of its borrowings to purchase cumulative perpetual preferred stock, then the amount of the offsetting debit to the liability recorded for that debt should be netted from the amount of cumulative perpetual preferred stock reported in memorandum item 3(a)(2).

Line item M4 Offsetting debit to the liability (i.e., the contra account) for Employee Stock Ownership Plan (ESOP) debt guaranteed by the reporting bank holding company.

Report in this item the total dollar amount of the offsetting debit to the liability (i.e., the equity contra account) for an Employee Stock Ownership Plan (ESOP) debt implicitly or explicitly guaranteed by the reporting bank holding company. This amount should be reduced as the guaranteed debt is amortized. When an ESOP borrows money and that debt is guaranteed by the employer bank holding company, the obligation of the ESOP is to be reported as a liability on the books of the employer (i.e., the reporting bank holding company). The offsetting debit to that liability is to be reported in this item. As no real expansion of equity has occurred, this offsetting debit is to be reported by the reporting bank holding company as a reduction of shareholders' equity and, for purposes of this report, included in Schedule HC, item 27, ''Other equity capital components,'' as well as being separately reported in this item.

Line item M5 Treasury stock (including offsetting debit to the liability for ESOP debt)

Report the amount of treasury stock in the form of perpetual preferred stock in memorandum item 5(a) and in the form of common stock in memorandum item 5(b). These amounts are also reported in Schedule HC, item 27, ''Other equity capital components.'' The amounts reported in memorandum items 5(a) and 5(b) should include the amount of the offsetting debit to the liability recorded by the reporting bank holding company in connection with its ESOP's debt (and reported separately in memorandum item 4 above). The offsetting debit should be allocated based on what type of stock the ESOP purchased with the proceeds of the borrowings.

For example, if the holding company's ESOP uses the proceeds of its borrowings to purchase the perpetual preferred stock of the bank holding company or its consolidated subsidiaries, then the amount of the offsetting debit to the liability recorded for that debt should be included in memorandum item 5(a). If, however, the holding company's ESOP uses the proceeds of its borrowings to purchase the common stock of the bank holding company or its consolidated subsidiaries, then the amount of the offsetting debit to the liability recorded for that debt should reported in memorandum item 5(b).

Examples of determining the amount of cumulative preferred stock and trust preferred securities that qualify for inclusion in Tier 1 capital.

The following examples are intended to assist respondents in determining the amount of cumulative preferred stock and trust preferred securities that qualify for inclusion in Tier 1 capital. While the Federal Reserve's press release of October 21, 1996 stated that the amount of these instruments that a bank holding company may include in Tier 1 capital is limited to ''25 percent of Tier 1,'' the guiding principle is set for in the Capital Guidelines which states that such instruments are limited to 25% of ''the sum of all core capital elements, including cumulative perpetual preferred stock.'' For purposes of determining this limitation, core capital elements include (1) common stockholders' equity, (2) qualifying noncumulative perpetual preferred stock, (3) qualifying cumulative perpetual preferred stock and (4) minority interest. Each example uses the same assumptions, except the cumulative preferred stock component of equity capital is different in each example, thereby producing different reporting results in line items 5 and 6 of Schedule HC-R. The first example illustrates when both components (cumulative preferred stock and trust preferred securities) are within the required limits of Tier 1 capital. The second example illustrates when both components are in excess of the limits, and deductions and exclusions are required. The third example illustrates when a portion of one component exceeds the limit and requires an exclusion from Tier 1 capital. These examples represent a sample, and not all scenarios, that can occur in determining the qualifying amount of Tier 1 capital.

Example 1: Both components of cumulative preferred stock and trust preferred securities are within the qualifying limit of Tier 1 capital.

Assumptions:

Assume a bank holding company has $100,000,000 in total equity capital (reported in Schedule HC, item 28) which includes cumulative preferred stock of $5,000,000, and total net unrealized holding losses on available-for-sale securities of $35,000,000. Included in the

$35,000,000 net unrealized losses on available-for-sale securities are $55,000,000 in unrealized losses on available-for-sale equity securities.

Also assume that minority interest of $10,000,000 is reported on Schedule HC, item 22, which includes $7,000,000 of trust preferred securities.

Based on these assumptions, items 1 though 4 on Schedule HC-R would be reported as follows:

Item 1:	Total equity capital	$100,000,000
Item 2:	LESS: Net unrealized gains (losses) on available- for-sale securities	35,000,000[7]
Item 3:	LESS: Net unrealized loss on available-for-sale equity securities	(55,000,000)
Item 4:	LESS: Accumulated net gains (losses) on cash flow hedges	-0-
Subtotal through Schedule HC-R, item 4		$ 80,000,000

Calculation to determine the amount of cumulative preferred stock and trust preferred securities that qualify for inclusion in Tier 1 capital:

Amount of equity capital, after adjustments (subtotal through Schedule HC-R, item 4, above)	$ 80,000,000
LESS: Amount of cumulative preferred stock included in total equity capital	(5,000,000)
ADD: Minority interest (excluding amount of trust preferred securities reported as minority interest) ($10,000,000 minus $7,000,000)	3,000,000
Subtotal for limit calculation	$ 78,000,000
Amount of cumulative preferred stock and underlying trust preferred securities that qualifies for inclusion in Tier 1 capital (1/3 of $78,000,000)	$ 26,000,000

The qualifying amount of $26,000,000 is greater than the sum of cumulative preferred stock ($5,000,000) and trust preferred securities ($7,000,000). Therefore, the full amount of cumulative preferred stock and trust preferred securities is included in the Tier 1 capital calculation. Line items 5 and 6 of Schedule HC-R would be reported as follows:

Item 5:	LESS: Nonqualifying perpetual preferred stock	-0-
Item 6:	Qualifying minority interests in consolidated subsidiaries	$10,000,000[8]

Example 2: Both components of cumulative preferred stock and trust preferred securities exceed the qualifying limit of Tier 1 capital.

Assumptions:

In this example the assumptions are the same as example 1, ***except the amount of cumulative preferred stock that is included in total equity capital (reported in Schedule HC, item 28) is $50,000,000***. The amounts reported in items 1–4 of Schedule HC-R would be the same as reported in example 1. However, the amounts reported in items 5 and 6 of Schedule HC-R will bedifferent from example 1. The calculation of the amounts reported in items 5 and 6 of Schedule HC-R follows:

Calculation to determine the amount of cumulative preferred stock and trust preferred securities that qualify for inclusion in Tier 1 capital:

Amount of equity capital, after adjustments (subtotal through Schedule HC-R, item 4, above)	$ 80,000,000
LESS: Amount of cumulative preferred stock included in total equity capital	(50,000,000)
ADD: Minority interest (excluding amount of trust preferred securities reported as minority interest) ($10,000,000 minus $7,000,000)	3,000,000
Subtotal for qualifying limit	$ 33,000,000
Amount of cumulative preferred stock and underlying trust preferred securities that qualify for Tier 1 capital (1/3 of $33,000,000)	$ 11,000,000[9]

7. Because this amount represents a loss, it should be presented in parentheses on Schedule HC-R. Mathematically, however, as shown in this example, it is added back to item 1.

8. Includes the full amount of minority interest and trust preferred securities reported in Schedule HC, item 22.

9. Stated differently, the aggregate amount of qualifying cumulative preferred stock and trust preferred securities cannot exceed 25% of the sum

The qualifying amount of cumulative preferred stock and trust preferred securities is $11,000,000, which is less than the sum of cumulative preferred stock ($50,000,000) and trust preferred securities ($7,000,000). Only $11,000,00 of the cumulative preferred stock is included in Tier 1 capital. Therefore, $39,000,000 of cumulative preferred stock must be deducted from Schedule HC-R in item 5, and none of the trust preferred securities is included in Tier 1 capital (Schedule HC-R, item 6). (However, the $39,000,000 of cumulative preferred stock and the $7,000,000 of trust preferred securities that do not qualify for inclusion in Tier I capital are eligible for inclusion for Tier 2 capital, subject to the overall limits of Tier 2 capital). Line items 5 and 6 of Schedule HC-R would be reported as follows:

Item 5:	LESS: Nonqualifying perpetual preferred stock ($50,000,000 minus $11,000,000)	$39,000,000
Item 6:	Qualifying minority interests in consolidated subsidiaries	$ 3,000,000[10]

Example 3: A portion of one component (trust preferred securities) exceeds the qualifying limit of Tier 1 capital.

Assumptions:

In this example the assumptions are the same as examples 1 and 2, ***except the amount of cumulative preferred stock that is included in total equity capital (reported in Schedule HC, item 28) is $20,000,000.*** The amounts reported in items 1–4 of Schedule HC-R would be the same as reported in examples 1 and 2. However, the amounts reported in items 5 and 6 of Schedule HC-R will be different from the prior examples. This example illustrates when all of the cumulative preferred stock qualifies for inclusion in Tier 1 capital, but only a portion of the minority interest qualifies for inclusion in Tier 1 capital. The calculation of the amounts reported in items 5 and 6 of Schedule HC-R follows:

Calculation to determine the amount of cumulative preferred stock and trust preferred securities that qualify for inclusion in Tier 1 capital:

Amount of equity capital, after adjustments (subtotal through Schedule HC-R, item 4, above)	$ 80,000,000
LESS: Amount of cumulative preferred stock included in total equity capital	(20,000,000)
ADD: Minority interest (excluding amount of trust preferred securities reported as minority interest) ($10,000,000 minus $7,000,000)	3,000,000
Subtotal for qualifying limit	$ 63,000,000
Amount of cumulative preferred stock and underlying trust preferred securities that qualify for Tier 1 capital (1/3 of $63,000,000)	$ 21,000,000[11]

The qualifying amount of cumulative preferred stock and trust preferred securities is $21,000,000, which is less than the sum of cumulative preferred stock ($20,000,000)and trust preferred securities ($7,000,000). Therefore, all of the $20,000,000 of cumulative preferred securities can be included in Tier 1 capital ***but only $1,000,000 of trust preferred securities that is reported in minority interest (Schedule HC, item 22) qualify for inclusion in Tier 1 capital.*** (However, the remaining $6,000,000 of trust preferred securities that do not qualify for inclusion in Tier I capital is eligible for inclusion for Tier 2 capital, subject to the overall limits of Tier 2 capital). Line items 5 and 6 of Schedule HC-R would be reported as follows:

Item 5:	LESS: Nonqualifying perpetual preferred stock	-0-
Item 6:	Qualifying minority interests in consolidated Subsidiaries ($3,000,000 + $1,000,000)	$ 4,000,000

of all core capital elements, including **qualifying** cumulative preferred stock. The calculation is:

Cumulative preferred & trust preferred stock limit =
.25($30,000,000 + $11,000,000 + 3,000,000)
Cumulative preferred & trust preferred stock limit = $11,000,000

10. Excludes the trust preferred securities reported in Schedule HC, item 22.

11. Stated differently, the aggregate amount of qualifying cumulative preferred stock and trust preferred securities cannot exceed 25% of the sum of all core capital elements, including **qualifying** cumulative preferred stock. The calculation is:

Cumulative preferred & trust preferred stock limit =
.25 ($60,000,000 + $21,000,000 + 3,000,000)
Cumulative preferred & trust preferred stock limit = $21,000,000

LINE ITEM INSTRUCTIONS FOR

Servicing, Securitization, and Asset Sale Activities

Schedule HC-S

General Instructions

Schedule HC-S should be completed on a fully consolidated basis. Schedule HC-S includes information on 1–4 family residential mortgages and other financial assets serviced for others (in Memorandum items 2(a), 2(b), and 2(c)). Schedule HC-S also includes information on assets that have been securitized or sold and are not reportable on the balance sheet (Schedule HC), except for certain on-balance-sheet retained interest-only strips (which are reported in item 2(a) of this schedule), subordinated securities and other enhancements (which are reported in items 2(b) and 9 and Memorandum items 3(a)(1) and (2)), and seller's interests (which are reported in items 6(a) and 6(b)).

Column Instructions

Column A, 1–4 Family Residential Loans: 1–4 family residential loans are permanent closed-end loans secured by first or junior liens on 1-to-4 family residential properties as defined for Schedule HC-C, items 1(c)(2)(a) and 1(c)(2)(b).

Column B, Home Equity Lines: Home equity lines are revolving, open-end lines of credit secured by 1-to-4 family residential properties as defined for Schedule HC-C, item 1(c)(1).

Column C, Credit Card Receivables: Credit card receivables are extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards as defined for Schedule HC-C, item 6(a).

Column D, Auto Loans: Auto loans are loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use, and are a subset of "Other consumer loans," as defined for Schedule HC-C, item 6(c).

Column E, Other Consumer Loans: Other consumer loans are loans to individuals for household, family, and other personal expenditures as defined for Schedule HC-C, items 6(b) and 6(c), excluding auto loans as described in Column D of this schedule.

Column F, Commercial and Industrial Loans: Commercial and industrial loans are loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule HC-C, item 4.

Column G, All Other Loans and All Leases: All other loans are loans that cannot properly be reported in Columns A through F of this schedule and all lease financing receivables as defined for Schedule HC-C, items 1(a), 1(b), 1(d), 1(e), 2, 3, 7, 9 and 10.

For purposes of items 1 through 10 of Schedule HC-S on bank securitization activities and other securitization facilities, information about each separate securitization should be included in only one of the seven columns of this schedule. The appropriate column for a particular securitization should be based on the predominant type of loan included in the securitization and this column should be used consistently over time. For example, a securitization may include auto loans to individuals and to business enterprises. If these auto loans are predominantly loans to individuals, all of the requested information about this securitization should be included in Column D, Auto Loans.

Definitions

For purposes of this schedule, the following definitions of terms are applicable.

Recourse or other seller-provided credit enhancement means an arrangement in which the reporting institution retains, in form or in substance, any risk of credit loss directly or indirectly associated with a transferred (sold) asset that exceeds its pro rata claim on the asset. It also includes a representation or warranty extended by the reporting institution when it transfers an asset, or assumed by the institution when it services a transferred asset, that obligates the institution to absorb credit losses on the transferred asset. Such an arrangement typically exists when the institution transfers assets and agrees to protect purchasers or some other party, e.g., investors in securitized assets, from losses due to default by or non-performance of the obligor on the transferred assets or some other party. The reporting institution provides this protection by retaining:

(1) an interest in the transferred assets, e.g., credit-enhancing interest-only strips, ''spread'' accounts, subordinated interests or securities, collateral invested amounts, and cash collateral accounts, that absorbs losses, or

(2) an obligation to repurchase the transferred assets

in the event of a default of principal or interest on the transferred assets or any other deficiency in the performance of the underlying obligor or some other party.

Credit-enhancing interest-only strip, as defined in the regulatory capital standards, means an on-balance sheet asset that, in form or in substance: (i) represents the contractual right to receive some or all of the interest due on transferred assets; and (ii) exposes the bank holding company to credit risk directly or indirectly associated with the transferred assets that exceeds a pro rata share of the bank holding company's claim on the assets, whether through subordination provisions or other credit enhancement techniques. Credit-enhancing interest-only strips include other similar ''spread'' assets and can be either retained or purchased.

Subordinated interests and subordinated securities retained by the institution when it securitizes assets expose the institution to more than its pro rata share of loss and thus are considered a form of credit enhancement to the securitization structure.

Liquidity facility means any arrangement, including servicer cash advances, in which the reporting institution is obligated to provide funding to a securitization structure to ensure investors of timely payments on issued securities, e.g., by smoothing timing differences in the receipt of interest and principal payments on the underlying securitized assets, or to ensure investors of payments in the event of market disruptions. Advances under such a facility are typically reimbursed from subsequent collections by the securitization structure and are not subordinated to other claims on the cash flows from the underlying assets and, therefore, should generally not be construed to be a form of credit enhancement. However, if the advances under such a facility are subordinated to other claims on the cash flows, the facility should be treated as a credit enhancement for purposes of this schedule.

Seller's interest means the reporting institution's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests should be reported on Schedule HC—Balance Sheet—as securities or as loans depending on the form in which the interest is held. However, seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Line Item Instructions

Securitization Activities

Line Item 1 Outstanding principal balance of assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements.

Report in the appropriate column the principal balance outstanding as of the report date of loans and leases which the reporting institution has sold and securitized while:

(1) retaining the right to service these assets or

(2) when servicing has not been retained, retaining recourse or providing other seller-provided credit enhancements to the securitization structure. Include in column C the amount outstanding of any credit card fees and finance charges that the reporting bank holding company has securitized and sold in connection with its securitization and sale of credit card receivable balances.

Exclude the principal balance of loans underlying seller's interests owned by the reporting institution; report the amount of seller's interests in Schedule HC-S, item 6. Also exclude small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, which are to be reported in Schedule HC-S, memorandum item 1, below.

Do ***not*** report in this item the outstanding balance of 1–4 family residential mortgages sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) that the government-sponsored agency in turn securitizes. Report 1–4 family residential mortgages sold to Fannie Mae or Freddie Mac with recourse or other seller-provided credit enhancements in Schedule HC-S, item 11, column A, and report the maximum credit exposure arising from the enhancements in item 12, column A. If servicing has been retained on the 1–4 family residential mortgages, report the outstanding principal balance of the mortgages in Schedule HC-S, Memorandum item 2(a) or 2(b) depending on whether the servicing is performed with or without recourse or other servicer-provided credit enhancements. If the reporting institution has both retained the servicing and provided credit enhancements, report the principal balance of the 1–4 family residential mortgages in Schedule HC-S, item 11, column A, and in Memorandum item 2(a).

Exclude securitizations that have been accounted for as secured borrowings because the transactions do not meet the criteria for sale accounting under generally accepted accounting principles. The securitized loans and leases should continue to be carried as assets on the reporting institution's balance sheet.

Line Item 2 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1.

Report in the appropriate subitem the maximum contractual credit exposure remaining as of the report date under recourse arrangements and other seller-provided credit enhancements provided by the reporting institution to securitization structures reported in Schedule HC-S, item 1, above. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under the recourse arrangements or credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Do not include unused portions of commitments that function as liquidity facilities (report such unused commitments in Schedule HC-S, item 3).

Line Item 2(a) Credit enhancing interest-only strips.

Report in the appropriate column the carrying value of credit-enhancing interest-only strips included as securities in Schedules HC-B, as other assets in Schedule HC-F, or as trading assets in Schedule HC, item 5, that the reporting institution has retained as credit enhancements in connection with the securitization structures reported in Schedule HC-S, item 1, above.

Line Item 2(b) Subordinated securities and other residual interests.

Report in the appropriate column the carrying value of subordinated securities and other residual interests carried as on-balance sheet assets that the reporting bank holding company has retained in connection with the securitization structures reported in Schedule HC-S, item 1. *Exclude* retained credit-enhancing interest-only strips, which are to be reported in Schedule HC-S item 2(a).

Line Item 2(c) Standby letters of credit and other enhancements.

Report in the appropriate column the unused portion of standby letters of credit and the maximum contractual amount of recourse or other credit exposure not in the form of an on-balance sheet asset that the reporting bank holding company has provided or retained in connection with the securitization structures reported in Schedule HC-S, item 1.

Line Item 3 Reporting institution's unused commitments to provide liquidity to structures reported in item 1.

Report in the appropriate column the unused portions of commitments provided by the reporting institution to the securitization structures reported in Schedule HC-S, item 1, above that function as liquidity facilities.

Line Item 4 Past due loan amounts included in item 1.

Report in the appropriate subitem the outstanding principal balance of loans and leases reported in Schedule HC-S, item 1, above that are 30 days or more past due as of the report date. For purposes of determining whether a loan or lease reported in item 1 above is past due, the reporting criteria to be used are the same as those for columns A and B of Schedule HC-N.

Line Item 4(a) 30–89 days past due.

Report in the appropriate column the outstanding principal balance of loans and leases reported in Schedule HC-S, item 1, above that are 30 to 89 days past due as of the report date.

Line Item 4(b) 90 days or more past due.

Report in the appropriate column the outstanding principal balance of loans and leases reported in Schedule HC-S, item 1, above that are 90 days or more past due as of the report date.

Line Item 5 Charge-offs and recoveries on assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements (calendar year-to-date).

Report in the appropriate subitem the amount of charge-offs and recoveries during the calendar year to date on loans and leases that have been sold and securitized in the securitization structures reported in Schedule HC-S, item 1. If a securitization is no longer outstanding as of the report date, i.e., no amount is reported for the securitization in Schedule HC-S, item 1, do not report any year-to-date charge-offs and recoveries for the securitization in Schedule HC-S, items 5(a) and 5(b).

Line Item 5(a) Charge-offs.

Report in the appropriate column the amount of loans and leases that have been sold and securitized by the reporting institution in the securitization structures reported in Schedule HC-S, item 1, above that have been charged off or otherwise designated as losses by the trustees of the securitizations, or other designated parties, during the calendar year-to-date.

Include in column C charge-offs or reversals of uncollectible credit card fees and finance charges that had been capitalized into the credit card receivable balances that have been securitized or sold.

Line Item 5(b) Recoveries.

Report in the appropriate column the amount of recoveries of previously charged-off loans and leases in the securitization structures reported in Schedule HC-S, item 1, above during the calendar year-to-date.

Include in column C recoveries of previously charged-off or reversed credit card fees and finance charges that had been capitalized into the credit card receivable balances that had been securitized and sold.

Line Item 6 Amount of ownership (or seller's) interests carried as securities or loans.

Report in the appropriate subitem the carrying value of the reporting institution's ownership (or seller's) interests associated with the securitization structures reported in Schedule HC-S, item 1, above.

Line Item 6(a) Securities (included in HC-B).

Report in the appropriate column the carrying value of seller's interests in the form of a security that are included as available-for-sale or held-to-maturity securities in Schedule HC-B—Securities— or as trading securities in Schedule HC, item 5, ''Trading assets.''

Line Item 6(b) Loans (included in HC-C).

Report in the appropriate column the carrying value of seller's interests not in the form of a security. Such seller's interests are to be reported as loans and included in Schedule HC-C—Loans and Lease Financing Receivables.

Line Item 7 Past due loan amounts included in interests reported in item 6(a).

Report in the appropriate subitem the outstanding principal balance of loans underlying the reporting institution's seller's interests reported in Schedule HC-S, item 6(a), above that are 30 days or more past due as of the report date. For purposes of determining whether a loan underlying the seller's interests reported in item 6(a) is past due, the reporting criteria to be used are the same as those for columns A and B of Schedule HC-N.

Line Item 7(a) 30–89 days past due.

Report in the appropriate column the outstanding principal balance of loans underlying the seller's interests reported in Schedule HC-S, item 6(a), above that are 30–89 days past due as of the report date.

Line Item 7(b) 90 days or more past due.

Report in the appropriate column the outstanding principal balance of loans underlying the seller's interests reported in Schedule HC-S, item 6(a), above that are 90 or more days past due as of the report date.

Line Item 8 Charge-offs and recoveries on loan amounts included in interests reported in item 6(a) (calendar year-to-date).

Report in the appropriate subitem the amount of charge-offs and recoveries during the calendar year to date on loans that had been underlying the seller's interests reported in Schedule HC-S, item 6(a), above.

Line Item 8(a) Charge-offs.

Report in the appropriate column the amount of loans that had been underlying the seller's interests reported in Schedule HC-S, item 6(a), above that have been charged off or otherwise designated as losses by the trustees of the securitizations, or other designated parties, during the calendar year-to-date.

Include in column C the amount of credit card fees and finance charges written off as uncollectible that were attributable to the credit card receivables included in ownership interests reported as securities in item 6(a), column C.

Line Item 8(b) Recoveries.

Report in the appropriate column the amount of recoveries of previously charged-off loans that had been underlying the seller's interests reported in Schedule HC-S, item 6(a), above during the calendar year-to-date.

Include in column C recoveries of previously charged-off or reversed credit card fees and finance charges that had been capitalized into the credit card receivable balances that had been securitized and sold.

For Securitization Facilities Sponsored By or Otherwise Established By Other Institutions

Line Item 9 Maximum amount of credit exposure arising from credit enhancements provided by the reporting institution to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements.

Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under credit enhancements provided by the reporting institution to securitization structures sponsored by or otherwise established by other institutions or entities, i.e., securitizations not reported in Schedule HC-S, item 1, above. Report the unused portion of standby letters of credit, the carrying value of purchased subordinated securities and purchased credit-enhancing interest-only strips, and the maximum contractual amount of credit exposure arising from other on- and off-balance sheet credit enhancements that provide credit support to these securitization structures. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Exclude the amount of credit exposure arising from loans and leases that the reporting institution has sold with recourse or other seller-provided credit enhancements to other institutions or entities, which then securitized the loans and leases purchased from the reporting institution (report this exposure in Schedule HC-S, item 12, below). Also exclude the amount of credit exposure arising from credit enhancements provided to asset-backed commercial paper conduits (report this exposure in Schedule HC-S, Memorandum item 3(a)).

Line Item 10 Reporting institution's unused commitments to provide liquidity to other institutions' securitization structures.

Report in the appropriate column the unused portions of commitments provided by the reporting bank that function as liquidity facilities to securitization structures sponsored by or otherwise established by other institutions or entities, i.e., securitizations not reported in Schedule HC-S, item 1, above. Exclude the amount of unused commitments to provide liquidity to asset-backed commercial paper conduits (report this amount in Schedule HC-S, Memorandum item 3(b)).

Asset Sales

Line Item 11 Assets sold with recourse or other seller-provided credit enhancements and not securitized.

Report in the appropriate column the unpaid principal balance as of the report date of loans and leases, which the reporting institution has sold with recourse or other seller-provided credit enhancements, but which were not securitized by the reporting institution. Include loans and leases that the reporting institution has sold with recourse or other seller-provided credit enhancements to other institutions or entities, whether or not the purchaser has securitized the loans and leases purchased from the reporting institution. Include 1−4 family residential mortgages that the reporting institution has sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) with recourse or other seller-provided credit enhancements.

Exclude small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, which are to be reported in Schedule HC-S, Memorandum item 1, below.

Line Item 12 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11.

Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under recourse arrangements or other seller-provided credit enhancements provided by the reporting institution in connection with its sales of the loans and leases reported in Schedule HC-S, item 11, above. Report the unused portion of standby letters of credit, the carrying value of retained interests, and the maximum contractual amount of recourse or other credit exposure arising from other on- and off-balance sheet credit enhancements that the reporting institution has provided. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under the recourse arrangements or credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Memoranda

Line Item M1 Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Report in the appropriate subitem the outstanding principal balance of and recourse exposure on small business loans and leases on personal property (small business obligations) which the reporting institution has transferred with recourse during the time the institution was a ‘‘qualifying institution’’ and did not exceed the retained recourse limit set forth in banking agency regulations implementing Section 208. Transfers of small business obligations with recourse that were consummated during such a time should be reported as sales for FR Y-9C reporting purposes if the transactions are treated as sales under generally accepted accounting principles (GAAP) and the institution establishes a recourse liability account that is sufficient under GAAP.

Line Item M1(a) Outstanding principal balance.

Report the principal balance outstanding as of the report date for small business obligations which the reporting institution has transferred with recourse while it was a ‘‘qualifying institution’’ and did not exceed the retained recourse limit.

Line Item M1(b) Amount of retained recourse on these obligations as of the report date.

Report the maximum contractual amount of recourse the reporting institution has retained on the small business obligations whose outstanding principal balance was reported in Schedule HC-S, Memorandum item 1(a), above, not a reasonable estimate of the probable loss under the recourse provision and not the fair value of the liability incurred under this provision. Furthermore, the remaining maximum contractual exposure should not be reduced by the amount of any associated recourse liability account. The amount of recourse exposure to be reported should not include interest payments the reporting institution has advanced on delinquent obligations. For small business obligations transferred with full (unlimited) recourse, the amount of recourse exposure to be reported is the outstanding principal balance of the obligations as of the report date. For small business obligations transferred with limited recourse, the amount of recourse exposure to be reported is the maximum amount of principal the transferring institution would be obligated to pay the holder of the obligations in the event the entire outstanding principal balance of the obligations transferred becomes uncollectible.

Line Item M2 Outstanding principal balance of assets serviced for others.

Report in the appropriate subitem the outstanding principal balance of loans and other financial assets the reporting institution services for others. Include (1) the principal balance of loans and other financial assets owned by others for which the reporting institution has purchased the servicing (i.e., purchased servicing) and (2) the principal balance of loans and other financial assets that the reporting institution has either originated or purchased and subsequently sold, whether or not securitized, but for which it has retained the servicing duties and responsibilities (i.e., retained servicing).

Line Item M2(a) 1–4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements.

Report the outstanding principal balance of 1-to-4 family residential mortgage loans that the reporting institution services for others under servicing arrangements in which the reporting institution also provides recourse or other servicer-provided credit enhancements. Include 1-to-4 family residential mortgages serviced under regular option contracts (i.e., with recourse) with the Federal National Mortgage Association, serviced with recourse for the Federal Home Loan Mortgage Corporation, and serviced with recourse under other servicing contracts.

Line Item M2(b) 1–4 family residential mortgages serviced with no recourse or other servicer-provided credit enhancements.

Report the outstanding principal balance of 1-to-4 family residential mortgage loans that the reporting institution services for others under servicing arrangements in which the reporting institution does not provide recourse or other servicer-provided credit enhancements.

Line Item M2(c) Other financial assets.

Memorandum item 2(c) is to be completed if the principal balance of loans and other financial assets serviced for others is more than $10 million. Report the outstanding principal balance of loans and other financial assets, other than 1-to-4 family residential mortgage loans, that the reporting institution services for others. These serviced financial assets may include, but are not limited to, credit cards, automobile loans, and loans guaranteed by the Small Business Administration.

Line Item M3 Asset-backed commercial paper conduits:

Line Item M3(a) Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements.

Report in the appropriate subitem the maximum contractual credit exposure remaining as of the report date under standby letters of credit, subordinated securities, and other credit enhancements provided by the reporting institution to asset-backed commercial paper conduit structures. Do not report in these subitems a reasonable estimate of the probable loss under the credit enhancement provisions or the fair value of any liability incurred under such provisions.

Line Item M3(a)(1) Conduits sponsored by the bank, a bank affiliate, or the bank holding company.

Report the unused portion of standby letters of credit, the carrying value of subordinated securities, and the maximum contractual amount of credit exposure arising from other credit enhancements that the reporting institution has provided to asset-backed commercial paper conduit structures sponsored by the reporting institution's bank(s), an affiliate of the bank or bank holding company, or the reporting bank holding company.

Line Item M3(a)(2) Conduits sponsored by other unrelated institutions.

Report the unused portion of standby letters of credit, the carrying value of subordinated securities, and the maximum contractual amount of credit exposure arising from other credit enhancements that the reporting institution has provided to asset-backed commercial paper conduit structures other than those sponsored by the reporting institution's bank(s), an affiliate of the bank or bank holding company, or the reporting bank holding company.

Line Item M3(b) Unused commitments to provide liquidity to conduit structures.

Report in the appropriate subitem the unused portions of commitments provided by the reporting institution that function as liquidity facilities to asset-backed commercial paper conduit structures. Typically, these facilities take the form of a *Backstop Line (Loan Agreement)* or an *Asset Purchase Agreement*. Under a backstop line, the reporting institution advances funds to the conduit when a draw is required under the liquidity facility. The advance is secured by the cash flow of the underlying asset pools. Under an asset purchase agreement, the reporting institution purchases a specific pool of assets from the conduit when a draw is required under the liquidity facility. Typically, the reporting institution is repaid from the cash flow on the purchased assets or from the sale of the purchased pool of assets.

Line Item M3(b)(1) Conduits sponsored by the bank, a bank affiliate, or the bank holding company.

Report the unused portions of commitments provided by the reporting institution that function as liquidity facilities to asset-backed commercial paper conduit structures sponsored by the reporting institution's bank(s), an affiliate of the bank or bank holding company, or the reporting bank holding company.

Line Item M3(b)(2) Conduits sponsored by other unrelated institutions.

Report the unused portions of commitments provided by the reporting institution that function as liquidity facilities to asset-backed commercial paper conduit structures *other than those* sponsored by the reporting institution's bank(s), an affiliate of the bank or bank holding company, or the reporting bank holding company.

Line Item M4 Outstanding credit card fees and finance charges.

This item is to be completed by (1) bank holding companies that, together with affiliated institutions, have outstanding credit card receivables that exceed $500 million as of the report date or (2) bank holding companies that on a consolidated basis are credit card specialty holding companies.

Outstanding credit card receivables are the sum of:

(a) Schedule HC-C, item 6(a), column A;

(b) Schedule HC-S, item 1, column C; and

(c) Schedule HC-S, item 6(a), column C.

Credit card specialty bank holding companies are defined as those bank holding companies that on a consolidated basis exceed 50 percent for the following two criteria:

(a) the sum of credit card loans (Schedule HC-C, item 6(a), column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C); and

(b) the sum of total loans (Schedule HC-C, item 12, column A) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C) divided by the sum of total assets (Schedule HC, item 12) plus securitized and sold credit card receivables (Schedule HC-S, item 1, column C).

Report the amount outstanding of credit card fees and finance charges that the bank holding company has securitized and sold in connection with its securitization and sale of the credit card receivables reported in Schedule HC-S, item 1, column C.

LINE ITEM INSTRUCTIONS FOR

Notes to the Balance Sheet—Predecessor Financial Items

General Instructions

This one-time reporting schedule is event-driven. An event for reporting the average balance sheet items below is defined as a business combination that occurred during the quarter (that is, the BHC consummated a merger or acquisition within the quarter). Complete this schedule only if the combined assets of the acquired entity(ies) are at least equal to $10 billion or 5 percent of the reporting bank holding company's total consolidated assets at the previous quarter-end, whichever is less.

Report in accordance with these instructions the selected quarterly average information for any acquired company(ies), the predecessor, as described above. For the items on this schedule, report the average of the balances as of the close of business for each day for the calendar quarter up to the date of acquisition or an average of the balances as of the close of business on each Wednesday during the calendar quarter up to date of acquisition. For days that the acquired company or any of its consolidated subsidiaries were 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.

Only a single schedule should be completed with aggregated information for all entities acquired during the quarter. The combined assets of these firms should at least equal $10 billion or 5 percent of the respondent's total consolidated assets at the previous quarter-end, whichever is less.

The reporting BHC may report the items below, net of merger-related adjustments, if any.

In the unlikely event that only a portion of a firm was purchased and actual financial statements for the acquired operations are not readily available, the reporting BHC may provide estimates in lieu of inaccessible actual data.

If a single transaction business combination occurred where the acquiree was another BHC that filed the FR Y-9C in the preceding quarter, and the combination occurred on the first day of the quarter, that event is exempt from being reported on this schedule. This exemption also applies if all entities acquired on the first day of the quarter were FR Y-9C filers as of the prior quarter.

The line item instructions should be read in conjunction with the instructions for Schedule HC-K, ''Quarterly Averages.''

Line Item 1 Average loans and leases (net of unearned income).

Report the quarterly average for all loans and leases, net of unearned income, in both domestic and foreign offices of the acquired company (as defined for Schedule HC-C, items 1 through 11).

Line Item 2 Average earning assets.

Report the quarterly average for all earning assets.

Include as earning assets:

(1) Securities;

(2) Federal funds sold and securities purchased under agreements to resell;

(3) Loans and leases;

(4) Trading assets; and

(5) Other earning assets.

Line Item 3 Average total consolidated assets.

Report the quarterly average for the fully consolidated acquired company's total assets (as defined for Schedule HC, item 12, ''Total assets''). When calculating the quarterly average total consolidated assets for purposes of this schedule, reflect all debt securities (not held for trading) at amortized cost, available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost. In addition, to the extent that net deferred tax assets included in the acquired company'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 consolidated assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time.

Line Item 4 Average equity capital (excludes limited-life preferred stock).

Report the quarterly average for the fully consolidated equity capital (as defined for Schedule HC, item 28) of the acquired company. For purposes of this schedule, deduct net unrealized losses on marketable equity securities and exclude other net unrealized gains and losses on available-for-sale securities, and accumulated net gains (losses) on cash flow hedges when calculating average equity capital.

Notes to the Balance Sheet—Other

This section has been provided to allow bank holding companies that so wish to explain the content of specific items in the balance sheet. The reporting bank holding company should include any transactions reported on Schedules HC through HC-S that it wishes to explain or that have been separately disclosed in the bank holding company's quarterly reports to its shareholders, in its press releases, or on its quarterly reports to the Securities and Exchange Commission (SEC). Also include any transactions which previously would have appeared as footnotes to Schedules HC through HC-S.

Report in the space provided the schedule and line item for which the holding company is specifying additional information, a description of the transaction and, in the column provided, the dollar amount associated with the transaction being disclosed.

Glossary

The definitions in this Glossary apply to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) and are not necessarily applicable for other regulatory or legal purposes. The presentation of the assets, liabilities, and stockholders' equity, and the recognition of income and expenses in the FR Y-9C are to be in accordance with generally accepted accounting principles. The accounting discussions in this Glossary are those relevant to the preparation of these reports and are not intended to constitute a comprehensive presentation on bank accounting or on generally accepted accounting principles.

Acceptances: See "Bankers' acceptances."

Accounting Changes: *Changes in accounting principles*—The accounting principles that bank holding companies have adopted for the preparation of their FR Y-9C should be changed only in the direction of more preferable accounting practices in accordance with GAAP. If a bank holding company changes from the use of one acceptable accounting principle to one that is more preferable at any time during the calendar year, it must report the income or expense item(s) affected by the change for the entire year on the basis of the newly adopted accounting principle regardless of the date when the change is actually made. However, a change from an accounting principle that is neither accepted nor sanctioned by the Federal Reserve to one that is acceptable to the Federal Reserve is to be reported as a correction of an error as discussed below.

Most changes in accounting principles give rise to a cumulative adjustment that will affect the net income of the year in which the change is made. The cumulative effect of such changes in accounting principles, computed as described below, and the income tax effect of such changes are to be reported in Schedule HI, item 12, "Extraordinary items, net of applicable income taxes and minority interest." Examples of this type of change in accounting principle include (1) the adoption of the interest method or the sum of the digits method of recognizing income on installment loans in preference to the straight line, pro rata method and (2) the adoption of an accelerated method of depreciation for premises and fixed assets in preference to the straight line method.

The cumulative effect of a change in accounting principle is the difference between (1) the balance in the retained earnings account at the beginning of the year in which the change is made, and (2) the balance in the retained earnings account which would have been reported at the beginning of the year in which the change is made had the newly adopted accounting principle actually been applied in all prior periods, net of the income tax effect.

New accounting standards that are adopted by the Financial Accounting Standards Board (or other such organizations officially designated to establish accounting principles) often apply retroactively and may require or allow a bank holding company to restate prior years' financial statements prepared in accordance with generally accepted accounting principles. However, the FR Y-9C does not present financial statements on a comparative basis (i.e., year-to-year) and, therefore, does not lend itself to retroactive restatement. As a consequence, if restatement is required by the new accounting standard, or if restatement is at the bank holding company's option and it chooses to restate, the effect of the retroactive application of the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for purposes of the FR Y-9C (net of applicable income taxes, if any) is to be excluded from net income and reported as a direct adjustment to equity capital in Schedule HI-A, item 2. On the other hand, if a new standard must be applied retroactively but restatement is not allowed, the effect of the retroactive application on retained earnings at the beginning of the year in which the new standard is first adopted for purposes of the FR Y-9C is to be included in net income like the cumulative effect of a change in accounting principles described above. The amount of this effect (net of applicable income taxes, if any) is to be reported in Schedule HI, item 12.

Some new accounting standards are to be applied prospectively but permit retroactive application through the restatements of amounts reported in prior years' financial statements prepared in accordance with generally accepted accounting principles. In such situations, if a bank holding company elects to retroactively apply a new standard, the effect of the retroactive application of the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for purposes of the FR Y-9C (net of applicable income taxes, if any) is to be excluded from net income and reported as a direct adjustment to equity capital in Schedule HI-A, item 2.

Changes in accounting estimates—Accounting and the preparation of financial statements involve the use of estimates. As more current information becomes known, estimates may be changed. In particular, accruals are derived from estimates based on judgments about the outcome of future events and changes in these estimates are an inherent part of accrual accounting.

Reasonable changes in accounting estimates do not require the restatement of amounts of income and expenses and assets, liabilities, and capital reported in previously submitted FR Y-9Cs. Computation of the cumulative effect of these changes is also not ordinarily necessary. Rather, the effect of such changes is handled on a prospective basis. That is, beginning in the period when an accounting estimate is revised, the related item of income or expense for that period is adjusted accordingly. For example, if the bank holding company's estimate of the remaining useful life of certain equipment is increased, the remaining undepreciated cost of the equipment would be spread over its revised remaining useful life. Similarly, immaterial accrual adjustments to items of income and expenses, including provisions for loan and lease losses and income taxes, are considered changes in accounting estimates and would be taken into account by adjusting the affected income and expense accounts for the year in which the adjustments were found to be appropriate.

However, large and unusual changes in accounting estimates may be more properly treated as constituting accounting errors, and if so, must be reported accordingly as described below.

Corrections of accounting errors—A bank holding company may become aware of an error in its FR Y-9C after it has been submitted to the appropriate Federal Reserve bank through either its own or the Reserve Bank's discovery of the error. An error in a report for a prior period may result from:

(1) a mathematical mistake;

(2) a mistake in applying accounting principles; or

(3) the improper use of information that existed when the FR Y-9C for prior periods were prepared.

When a material error of one of these types is discovered in a FR Y-9C, the bank holding company may be directed to file amended reports for each prior period that was significantly affected by the error. Normally, such refilings will not be retroactively required for a period exceeding five years. If amended reports are not required, the bank holding company should report the effect of such corrections on retained earnings at the beginning of the year, net of applicable income taxes, in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles." 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 Income Statement (Schedule HI) 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 holding company supervisor to one that is acceptable to supervisors is to be reported as a correction of an error. In these cases amended reports may be required. 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 HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles."

For further information on these three topics, see APB Opinion No. 20, *Accounting Changes*, as amended.

Glossary

Accounting Errors, Corrections of: See ‘‘Accounting changes.’’

Accounting Estimates, Changes in: See ‘‘Accounting changes.’’

Accounting Principles, Changes in: See ‘‘Accounting changes.’’

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 FASB Statement No. 140, 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. If and when cash payments on the accrued fees and finance charges are collected, they flow through the trust, where they are available to satisfy more senior obligations before any excess amount is remitted to the seller. Only after trust expenses (such as servicing fees, investor certificate interest, and investor principal charge-offs) have been paid will the trustee distribute any excess fee and finance charge cash flow back to the seller. 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.

Accounting at Inception of the Securitization Transaction

Generally, if a securitization transaction meets the criteria for sale treatment and the AIR is subordinated either because the asset has been isolated from the transferor (see paragraph 9(a) of FASB Statement No. 140) or because of the operation of the cash flow distribution (or ‘‘waterfall’’) through the securitization trust, the total AIR asset (both the "billed and uncollected" and ‘‘accrued and unbilled’’) should be considered one of the components of the sale transaction. Thus, when accounting for a credit card securitization, an institution should allocate the previous carrying amount of the AIR (net of any related allowance for uncollectible amounts) and the other transferred assets between the assets that are sold and the retained interests, based on their relative fair values at the date of transfer. As a result, after a securitization, the allocated carrying amount of the AIR asset will typically be lower than its face amount.

Subsequent Accounting

After securitization, the AIR asset should be accounted for at its allocated cost basis (as discussed above). In addition, an institution should treat the AIR asset as a retained (subordinated) beneficial interest. Accordingly, it should be reported as an ‘‘Other Asset’’ in Schedule HC-F, item 5, and in Schedule HC-S, item 2(b), column C (if reported as a stand-alone asset) and not as a loan receivable.

Although the AIR asset is a retained beneficial interest in transferred assets, it is not required to be subsequently measured like an investment in debt securities classified as available for sale or trading under FASB Statements Nos. 115 and 140 because the AIR asset cannot be contractually prepaid or settled in such a way that the holder would not recover substantially all of its recorded investment. Rather, institutions should follow existing applicable accounting standards, including FASB Statement No. 5, *Accounting for Contingencies*, in subsequent accounting for the AIR asset. Statement No. 5 addresses the accounting for various loss contingencies, including the collectibility of receivables.

For further guidance, bank holding companies should refer to the Interagency Advisory on the Accounting Treatment of Accrued Interest Receivable Related to Credit Card Securitizations dated December 4, 2002. See also the Glossary entry for ‘‘Transfers of Financial Assets.’’

Acquisition, Development, or Construction (ADC) Arrangements: An ADC arrangement is an arrangement in which a bank holding company or its consolidated subsidiaries provide financing for real estate acquisition, development, or construction purposes and participates in the expected residual profit resulting from the ultimate sale or other use of the property. ADC arrangements should be reported as loans, real estate joint ventures, or direct investments in real estate in accordance with guidance presented by the American Institute of Certified Public Accountants in a Notice to Practitioners issued in February 1986 (or, if appropriate, in notices issued in November 1983 and November 1984).''

Agreement Corporation: See ''Edge and Agreement corporation.''

Allowance for Loan and Lease Losses: Each bank holding company must maintain an allowance for loan and lease losses (allowance) that is adequate to absorb estimated credit losses associated with its loan and lease portfolio, i.e., loans and leases that the bank holding company has intent and ability to hold for the foreseeable future or until maturity or payoff. Each bank holding company should also maintain, as a separate liability account, an allowance sufficient to absorb estimated credit losses associated with off-balance sheet credit instruments such as off-balance sheet loan commitments, standby letters of credit, and guarantees. This separate allowance should be reported in Schedule HC-G, item 3, ''Allowance for credit losses on off-balance sheet credit exposures,'' not as part of the ''Allowance for loan and lease losses'' in Schedule HC, item 4(c).

The term ''estimated credit losses'' means an estimate of the current amount of the loan and lease portfolio (net of unearned income) that is not likely to be collected; that is, net charge-offs that are likely to be realized for a loan or pool of loans given facts and circumstances as of the evaluation date. These estimated credit losses should meet the criteria for accrual of a loss contingency (i.e., a provision to the allowance) set forth in generally accepted accounting principles (GAAP).

As of the end of each quarter, or more frequently if warranted, the management of each bank holding company must evaluate the collectibility of the loan and lease portfolio, including any recorded accrued and unpaid interest (i.e., not already reversed or charged off), and make appropriate entries to maintain the balance of the allowance for loan and lease losses on the balance sheet at a level adequate to absorb estimated credit losses. Management must maintain reasonable records in support of their evaluations and entries.

Additions to, or reductions of, the allowance account resulting from such evaluations are to be made through charges or credits to the ''provision for loan and lease losses'' (provision) in the Consolidated Statement of Income. When available information confirms that specific loans and leases, or portions thereof, are uncollectible, these amounts should be promptly charged off against the allowance. All charge-offs of loans and leases shall be charged directly to the allowance and any recoveries on loans or leases previously charged off shall be credited to the allowance. Under no circumstances can loan or lease losses be charged directly to ''Retained earnings.''

When a bank holding company makes a full or partial direct write-down of a loan or lease that is uncollectible, the bank holding company establishes a new cost basis for the asset. Consequently, once the new cost basis has been established for a loan or lease through a direct write-down, this cost basis may not be ''written up'' at a later date. Reversing the previous write-down and ''re-booking'' the charged-off asset after the bank holding company concludes that the prospects for recovering the charge-off have improved, regardless of whether the bank holding company assigns a new account number to the asset or the borrower signs a new note, is not an acceptable accounting practice.

The allowance account must never have a debit balance. If losses charged off exceed the amount of the allowance, a provision sufficient to restore the allowance to an adequate level must be charged to expense on the income statement immediately. A bank holding company shall not increase the allowance account by transferring an amount from retained earnings or any segregation thereof to the allowance for loan and lease losses.

To the extent that a bank holding company's reserve for bad debts for tax purposes is greater than or less than its ''allowance for loan and lease losses'' on the balance sheet, the difference is referred to as a temporary difference. See the Glossary entry for ''income taxes'' for guidance on how to report the tax effect of such a temporary difference.

Recourse liability accounts that arise from recourse obligations for any transfers of loans that are reported as sales for purposes of this report should not be included in the allowance for loan and lease losses. These accounts are considered separate and distinct from the allowance account and should be reported as liabilities on Schedule HC-G, item 4, ''Other'' liabilities.

Information on the application of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan,* to the determination of an allowance for credit losses on those loans covered by that accounting standard is provided in the Glossary entry for ''loan impairment.''

For information on reporting on foreclosed and repossessed assets, see the Glossary entry for ''foreclosed assets.''

Applicable Income Taxes: See ''Income taxes.''

Associated Company: See ''Subsidiaries.''

ATS Account: See ''Deposits.''

Bankers' Acceptances: A banker's acceptance, for purposes of these reports, is a draft or bill of exchange that has been drawn on and accepted by a banking institution (the ''accepting bank'') or its agent for payment by that institution at a future date that is specified in the instrument. Funds are advanced to the drawer of the acceptance by the discounting of the accepted draft either by the accepting bank or by others; the accepted draft is negotiable and may be sold and resold subsequent to its original discounting. At the maturity date specified, the holder or owner of the acceptance at that date, who has advanced funds either by initial discount or subsequent purchase, presents the accepted draft to the accepting bank for payment.

The accepting bank has an unconditional obligation to put the holder in funds (to pay the holder the face amount of the draft) on presentation on the specified date. The account party (customer) has an unconditional obligation to put the accepting bank in funds at or before the maturity date specified in the instrument.

The following description covers the treatment in the FR Y-9C of (1) acceptances that have been executed by a bank subsidiary of the reporting holding company, that is, those drafts that have been drawn on and accepted by a subsidiary bank; (2) ''participations'' in acceptances, that is, ''participations'' in the accepting bank's obligation to put the holder of the acceptance in funds at maturity, or participations in the accepting bank's risk of loss in the event of default by the account party; and (3) acceptances owned by the reporting bank holding company or its subsidiaries, that is, those acceptances—whether executed by the reporting holding company's subsidiary banks or by others—that a bank subsidiary has discounted or that any subsidiary of the holding company has purchased.

(1) *Acceptances executed by a subsidiary bank of the reporting holding company.* With the exceptions described below, the reporting bank holding company must report on its balance sheet the full amount of the acceptance in both (a) the liability item, ''Liability on acceptances executed and outstanding'' (Schedule HC, item 18), reflecting the subsidiary bank's obligation to put the holder of the acceptance in funds at maturity, and (b) the asset item, ''Customers' liability on acceptances outstanding'' (Schedule HC, item 9), reflecting the account party's liability to put the accepting bank subsidiary in funds at or before maturity.

    Exceptions to the mandatory reporting by the reporting bank holding company of the full amount of all outstanding drafts accepted by the bank subsidiary(ies) of the reporting holding company in both Liability Item 18 and Asset Item 9 on the Consolidated Balance sheet of the FR Y-9C occur in the following situations:

    (a) One exception occurs in situations where the accepting bank acquires—through initial discounting or subsequent purchase—and holds its own acceptance (i.e., a draft that it has itself accepted). In this case, the bank subsidiary's own acceptances that are held by it will not be reported in the acceptance liability and asset items noted above (i.e., ''Liability on acceptances executed and outstanding'' and ''Customers' liability on acceptances outstanding''). The bank subsidiary's holdings of its own acceptances will be reported either in ''Loans and leases, net of unearned income'' (Schedule HC, item 4(b)) or, if held in a trading account, in ''Trading assets'' (Schedule HC, item 5).

    (b) A second exception occurs where the parent bank holding company or a subsidiary of the bank holding company (other than the accepting bank subsidiary) purchases an acceptance executed by one of the reporting bank holding company's subsidiary banks. In this case, the process of consolidation eliminates the consolidated bank holding company's liability on acceptances and outstanding and the customers' liability to the accepting bank on acceptances outstanding will be reported either in Schedule HC, item 4(b) or item 5.

(c) A third exception occurs in situations where the account party anticipates its liability to a bank subsidiary of the reporting bank holding company on an acceptance outstanding by making a payment to the bank that reduces the customer's liability in advance of the maturity of the acceptance. In this case, the bank holding company will decrease the asset item ''Customers' liability on acceptances outstanding'' (Schedule HC, item 9) by the amount of such prepayment; the prepayment will not affect the liability item ''Liability on acceptances executed and outstanding'' (Schedule HC, item 18), which would continue to reflect the full amount of the acceptance until the bank subsidiary has repaid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting bank before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 9 of Schedule HC but should be reflected in the bank's deposit liabilities.

(d) A fourth exception occurs when the bank holding company has a subsidiary of the bank holding company (other than the accepting bank) that is the account party (customer) in the acceptance transaction. In this case, the process of consolidation eliminates the asset item (Schedule HC, item 9), but will leave the liability item (item 18) unaffected except where the holding company or one of its consolidated subsidiaries purchases the acceptance executed.

In all situations other than these four exceptions just described, the reporting bank holding company's financial statement must reflect the full amount of its acceptances in its liability item, ''Liability on acceptances executed and outstanding,'' and in its asset item, ''Customers' liability on acceptances outstanding.''

(2) *''Participations'' in acceptances.* The general requirement for the accepting bank to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the accepting bank enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity or in the risk of loss in the event of default on the part of the account party.[1] In any such sharing arrangement or participation agreement—regardless of its form or its contract provisions, regardless of the terminology (e.g., ''funded,'' ''risk,'' ''unconditional,'' or ''contingent'') used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer's liability or in the accepting bank's obligation or in the risk of default by the account party, and regardless of the system of debits and credits used by the accepting bank to reflect the participation arrangement—the existence of the participation or other agreement should not reduce the accepting bank's obligation to honor the full amount of the acceptance at maturity.

The existence of such participations should not to be recorded on the balance sheet of the accepting bank subsidiary nor on the consolidated balance sheet (Schedule HC) of the bank holding company (except for immaterial amounts) that conveys shares in its obligation to put the holder of the acceptance in funds or shares in its risk of loss in the event of default on the part of the account party, and similarly is not to be recorded on the balance sheets (Schedule HC) of the other bank holding companies or their subsidiaries that are party to, or acquire, such participations. However, in such cases of agreements to participate, both the accepting bank subsidiary conveying the participation to others and the bank holding company acquiring the participation from an accepting bank must report the amounts of such participations in the appropriate item of Schedule HC-L, Derivatives and Off-Balance-Sheet Items. The accepting bank subsidiary engaging in the participation agreement will report the amount in the

1. The discussion does not deal with participations in holdings of bankers acceptances, which are reportable under loans. Such participations are treated like any participations in loans.

item ‘‘Participations in acceptances conveyed to others by the reporting bank holding company’’ (item 5 of Schedule HC-L); the nonaccepting institution acquiring the participation will report an amount in the item ‘‘Risk participations in bankers acceptances acquired by the reporting institution’’ (item 47 of Schedule HC-R).

NOTE: The amount of participations in acceptances reported in Schedule HC-L or Schedule HC-R for a bank subsidiary that is a member bank may differ from the amount of such participations that enter into the calculation of the bank’s acceptances to be counted toward its acceptance limit under federal statute 12 USC 372 and Federal Reserve regulation 12 CFR Part 250. Such differences are mainly attributable to participations in ineligible acceptances, to participations with ‘‘noncovered’’ institutions, and to participations that do not conform to the minimum requirements set forth in 12 CFR Part 250.

(3) *Acceptances owned by the reporting bank holding company.* The treatment of acceptances owned or held by the reporting bank holding company (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances are held in trading account or in portfolio and upon whether the acceptances held have been accepted by a bank subsidiary of the reporting bank holding company or by a bank that is not a subsidiary of the reporting bank holding company. All acceptances held by the reporting bank holding company in trading accounts (whether acceptances of a bank of the reporting bank holding company or of banks outside the holding company) are to be reported in Schedule HC, item 5, ‘‘Trading assets.’’ The reporting bank holding company’s holdings of acceptances other than those in its trading account (whether acceptances of a bank subsidiary of the reporting bank holding company or of banks outside the holding company) are to be reported in Schedule HC, item 4(b), ‘‘Loans and leases, net of unearned income,’’ and in Schedule HC-C which calls for detail on ‘‘Loans and lease financing receivables.’’

In Schedule HC-C, the reporting bank holding company’s holdings of acceptances of banks outside the reporting bank holding company, other than those held in trading accounts, are to be reported in ‘‘Loans to depository institutions and acceptances of other banks’’ (item 2). On the other hand, the bank holding company’s holdings of acceptances of its bank subsidiaries, other than those held in trading accounts, are to be reported in Schedule HC-C according to the account party of the draft. Thus, holdings of acceptances of bank subsidiaries for which the account parties are commercial or industrial enterprises are to be reported in Schedule HC-C in ‘‘Commercial and industrial loans’’ (item 4); holdings of acceptances of subsidiary banks for which the account parties are banks outside the bank holding company (e.g., in connection with the refinancing of another acceptance or for the financing of dollar exchange) are to be reported in Schedule HC-C in ‘‘Loans to depository institutions and acceptances of other banks’’ (item 2); and holdings of acceptances of subsidiary banks for which the account parties are foreign governments or official institutions (e.g., for the financing of dollar exchange) are to be reported in Schedule HC-C, ‘‘Loans to foreign governments and official institutions’’ (item 7).

The difference in treatment between holdings of acceptances of subsidiary banks and holdings of other banks’ acceptances reflects the fact that, for other banks’ acceptances, the bank holding company’s immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the bank holding company’s immediate claim is on the account party named in the accepted draft.

If the account party prepays its acceptance liability on an acceptance of a bank subsidiary of the reporting bank holding company that is held by the bank subsidiary (either in loans or trading account) so as to immediately reduce its indebtedness to the bank subsidiary, the recording of the holding—in ‘‘Commercial and industrial loans,’’ ‘‘Loans to depository institutions,’’ or ‘‘Assets held in trading accounts,’’ as appropriate—is reduced by the prepayment.

Banks, U.S. and Foreign: In the classification of banks as customers of the reporting bank holding company, distinctions are drawn for purposes of the FR Y-9C between ‘‘U.S. banks’’ and ‘‘commercial banks in the U.S.’’ and between ‘‘foreign banks’’ and ‘‘banks in foreign countries.’’ Some report items call for one set of these categories and other items call for the other set. The distinctions center around the inclusion or exclusion of foreign branches of U.S. banks and U.S. branches and agencies of foreign banks. For purposes of describing the office location of banks as customers of the reporting bank, the term ''United States'' covers the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. (This is in contrast to the usage with respect to the offices of the reporting bank, where offices in Puerto Rico and U.S. territories and possessions and U.S.-domiciled Edge and Agreement subsidiaries and IBFs are included in ''foreign'' offices.)

U.S. banks—The term ''U.S. banks'' covers both the U.S. and foreign branches of banks chartered and headquartered in the U.S. (including U.S.-chartered banks owned by foreigners), but excluding U.S. branches and agencies of foreign banks. On the other hand, the term ''banks in the U.S.'' or ''commercial banks in the U.S.'' (the institutional coverage of which is described in detail later in this entry) covers the U.S. offices of U.S. banks (including their IBFs) and the U.S. branches and agencies of foreign banks, but excludes the foreign branches of U.S. banks.

Foreign banks—Similarly, the term ''foreign banks'' covers all branches of banks chartered and headquartered in foreign countries (including foreign banks owned by U.S. nationals and institutions), including their U.S.-domiciled branches and agencies, but excluding the foreign branches of U.S. banks. In contrast, the term ''banks in foreign countries'' covers foreign-domiciled branches of banks, including the foreign branches of U.S. banks, but excluding the U.S. branches and agencies of foreign banks.

The following table summarizes these contrasting categories of banks considered as customers as used in the Reports of Condition and Income. (''X'' indicates inclusion; no entry indicates exclusion.)

	U.S. banks	Commercial banks in the U.S.	Foreign banks	Banks in foreign countries
U.S. branches of U.S. banks (including IBFs)	X	X		
Foreign branches of U.S. banks	X			X
Foreign branches of foreign banks			X	X
U.S. branches and agencies of foreign banks		X	X	

Commercial banks in the U.S.—The detailed institutional composition of ''commercial banks in the U.S.'' includes:

(1) the U.S.-domiciled head offices and branches of:

(a) national banks;

(b) state-chartered commercial banks;

(c) trust companies that perform a commercial banking business;

(d) industrial banks;

(e) private or unincorporated banks;

(f) International Banking Facilities (IBFs) of U.S. banks;

(g) Edge and Agreement corporations; and

(2) the U.S.-domiciled branches and agencies of foreign banks (as defined below).

This coverage includes the U.S. institutions listed above that are owned by foreigners. Excluded from commercial banks in the U.S. are branches located in foreign countries of U.S. banks.

U.S. branches and agencies of foreign banks—U.S. branches of foreign banks include any offices or places of business of foreign banks that are located in the United States at which deposits are accepted. U.S. agencies of foreign banks generally include any offices or places of business of foreign banks that are located in the United States at which credit balances are maintained incidental to or arising out of the exercise of banking powers but at which deposits may not be accepted from citizens or residents of the United States. For purposes of the FR Y-9C, the term ''U.S. branches and agencies of foreign banks'' covers:

(1) the U.S. branches and agencies of foreign banks;

(2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and

(3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Banks in foreign countries—The institutional composition of ''banks in foreign countries'' includes:

(1) the foreign-domiciled head offices and branches of:

   (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and of Edge and Agreement corporations);

   (b) foreign savings banks or discount houses;

   (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;

   (d) other similar foreign institutions that accept short-term deposits; and

(2) the foreign-domiciled branches of U.S. banks.

See also ''International Banking Facility (IBF).'' Banks in Foreign Countries: See ''Banks, U.S. and foreign.''

Bill-of-Lading Draft: See ''Commodity or bill-of-lading draft.''

Borrowings and Deposits in Foreign Offices: Borrowings in foreign offices include assets rediscounted with central banks, certain participations sold in loans and securities, government funding of loans, borrowings from the Export–Import Bank, and rediscounted trade acceptances. Federal funds sold and repurchase agreements in foreign offices should be reported in accordance with the Glossary entries for ''federal funds transactions'' and ''repurchase/resale agreements.'' Liability accounts such as accruals and allocated capital shall not be reported as borrowings. Deposits consist of such other short-term and long-term liabilities issued or undertaken as a means of obtaining funds to be used in the banking business and include those liabilities generally characterized as placements and takings, call money, and deposit substitutes. Key factors in determining if a liability is a deposit or borrowing are the provisions of the underlying contract. If no such contract exists the confirmation may be used to determine the nature of the liability.

Brokered Deposits: Brokered deposits represent deposits which the banking subsidiaries of the reporting bank holding company receives from brokers or dealers for the account of others either directly or ultimately. Brokered deposits include both those in which the entire beneficial interest in a given deposit instrument issued by the bank subsidiary is held by a single depositor and those in which the broker sells participations in a given bank instrument to one or more investors.

Brokered Retail Deposits: are brokered deposits that are issued in denominations of $100,000 or less or that are issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less.

For purposes of this report, the term *deposit broker* includes:

(1) any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties, and

(2) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

The term *deposit broker* does not include:

(1) an insured depository institution, with respect to funds placed with that depository institution;

(2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;

(3) a trust department of an insured depository institution, if the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;

(4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;

(5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or

other employee benefit plan provided that that person is performing managerial functions with respect to the plan;

(6) the trustee of a testamentary account;

(7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;

(8) a trustee or custodian of a pension or profit sharing plan qualified under Section 401(d) or 430(a) of the Internal Revenue Code of 1986; or

(9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions. (For purposes of applying this ninth exclusion from the definition of deposit broker, ''primary purposes'' does not mean ''primary activity,'' but should be construed as ''primary intent.'')

Notwithstanding these nine exclusions, the term *deposit broker* includes any insured depository institution, and any employee of any insured depository institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest (with respect to such deposits) which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions having the same type of charter in such depository institution's normal market area.

In addition, deposit instruments of the reporting bank holding company that are sold to brokers, dealers, or underwriters (including both bank affiliates and nonbank subsidiaries of the reporting bank holding company) who then reoffer and/or resell these deposit instruments to one or more investors, regardless of the minimum denomination which the investor must purchase, are considered brokered deposits.

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank holding company or its subsidiary by a deposit broker. In other cases, a bank holding company's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., ''XYZ Corporation as custodian for the benefit of others,'' or ''Custodial account of XYZ Corporation''). Unless the custodian meets one of the specific exemptions from the ''deposit broker'' definition in Section 29 of the Federal Deposit Insurance Act and this Glossary entry, these custodial accounts should be reported as brokered deposits in Schedule HC-E, Deposit Liabilities.

A deposit listing service whose only function is to provide information on the availability and terms of accounts is not facilitating the placement of deposits and therefore is not a deposit broker per se. However, if a deposit broker uses a deposit listing service to identify an institution offering a high rate on deposits and then places its customers' funds at that institution, the deposits would be brokered deposits and the institution should report them as such in Schedule HC-E. The designation of these deposits as brokered deposits is based not on the broker's use of the listing service but on the placement of the deposits in the institution by the deposit broker.

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

Business Combinations: The accounting and reporting standards for business combinations are set forth in FASB Statement No. 141, ''Business Combinations.'' Statement No. 141 requires that all business combinations initiated after June 30, 2001, must be accounted for using the purchase method. The use of the pooling-of-interests method to account for business combinations *initiated* after June 30, 2001, is prohibited. However, for combinations between two or more mutual institutions, Statement No.141 will not take effect until interpretive guidance related to the application of the purchase method to those transactions is issued. Business combinations initiated before July 1, 2001, were accounted for using one of two methods, the pooling-of-interests method or the purchase method. A business combination involving the exchange of voting common stock between unrelated stock institutions and meeting all 12 of the conditions specified in APB Opinion No. 16, ''Business Combinations,'' was accounted for using the pooling-of-interests method; all other unrelated party business combinations were accounted for using the purchase method.

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

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

Any adjustments necessary to conform the accounting methods of the acquired entity to those of the reporting-bank holding company must be made to ''Retained earnings.''

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

Purchase method—In general, under the purchase method an acquiring entity must allocate the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Any cash payments, the fair values of securities or other assets distributed as consideration, and the fair values of liabilities incurred by an acquiring entity must be used to measure the cost of an acquired entity. The cost of an acquired entity also includes the direct costs of the business combination. Costs of registering and issuing equity securities must be recognized as a reduction of the otherwise determinable fair value of the securities. However, indirect and general expenses related to business combinations must be expensed as incurred.

Statement No. 141 provides general guidance for assigning amounts to assets acquired and liabilities assumed. Acquired assets may be tangible (such as securities or fixed assets) or intangible (as discussed in the following paragraph). An acquiring entity must not recognize the goodwill, if any, or the deferred income taxes recorded by an acquired entity before its acquisition. However, a deferred tax liability or asset must be recognized for differences between the assigned values and the tax bases of the recognized assets acquired and liabilities assumed in a business combination in accordance with FASB Statement No. 109, ''Accounting for Income Taxes.'' (For further information, see the Glossary entry for ''income taxes.'')

Under Statement No. 141, an intangible asset must be recognized as an asset apart from goodwill if it arises from contractual or other legal rights (regardless of transferability or separability). Otherwise, an intangible asset must be recognized as an asset apart from goodwill only if it is separable, that is, it is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged either individually or in combination with a related contract, asset, or liability. Examples of intangible assets that must be recognized as an asset apart from goodwill are core deposit intangibles, purchased credit card relationships, servicing assets, favorable leasehold rights, trademarks, tradenames, Internet domain names, and noncompetition agreements. These intangible assets, as well as any unidentifiable intangible assets recorded in accordance with FASB Statement No. 72, must be reported in Schedule HC, item 10(b), ''Other intangible assets,'' and in Schedule HC-M, item 12.

The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities must be recognized as goodwill, which is reported in Schedule HC, item 10(a). An acquired intangible asset that does not meet the criteria described in the preceding paragraph must be included in the amount recognized as goodwill. After initial recognition, goodwill must be accounted for in accordance with FASB Statement No. 142, "Goodwill and Other Intangible Assets," and the instructions for Schedule HI, item 7(c)(1), "Goodwill impairment losses."

In contrast, if the sum of the amounts assigned to assets acquired and liabilities assumed exceeds the cost of the acquired entity, that excess must be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except financial assets (other than investments accounted for by the equity method), assets to be disposed of by sale (such as foreclosed real estate), deferred tax assets, prepaid assets relating to pension or other postretirement benefit plans, and any other current assets.[2] If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognized as an extraordinary gain, generally in the period in which the business combination is completed, and reported in Schedule HI, item 12, "Extraordinary items, net of applicable taxes and minority interest."

Under the purchase method, the historical equity capital balances of the acquired business are not to be carried forward to the balance sheet of the combined bank holding company. The operating results of the acquired entity are to be included in the income and expenses of the reporting bank holding company only from the date of acquisition.

Reorganizations—A combination of two or more entities involving related parties is considered a reorganization and not a business combination. For example, two subsidiary banks of a bank holding company may combine into one bank which is a change in legal organization but not a change in the entity. The assets and liabilities transferred in the combination are accounted for at historical cost in a manner similar to that described above under "pooling of interests method."

For further details on the accounting for business combinations, see FASB Statement No. 141 and FASB Statement No. 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions.*

1. Prior to the allocation of the excess, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform remeasurements to verify that the consideration paid, assets acquired, and liabilities assumed have been properly valued.

Call Option: See "Futures, forward, and standby contracts."

Capitalization of Interest: Interest costs associated with the construction of a building shall, if material, be capitalized as part of the cost of the building. Such interest costs include both the actual interest incurred when the construction funds are borrowed and the interest costs imputed to internal financing of a construction project.

The interest rate utilized to capitalized interest on internally financed projects in the reporting period shall be the rate(s) applicable to the bank holding company's borrowings outstanding during the period. For this purpose, a bank holding company's borrowings include interest-bearing deposits and other interest-bearing liabilities. The interest capitalized shall not exceed the total amount of interest cost incurred by the bank holding company during the reporting period.

For further information, see FASB Statement No. 34, *Capitalization of Interest Costs*, as amended.

Carrybacks and Carryforwards: See "Income taxes."

Certificate of Deposit: See "Deposits."

Changes in Accounting Estimates: See "Accounting changes."

Changes in Accounting Principles: See "Accounting changes."

Commercial Banks in the U.S.: See "Banks, U.S. and foreign."

Commercial Letter of Credit: See "Letter of credit."

Commercial Paper: Commercial paper consists of short-term negotiable promissory notes. Commercial paper matures in 270 days or less. Commercial paper may be backed by a standby letter of credit from a bank, as in the case of documented discounted notes. Holdings of commercial paper are to be reported as "securities" in Schedule HC-B, unless held for trading and therefore reportable in Schedule HC, item 5, "Trading assets."

Commodity or Bill-of-Lading Draft: A commodity or bill-of-lading draft is a draft that is issued in connection with the shipment of goods. If the commodity or bill-of-lading draft becomes payable only when the shipment of goods against which it is payable arrives, it is an arrival draft. Arrival drafts are usually forwarded by the shipper to the collecting depository institution with instructions to release the shipping documents (e.g., bill of lading) conveying title to the goods only upon payment of the draft. Payment, however, cannot be demanded until the goods have arrived at the drawee's destination. Arrival drafts provide a means of insuring payment of shipped goods at the time that the goods are released.

Common Stock of Unconsolidated Subsidiaries, Investments in: See the instructions to Consolidated Financial Statements for Bank Holding Companies, Schedule HC, item 8, ''Investments in unconsolidated subsidiaries and associated companies.''

Continuing Contract: See ''Federal funds transactions.''

Contractholder: A contractholder is the person, entity or group to whom an annuity is issued.

Corporate Joint Venture: See ''Subsidiaries.''

Corrections of Accounting Errors: See ''Accounting changes.''

Coupon Stripping, Treasury Receipts, and STRIPS: Coupon stripping occurs when a security holder physically detaches unmatured coupons from the principal portion of a security and sells either the detached coupons or the ex-coupon security separately. (Such transactions are generally considered by the Federal Reserve to represent ''improper investment practices'' for bank holding companies.) In accounting for such transactions, the carrying amount of the security must be allocated between the ex-coupon security and the detached coupons based on their relative fair values at the date of the sale in accordance with FASB Statement No. 140. (See the Glossary entry for ''transfers of financial assets.'')

Detached U.S. government security coupons and ex-coupon U.S. government securities that are held for purposes other than trading, whether resulting from the coupon stripping activities of the reporting bank holding company or from its purchase of stripped securities, shall be reported as ''Other domestic debt securities'' in Schedule HC-B. The amount of any discount or premium relating to the detached coupons or ex-coupon securities must be amortized. (See the Glossary entry for ''premiums and discounts.'')

A variation of coupon stripping has been developed by several securities firms which have marketed instruments with such names as CATS (Certificates of Accrual on Treasury Securities), TIGR (Treasury Investment Growth Receipts), COUGAR (Certificates on Government Receipts), LION (Lehman Investment Opportunity Notes), and ETR (East Treasury Receipts). A securities dealer purchases U.S. Treasury securities, delivers them to a trustee, and sells receipts representing the rights to future interest and/or principal payments on the U.S. Treasury securities held by the trustee. Such Treasury receipts are not an obligation of the U.S. government and, when held for purposes other than trading shall be reported as other (domestic) securities in Schedule HC-B, item 6(a). The discount on these Treasury receipts must be accreted.

Under a program called Separate Trading of Registered Interest and Principal of Securities (STRIPS), the U.S. Treasury has issued certain long-term note and bond issues that are maintained in the book-entry system operated by the Federal Reserve Banks in a manner that permits separate trading and ownership of the interest and principal payments on these issues. Even after the interest or principal portions of U.S. Treasury STRIPS have been separately traded, they remain obligations of the U.S. government. STRIPS held for purposes other than trading shall be reported as U.S. Treasury securities in Schedule HC-B, item 1. The discount on separately traded portions of STRIPS must be accreted.

Detached coupons, ex-coupon securities, Treasury receipts, and U.S. Treasury STRIPS held for trading purposes shall be reported in Schedule HC, item 5, at fair value.

Custody Account: A custody account is one in which securities or other assets are held by a bank holding company or subsidiary of the bank holding company on behalf of a customer under a safekeeping arrangement. Assets held in such capacity are not to be reported in the balance sheet of the reporting bank nor are such accounts to be reflected as a liability. Assets of the reporting bank holding company held in custody accounts at banks that are outside the holding company are to be reported on the reporting bank holding company's balance sheet in the appropriate asset categories as if held in the physical custody of the reporting holding company.

Dealer Reserve Account: A dealer reserve account arises when the bank holding company purchases at full face value a dealer's installment note receivables, but credits less than the full face value directly to the dealer's account. The remaining amount is credited to a separate dealer reserve account. That account is held by the bank holding company as collateral for the installment notes and, for reporting purposes, is treated as a deposit in the appropriate items of Schedule HC-E. The bank will subsequently disburse to the dealer predetermined portions of the reserve as the purchased notes are paid in a timely manner.

For example, if a bank purchases $100,000 in notes from a dealer for the full face amount ($100,000) and pays to the dealer $90,000 in cash or in credits to his/her deposit account, the remaining $10,000, which is held as collateral security, would be credited to the dealer reserve account.

See also ''Deposits.''

Deferred Income Taxes: See ''Income taxes.''

Demand Deposits: See ''Deposits.''

Depository Institutions: Depository institutions consist of depository institutions in the U.S. and banks in foreign countries.

Depository institutions in the U.S. consist of:

(1) U.S. branches and agencies of foreign banks;

(2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,

  (a) national banks,

  (b) state-chartered commercial banks,

  (c) trust companies that perform a commercial banking business,

  (d) industrial banks,

  (e) private or unincorporated banks,

  (f) Edge and Agreement corporations, and

  (g) International Banking Facilities of U.S. depository institutions; and

(3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,

  (a) mutual or stock savings banks,

  (b) savings or building and loan associations,

  (c) cooperative banks,

  (d) credit unions,

  (e) homestead associations, and

  (f) International Banking Facilities (IBFs) of other depository institutions in the U.S.; and

  (g) other similar depository institutions in the U.S.

Banks in foreign countries consist of foreign branches of foreign banks and foreign offices of U.S. banks.

See the Glossary entry for ''Banks, U.S. and foreign,'' for a definition of foreign banks.

Deposits: The basic statutory and regulatory definitions of ''deposits'' are contained in Section 3(1) of the Federal Deposit Insurance Act and in the Federal Reserve Regulation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. In addition, deposits for purposes of this report, include deposits of thrift institutions. The definitions of deposits to be reported in the deposit items of the Consolidated Financial Statements of Bank Holding Companies are discussed below under the following headings:

(I) FDI Act definition of deposits.
(II) Transaction–nontransaction deposit distinction.
(III) Interest noninterest-bearing deposit distinction.

(I) *FDI Act definition of deposits:*

(1) the unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler's check

on which the bank is primarily liable: Provided that, without limiting the generality of the term ''money or its equivalent,'' any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection.

(2) trust funds as defined in this Act received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank.

(3) money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness.

(4) outstanding draft (including advice or authorization to charge bank's balance in another bank), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and

(5) such other obligations of a bank as the Board of Directors, after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage.

(II) *Transaction–nontransaction deposit distinction:*

The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, ''Reserve Requirements of Depository institutions,'' establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as ''transaction accounts'' All deposits that are not transaction accounts are ''nontransaction accounts.''

(1) *Transaction accounts*—With the exceptions noted below, a ''transaction account,'' as defined in Regulation D and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make more than six third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (including money market deposit accounts—MMDAs) as defined below in the nontransaction account category. However, an account that otherwise meets the definition of savings deposits but that authorizes or permits the depositor to exceed the transfer limitations specified for those respective accounts shall be reported as a transaction account. (Please refer to the definitions of savings deposits for further detail.)

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts (including accounts previously designated as ''Super NOWs''); (c) ATS accounts; and (d) telephone and preauthorized transfer accounts. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

(a) *Demand deposits* are noninterest-bearing deposits that are payable immediately on demand, or have an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Demand deposits do *not* include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

(b) *NOW accounts* are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

(i) Individuals or sole proprietorships;

(ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit *and* are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or

(iii) Governmental units including the federal government; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

(c) *ATS accounts* are deposits or accounts of individuals on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

(d) *Telephone or preauthorized transfer accounts* consist of deposits or accounts (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, and (3) under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make *more than six* withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a ''month'' (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the ''month.''

A ''preauthorized transfer'' includes any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also include (1) the balances of deposits or accounts that otherwise meet the definition of savings deposits (other than MMDAs) or time deposits, but from which payments may be made *to third parties* by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made; and (2) deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for purposes of making payments or transfers to third persons or others, or to another deposit account of the depositor.

Telephone or preauthorized transfer accounts *do not include:*

(i) Accounts that otherwise meet the definition of telephone or preauthorized transfer accounts as defined above but that are held by a depositor that is *not* eligible to hold a NOW account. Such accounts shall be reported as demand deposits.

(ii) Accounts, regardless of holder, that permit *no more than six* telephone or preauthorized transfers per month to another account of the depositor at the same institution or to a third party.

(iii) All demand deposits, ATS accounts, NOW accounts, and savings deposits (including MMDAs), even if telephone or preauthorized transfers are permitted from such accounts.

(iv) Deposits or accounts (other than savings deposits) held by individuals from which *more than six* transfers per month can be made to a checking or NOW account to cover overdrafts. Such accounts are regarded as ATS accounts, not as telephone or preauthorized transfer accounts.

(2) *Nontransaction accounts*—All deposits that are not transaction accounts (as defined above) are non transaction accounts. Nontransaction accounts include: (a) savings deposits (including MMDAs and other savings deposits) and (b) time deposits (time certificates of deposit and time deposits, open account).

(a) *Savings deposits* are deposits that are not payable on a specified date or after a specified period of time from the date of deposit, but for which the reporting institution expressly reserves the right to require at *least* seven days' written notice before an intended withdrawal.

Under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make *no more than six transfers* per calendar month or statement cycle (or similar period) of at least four weeks to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer or telephonic (including data transmission) agreement, order or instruction and *no more than three of the six such transfers* may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

There are no regulatory restrictions on the following types of transfers or withdrawals from a saving account regardless of the number:

(1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).

(2) Transfers of funds from this account to another account of the same depositor at the same institution when by mail, messenger, automated teller machine, or in person.

(3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).

Further, savings deposit have no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above for each respective account and in Federal Reserve Regulation D.

On the other hand, an account that otherwise meets the definition of savings deposit but that authorizes or permits the depositor to exceed the third-party transfer rule shall be reported as a transaction account, as follows:

(1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.

(2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or pre authorized transfer account, an ATS account, or a demand deposit, depending first on whether transfers or withdrawals by check, draft, or similar instrument are permitted or authorized and, if not, on the types of transfers allowed and on the type of depositor:

(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.

(b) If withdrawals or transfers by check, draft, or similar instrument are *not* permitted or authorized, the nature of the account is determined *first* by the type of transfers authorized or permitted and *second* by the type of depositor:

(i) If only telephone or preauthorized transfers are permitted or authorized, the account is considered a telephone or preauthorized transfer account.

(ii) If other types of transfers are authorized or permitted (e.g., automatic transfers), the account type is determined by the type of depositor:

(a) If the depositor is eligible to hold an ATS account, the account is considered an ATS account.

(b) If the depositor is ineligible to hold an ATS account, the account is considered a demand deposit.

(b) *Time deposits* are payable on a specified date not less than seven days after the date of deposit or payable at the expiration of a specified time not less than seven days after the date of deposit, or payable only upon written notice that is actually required to be given by the depositor not less than seven days prior to withdrawal. Also, the depositor does not have a right, and is not permitted, to make withdrawals from time deposits within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit.[3] A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a savings deposit; other wise it becomes a demand deposit.

NOTE: The above prescribed penalties are the minimum required by Federal Reserve Regulation D. Institutions may choose to require penalties for early withdrawal in excess of the regulatory minimums.

Time deposits take two forms:

(i) *Time certificates of deposit* (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified

3. Accounts existing on March 31, 1986, may satisfy the early withdrawal penalties specified by Federal Reserve Regulation D by meeting the Depository Institutions Deregulation Committee's early withdrawal penalties in existence on March 31, 1986.

person, or to the order of a specified person as follows:

(a) on a certain date not less than seven days after the date of deposit,

(b) at the expiration of a specified period not less than seven days after the date of the deposit, or

(c) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.

(ii) *Time deposits, open account* are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:

(a) the date of maturity which shall be not less than seven days after the date of the deposit, or

(b) the expiration of a specified period of written notice of not less than seven days. These deposits include ''club accounts.'' For purposes of the Consolidated Financial Statements of Bank Holding Companies, ''club accounts'' consist of accounts, such as Christmas club and vacation club accounts, made under written contracts that provide that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

Time deposits do not include the following categories of liabilities even if they have an original maturity of seven days or more:

(1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

(2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

(III) *Interest noninterest-bearing deposit distinction:*

(1) *Interest-bearing deposit accounts* consist of deposit accounts on which the issuing depository institution pays compensation to the holder for the use of the funds. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. Deposits with a zero percent interest rate that are *issued* on a *discount basis* are to be treated as interest-bearing.

(2) *Noninterest-bearing deposit accounts* consist of deposit accounts on which the issuing depository institution pays no compensation to the holder for the use of the funds.

Noninterest-bearing deposit accounts include (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are *issued* at *face value*.

See also ''Brokered deposits'' and ''Hypothecated deposits.''

Derivative Contracts: Bank holding companies commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in FASB Statement No. 133, ''Accounting for Derivative Instruments and Hedging Activities,'' as amended. Statement No. 133 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. A summary of the principal provisions of Statement No. 133 follows. For further information, see Statement No. 133 and the implementation guidance issued by the FASB's Derivatives Implementation Group, which may be found at the FASB's Web site at www.fasb.org.

Statement No. 133 is effective for fiscal years beginning after June 15, 2000. For purposes of these reports, bank holding companies must adopt Statement No. 133 upon the statement's effective date based on their fiscal year, with earlier application permitted consistent with the statement. Bank holding companies are also expected to follow the accounting guidance issued by the Derivatives Implementation Group.

Definition of Derivative

Statement No. 133 defines a ''derivative instrument'' as a financial instrument or other contract with all three of the following characteristics:

(1) It has one or more underlyings (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.

(2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.

(3) Its terms require or permit net settlement, it can be readily settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Certain contracts that may meet the definition of a derivative are specifically excluded from the scope of Statement No. 133, including:

- ''regular-way'' securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the marketplace or by the exchange on which the trade is executed;
- normal purchases and sales of an item other than a financial instrument or derivative instrument (e.g., a commodity) that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business;
- traditional life insurance and property and casualty contracts; and
- certain financial guarantee contracts.

However, a loan commitment may meet Statement No. 133 definition of a derivative instrument. For example, loan commitments to originate or acquire mortgage loans that will be resold as part of an institution's mortgage banking operations are derivative instruments.

Types of Derivatives

The most common types of freestanding derivatives are forward, futures, swaps, options, caps, floors, and collars.

Forward contracts are agreements that obligate two parties to purchase (long) and sell (short) a specific financial instrument, foreign currency, or commodity at a specified price with delivery and settlement at a specified future date.

Futures contracts are standardized forward contracts that are traded on organized exchanges. Exchanges in the U.S. are registered with and regulated by the Commodity Futures Trading Commission. The deliverable financial instruments underlying interest-rate future contracts are specified investment-grade financial instruments, such as U.S. Treasury securities or mortgage-backed securities. *Foreign currency futures* contracts involve specified deliverable amounts of a particular foreign currency. The deliverable products under *commodity futures contracts* are specified amounts and grades of commodities such as gold bullion. *Equity futures contracts* are derivatives that have a portion of their return linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Other forward contracts are traded over the counter and their terms are not standardized. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller. A *forward rate agreement* is a forward contract that specifies a reference interest rate and an agreed on interest rate (one to be paid and one to be received), an assumed principal amount (the notional amount), and a specific maturity and settlement date.

Swap contracts are forward-based contracts in which two parties agree to swap streams of payments over a specified period. The payments are based on an agreed upon notional principal amount. An *interest rate swap* generally involves no exchange of principal at inception or maturity. Rather, the notional amount is used to calculate the payment streams to be exchanged. However, *foreign exchange swaps* often involve the exchange of principal.

Options contracts (standby contracts) are traded on exchanges and over the counter. Option contracts grant the right, but do not obligate, the purchaser (holder) to buy (call) or sell (put) a specific or standard commodity, financial, or equity instrument at a specified price during a specified period or at a specified date. A *purchased option* is a contract in which the buyer has paid compensation (such as a fee or premium) to acquire the right to sell or purchase an instrument at a stated price on a specified future date. A *written option* obligates the option seller to purchase or sell the instrument at the option of the buyer of the contract. Option contracts may relate to purchases or sales of securities, money market instruments, futures contracts, other financial instruments, or commodities.

Interest rate caps are option contracts in which the cap seller, in return for a premium, agrees to limit the cap holder's risk associated with an increase in interest rates. If rates go above a specified interest-rate level (the strike price or cap rate), the cap holder is entitled to receive cash payments equal to the excess of the market rate over the strike price multiplied by the notional principal amount. For example, an issuer of floating-rate debt may purchase a cap to protect against rising interest rates, while retaining the ability to benefit from a decline in rates.

Interest rate floors are option contracts in which the floor seller, in return for a premium, agrees to limit the risk associated with a decline in interest rates based on a notional amount. If rates fall below an agreed rate, the floor holder will receive cash payments from the floor writer equal to the difference between the market rate and an agreed rate, multiplied by the notional principal amount.

Interest rate collars are option contracts that combine a cap and a floor (one held and one written). Interest rate collars enable a user with a floating rate contract to lock into a predetermined interest-rate range often at a lower cost than a cap or a floor.

Embedded Derivatives

Contracts that do not in their entirety meet the definition of a derivative instrument, such as bonds, insurance policies, and leases, may contain ''embedded'' derivative instruments-implicit or explicit terms that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument. The effect of embedding a derivative instrument in another type of contract (''the host contract'') is that some or all of the cash flows or other exchanges that otherwise would be required by the host contract, whether unconditional or contingent upon the occurrence of a specified event, will be modified based on one or more of the underlyings. An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument if and only if *all* of the following conditions are met:

(1) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,

(2) The contract (''the hybrid instrument'') that embodies the embedded derivative and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and

(3) A separate instrument with the same terms as the embedded derivative instrument would be a considered a derivative.

An embedded derivative instrument in which the underlying is an interest rate or interest rate index that alters net interest payments that otherwise would be paid or received on an interest-bearing host contract is considered to be clearly and closely related to the host contract *unless* either of the following conditions exist:

(1) The hybrid instrument can contractually be settled in such a way that the investor (holder) *would not* recover substantially all of its initial recorded investment, or

(2) The embedded derivative could at least double the investor's initial rate of return on the host contract and could also result in a rate of return that is at least twice what otherwise would be the market return for

a contract that has the same terms as the host contract and that involves a debtor with a similar credit quality.

Examples of hybrid instruments (not held for trading purposes) with embedded derivatives for which separate accounting would normally be required by Statement No. 133 because the embedded derivative is not considered clearly and closely related to the economic characteristics of the host contract include debt instruments (including deposit liabilities) whose interest rate is indexed to changes in an equity securities index (e.g., the Standard & Poor's 500), to changes in the price of a specific equity security, or to changes in the price of gold, crude oil, or some other commodity. For purposes of these reports, when an embedded derivative must be accounted for separately from the host contract under Statement No. 133, the carrying value of the host contract and the fair value of the embedded derivative may be combined and presented together on the balance sheet in the asset or liability category appropriate to the host contract.

Interest-only and principal-only strips are not subject to the requirements of Statement No. 133 provided they (1) initially resulted from seperating the rights to receive contractual cash flows of a financial instrument that, in and of itself, did not contain an embedded derivative that otherwise would have been accounted for separately and (2) do not incorporate any terms not present in that original financial instrument. However, questions have been raised about how this provision of FAS 133 should be applied in light of other accounting guidance in FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. As a result, the FASB Board decided that, pending the issuance of further guidance, institutions should continue to account for interest-only and principal-only strips and other beneficial interests in securitizations in accordance with FAS 140. (For further information, see Derivatives Implementation Group Issue No. D1, ''Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.'')

Recognition of Derivatives and Measurement of Derivatives and Hedged Items

A bank holding company should recognize all of its derivative instruments on its balance sheet as either assets or liabilities at fair value. As defined in FASB Statement No. 133, fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances.

Examples of valuation techniques include the present value of expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread analysis, and fundamental analysis. Valuation techniques for measuring assets and liabilities should be consistent with the objective of measuring fair value. Those techniques should incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment, and volatility.

If expected future cash flows are used to estimate fair value, those expected future cash flows should be the best estimate based on reasonable and supportable projections. All available evidence should be considered in developing estimates of expected future cash flows. The weight given to the evidence should be commensurate with the extent to which the evidence can be objectively verified. If a range is estimated for either the amount or the timing of possible cash flows, the likelihood of possible outcomes should be considered in determining the best estimate of future cash flows.

The accounting for changes in the fair value (that is, gains and losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. Either all or a proportion of a derivative may be designated as a hedging instrument. The proportion must be expressed as a percentage of the entire derivative. Gains and losses on derivative instruments are accounted for as follows:

(1) *No hedging designation*—The gain or loss on a derivative instrument not designated as a hedging

instrument, including all derivatives held for trading purposes, is recognized currently in earnings.

(2) *Fair value hedge*—For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment, which is referred to as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the risk being hedged should be recognized currently.

(3) *Cash flow hedge*—For a derivative designated as hedging the exposure to variable cash flows of an existing recognized asset or liability or a forecasted transaction, which is referred to as a cash flow hedge, the effective portion of the gain or loss on the derivative should initially be reported outside of earnings as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, (i.e., the ineffective portion of the gain or loss and any component of the gain or loss excluded from the assessment of hedge effectiveness) should be recognized currently in earnings.

(4) *Foreign currency hedge*—For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported outside of earnings in other comprehensive income as part of the cumulative translation adjustment. For a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security, the accounting for a fair value hedge should be applied. Similarly, for a derivative designated as a hedge of the foreign currency exposure of a foreign-currency denominated forecasted transaction, the accounting for a cash flow hedge should be applied.

To qualify for hedge accounting, the risk being hedged must represent an exposure to an institution's earnings. In general, if the hedged item is a financial asset or liability, the designated risk being hedged can be (1) all risks, i.e., the risk of changes in the overall fair value of the hedged item or the risk of overall changes in the hedged cash flows; (2) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the benchmark interest rate;[4] (3) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in foreign exchange rates; or (4) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the obligor's creditworthiness. For held- to-maturity securities, only credit risk, foreign exchange risk, or both may be hedged.

Designated hedging instruments and hedged items qualify for fair value or cash flow hedge accounting if all of the criteria specified in Statement No. 133 are met. These criteria include:

(1) At inception of the hedge, there is formal documentation of the hedging relationship and the institution's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. There must be a reasonable basis for how the institution plans to assess the hedging instrument's effectiveness.

(2) Both at inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value or offsetting cash flows attributable to the hedged risk during the period that the hedge is designated or the term of the hedge. An assessment of effectiveness is required whenever financial statements or earnings are reported, and at least every three months. All assessments of effectiveness shall be consistent with the risk management strategy documented for that particular hedging relationship.

In a fair value hedge, an asset or a liability is eligible for designation as a hedged item if the hedged item is specifically identified as either all or a specific portion of a recognized asset or liability or of an unrecognized firm commitment, the hedged item is a single asset or liability (or a specific portion thereof) or is a portfolio of similar assets or a portfolio of similar liabilities (or a specific

4. The benchmark interest rate is a widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. In theory, this should be a risk-free rate. In the U.S., interest rates on U.S. Treasury securities and the LIBOR swap rate are considered benchmark interest rates.

portion thereof), and certain other criteria specified in Statement No. 133 are met. If similar assets or similar liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in fair value of the aggregate portfolio attributable to the hedged risk.

In a cash flow hedge, the individual cash flows related to a recognized asset or liability and the cash flows related to a forecasted transaction are both referred to as a forecasted transaction. Thus, a forecasted transaction is eligible for designation as a hedged transaction if the forecasted transaction is specifically identified as a single transaction or a group of individual transactions, the occurrence of the forecasted transaction is probable, and certain other criteria specified in Statement No. 133 are met. If the hedged transaction is a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged.

An institution should discontinue prospectively its use of fair value or cash flow hedge accounting for an existing hedge if any of the qualifying criteria for hedge accounting is no longer met; the derivative expires or is sold, terminated, or exercised; or the institution removes the designation of the hedge. When this occurs for a cash flow hedge, the net gain or loss on the derivative should remain in ‘‘Accumulated other comprehensive income’’ and be reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. However, if it is probable that the forecasted transaction will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within an additional two-month period of time thereafter (except as noted in Statement No. 133), the derivative gain or loss reported in ‘‘Accumulated other comprehensive income‘‘ should be reclassified into earnings immediately.

For a fair value hedge, in general, if a periodic assessment of hedge effectiveness indicates noncompliance with the highly effective criterion that must be met in order to qualify for hedge accounting, an institution should not recognize adjustment of the carrying amount of the hedged item for the change in the item's fair value attributable to the hedged risk after the last date on which compliance with the effectiveness criterion was established.

With ertain limited exceptions, a nonderivative instrument, such as a U.S. Treasury security, may not be designated as a hedging instrument.

Reporting Derivative Contracts

When an institution enters into a derivative contract, it should classify the derivative as either held for trading or held for purposes other than trading (end-user derivatives) based on the reasons for entering into the contract. All derivatives must be reported at fair value on the balance sheet (Schedule HC).

Trading derivatives with positive fair values should be reported as trading assets in Schedule HC, item 5. Trading derivatives with negative fair values should be reported as trading liabilities in Schedule HC, item 15. Changes in the fair value (that is, gains and losses) of trading derivatives should be recognized currently in earnings and included in Schedule HI, item 5(c), ‘‘Trading revenue.’’

Freestanding derivatives held for purposes other than trading (and embedded derivatives that must be accounted for separately under FASB Statement No. 133, which the bank holding company has chosen to present separately from the host contract on the balance sheet) that have positive fair values should be included in Schedule HC-F, item 5, ‘‘Other’’ assets. Freestanding derivatives held for purposes other than trading (and embedded derivatives that must be accounted for separately under FASB Statement No. 133, which the bank holding company has chosen to present separately from the host contract on the balance sheet) that have negative fair values should be included in Schedule HC-G, item 4, ‘‘Other’’ liabilities. Net gains (losses) on derivatives held for purposes other than trading that are not designated as hedging instruments should be recognized currently in earnings and reported consistently as either ‘‘Other noninterest income’’ or ‘‘Other noninterest expense’’ in Schedule HI, item 5(l) or item 7(d), respectively.

Netting of derivative assets and liabilities is prohibited on the balance sheet except as permitted under FASB Interpretation No. 39. *See* the Glossary entry for ‘‘offsetting.’’

Bank holding companies must report the notional amounts of their derivative contracts (both freestanding derivatives and embedded derivatives that must be accounted for separately from their host contract under FASB Statement No. 133) by risk exposure in Schedule HC-L, first by type of contract in Schedule HC-L, item 11, and then by purpose of contract (i.e., trading, other than trading) in Schedule HC-L, items 12 and 13. Bank holding companies must report the gross fair values of their derivatives, both positive and negative, by risk exposure and purpose of contract in Schedule HC-L, item 14. However, these items exclude credit derivatives, the notional amounts and gross fair values of which must be reported in Schedule HC-L, item 7.

Discounts: See ''Premiums and discounts.''

Dividends: *Cash dividends* are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the bank holding company's board of directors (the declaration date) by debiting ''retained earnings'' and crediting ''dividends declared not yet payable,'' which is to be reported in other liabilities. Upon payment of the dividend, ''dividends declared not yet payable'' is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to ''dividend checks outstanding'' which is reportable in the ''official checks'' category of the consolidated bank holding company's deposit liabilities.

A liability for dividends payable may not be accrued in advance of the formal declaration of a dividend by the board of directors. However, the bank holding company may segregate a portion of retained earnings in the form of a capital reserve in anticipation of the declaration of a dividend.

Stock dividends are distributions of additional shares to stockholders in proportion to the number of shares they own. Stock dividends are to be reported by transferring an amount equal to the fair value of the additional shares issued from retained earnings to a category of permanent capitalization (common stock and surplus). However, the amount of any mandatory and discretionary transfers must be reduced by the amount of any mandatory and discretionary transfers previously made (such as those from retained earnings to surplus for increasing the bank holding company's legal lending limit) provided such transfers have not already been used to record a stock dividend. In any event, the amount transferred from retained earnings may not be less than the par or stated value of the additional shares being issued.

Property dividends, also known as dividends in kind, are distributions to stockholders of assets other than cash. The transfer of securities of other companies, real property, or any other asset owned by the reporting bank holding company to a stockholder or related party is to be recorded at the fair value of the asset on the declaration date of the dividend. A gain or loss on the transferred asset must be recognized in the same manner as if the property had been disposed of in an outright sale at or near the declaration date.

Domestic Office: For purposes of these reports, a domestic office of the reporting bank holding company is a branch or subsidiary (other than an Edge or Agreement subsidiary) located in the 50 states of the United States or the District of Columbia or a branch on a U.S. military facility wherever located. The domestic offices of the reporting bank holding company exclude all International Banking Facilities (IBFs); all offices of Edge and Agreement subsidiaries, including their U.S. offices; and all branches and other subsidiaries of the bank holding company located in Puerto Rico, U.S. territories and possessions, or foreign countries.

Domicile: Domicile is used to determine the foreign (non-U.S. addressee) or domestic (U.S. addressee) location of a customer of the reporting bank holding company for the purposes of these reports. Domicile is determined by the principal residence address of an individual or the principal business address of a corporation, partnership, or sole proprietorship. If other addresses are used for correspondence or other purposes, only the principal address, insofar as it is known to the reporting bank holding company, should be used in determining whether a customer should be regarded as a U.S. or non-U.S. addressee.

For purposes of defining customers of the reporting bank holding company, U.S. addressees include residents of the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. The term U.S. addressee generally includes U.S.-based subsidiaries of foreign banks and U.S. branches and agencies of foreign banks. Non-U.S. addressees include residents of any foreign country. The term non-U.S.

addressee generally includes foreign-based subsidiaries of other U.S. banks and bank holding companies.

For customer identification purposes, the IBFs of other U.S. depository institutions are U.S. addressees. (This is in contrast to the treatment of the IBFs of a subsidiary bank which are treated as foreign offices of the bank.)

Due Bills: A due bill is an obligation that results when a bank holding company or its subsidiaries sell an asset and receives payment, but does not deliver the security or other asset. A due bill can also result from a promise to deliver an asset in exchange for value received. In both cases, the receipt of the payment creates an obligation regardless of whether the due bill is issued in written form. Outstanding due bill obligations shall be reported as borrowings in Schedule HC, item 16, ''Other borrowed money,'' by the issuing bank holding company. Conversely, when the reporting bank holding company or its consolidated subsidiaries are the holders of a due bill, the outstanding due bill obligation of the seller shall be reported as a loan to that party.

Edge and Agreement Corporation: An Edge corporation is a federally-chartered corporation organized under Section 25(a) of the Federal Reserve Act and subject to Federal Reserve Regulation K. Edge corporations are allowed to engage only in international banking or other financial transactions related to international business. An Agreement corporation is a state-chartered corporation that has agreed to operate as if it were organized under Section 25 of the Federal Reserve Act and has agreed to be subject to Federal Reserve Regulation K. Agreement corporations are restricted, in general, to international banking operations. Banks must apply to the Federal Reserve for permission to acquire stock in an Agreement corporation.

An Edge or Agreement subsidiary of the consolidated bank holding company, i.e., the majority-owned Edge or Agreement corporation of the consolidated bank holding company, is treated for purposes of these reports as a ''foreign'' office of the reporting bank holding company.

Equity Method of Accounting: The equity method of accounting is used to account for investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence (collectively referred to as ''investees'').

Under the equity method, the carrying value a bank holding company's investment in an investee is originally recorded at cost but is adjusted periodically to record as income the bank holding company's proportionate share of the investee's earnings or losses and decreased by the amount of cash dividends or similar distributions received from the investee. For purposes of the FR Y-9C report, the date through which the carrying value of the bank holding company's investment in an investee has been adjusted should, to the extent practicable, match the report date of the FR Y-9C, but in no case differ by more than 93 days from the report.

See also ''subsidiaries.''

Extinguisments of Liabilities: The accounting and reporting standards for extinguishments of liabilities are set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* Under Statement No. 140, a bank holding company should remove a previously recognized liability from its balance sheet if and only if the liability has been extinguished. A liability has been extinguished if either of the following conditions are met:

(1) The bank holding company pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivering cash, other financial assets, goods, or services or the bank holding company's reacquiring its outstanding debt.

(2) The bank holding company is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Extraordinary Items: Extraordinary items are material events and transactions that are (1) unusual and (2) infrequent. Both of those conditions must exist in order for an event or transaction to be reported as an extraordinary item.

To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of bank holding companies. An event or transaction which is beyond bank holding company's management's control is not automatically considered to be unusual.

To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Only a limited number of events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), an expropriation, or a prohibition under a newly enacted law or regulation.

For further information, see APB Opinion No. 30, *Reporting the Results of Operations*.

Fails: When a bank holding company or its subsidiaries have sold an asset and, on settlement date, do not deliver the security or other asset and do not receive payment, a sales fail exists. When a bank holding company or its subsidiaries have purchased a security or other asset and, on settlement date, do not receive the asset and do not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in the FR Y-9C. However, the receivable from a Fail should be reported in other assets. Likewise a payable from a Fail should be reported in other liabilities.

Federal Funds Transactions: For purposes of the FR Y-9C, federal funds transactions involve the lending (federal funds sold) or borrowing (federal funds purchased) in domestic offices of *immediately available funds* under agreements or contracts that *have an original maturity of one business day or roll over under a continuing contract*. However, funds lent or borrowed in the form of securities resale or repurchase agreements, due bills, borrowings from the Discount and Credit Department of a Federal Reserve Bank, deposits with and advances from a Federal Home Loan Bank, and overnight loans for commercial and industrial purposes are excluded from federal funds. Transactions that are to be reported as federal funds transactions 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 holding company 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.

The borrowing and lending of immediately available funds *have an original maturity of one business day* if the funds borrowed on one business day are to be repaid or the transaction reversed on the next business day, that is, if immediately available funds borrowed today are to be repaid tomorrow (in tomorrow's immediately available funds). Such transactions include those made on a Friday to mature or be reversed the following Monday and those made on the last business day prior to a holiday (for either or both of the parties to the transaction) to mature or be reversed on the first business day following the holiday.

A *continuing contract* is a contract or agreement that remains in effect for more than one business day but has no specified maturity and does not require advance notice of either party to terminate. Such contracts may also be known as rollovers or as open-ended agreements.

Federal funds may take the form of the following two types of transactions in domestic offices provided that the transactions meet the above criteria (i.e., immediately available funds with an original maturity of one business day or under a continuing contract):

(1) Unsecured loans (federal funds sold) or borrowings (federal funds purchased). (In some market usage, the term ‘‘fed funds’’ or ‘‘pure fed funds’’ is confined to unsecured loans of immediately available balances.)

(2) Purchases (sales) of financial assets (other than securities) under agreements to resell (repurchase) that have original maturities of one business day (or are under continuing contracts) *and* are in immediately available funds.

Any borrowing or lending of immediately available funds in domestic offices that has an original maturity of more than one business day, other than security repurchase or resale agreements, is to be treated as a borrowing or as a loan, *not* as federal funds. Such transactions are sometimes referred to as ‘‘term federal funds.’’

Federally-Sponsored Lending Agency: A federally-sponsored lending agency is an agency or corporation that has been chartered, authorized, or organized as a result of federal legislation for the purpose of providing credit services to a designated sector of the economy. These agencies include Banks for Cooperatives, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal

Land Banks, the Federal National Mortgage Association, and the Student Loan Marketing Association.

Fees, Loan: See ''Loan fees.''

Foreclosed Assets: The accounting and reporting standards for foreclosed assets are set forth in FASB Statement No, 15 *Accounting by Debtors and Creditors for Troubled Debt Restructurings*, and FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Subsequent to the issuance of FASB Statement No. 144, AICPA Statement of Position (SOP) No. 92-3, *Accounting for Foreclosed Assets* was rescinded. Certain provisions of SOP 92-3 are not present in FASB Statement No. 144, but the application of these provisions represents prevalent practice in the banking industry and is consistent with safe and sound banking practices. These provisions of SOP 92-3 have been incorporated into this Glossary entry, which bank holding companies must follow for purposes of preparing their FR Y-9C reports.

A bank holding company that receives from a borrower in full satisfaction of a loan either a receivable from a third party, an equity interest in the borrower, or another type of asset (except a long-lived asset that will be sold) shall account for the asset received at its fair value at the time of the restructuring. When a bank holding company receives a long-lived asset, such as real estate, from a borrower in full satisfaction of a loan, the long-lived asset is rebuttably presumed to be held for sale and the bank holding company shall account for this asset at its fair value less cost to sell. This fair value (less cost to sell) becomes the ''cost'' of the foreclosed asset. The amount, if any, by which the recorded amount of the loan exceeds the fair value (less cost to sell) of the asset is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure or repossession. (The recorded amount of the loan is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest.)

If an asset is sold shortly after it is received in a foreclosure or repossession, it would generally be appropriate to substitute the value received in the sale (net of the cost to sell for long-lived assets that will be sold such as real estate) for the fair value (less cost to sell for long-lived assets that will be sold such as real estate) that had been estimated at the time of foreclosure or repossession. Any adjustments should be made to the loss charged against the allowance. In those cases where property is received in full satisfaction of an asset other than a loan (e.g., a debt security), the loss should be reported on the income statement in a manner consistent with the balance sheet classification of the asset satisfied.

An asset received in partial satisfaction of a loan should be accounted for as described above and the recorded amount of the loan should be reduced by the fair value (less cost to sell) of the asset at the time of foreclosure.

For purposes of this report, foreclosed assets include loans where the bank holding company, as creditor, has received physical possession of a borrower's assets, regardless of whether formal foreclosure proceedings take place. In such situations, the secured loan should be recategorized on the balance sheet in the asset category appropriate to the underlying collateral (e.g., as other real estate owned for real estate collateral) and accounted for as described above.

The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule HC, items 16, ''Other borrowed money.''

After foreclosure, each foreclosed real estate asset (including any real estate for which the bank holding company receives physical possession, regardless of whether formal foreclosure proceedings take place) must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraphs). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs.

If a foreclosed real estate asset is held for more than a short period of time, any declines in value after foreclosure and any gain or loss from the sale or disposition of the asset shall *not* be reported as a loan or lease loss or recovery and shall *not* be debited or credited to the allowance for loan and lease losses. Such additional declines in value and the gain or loss from the sale or disposition shall be reported net on the income statement (Schedule HI) as ''other noninterest income'' or ''other noninterest expense.''

Dispositions of Foreclosed Real Estate—The primary accounting guidarce for sales of foreclosed real estate is FASB Statement No. 66, *Accounting for Sales of Real Estate*. This standard, which applies to all transactions in which the seller provides financing to the buyer of the real estate, establishes the following methods to account for dispositions of real estate. If a profit is involved in the sale of real estate, each method sets forth the manner in which the profit is to be recognized. Regardless of which method is used, however, any losses on the disposition of real estate should be recognized immediately.

Full Accrual Method—Under the full accrual method, the disposition is recorded as a sale. Any profit resulting from the sale is recognized in full and the asset resulting from the seller's financing of the transaction is reported as a loan. This method may be used when the following conditions have been met:

(1) A sale has been consummated;

(2) The buyer's initial investment (down payment) and continuing investment (periodic payments) are adequate to demonstrate a commitment to pay for the property;

(3) The receivable is not subject to future subordination; and

(4) The usual risks and rewards of ownership have been transferred.

Guidelines for the minimum down payment that must be made in order for a transaction to qualify for the full accrual method are set forth in the Appendix A to FASB Statement No. 66. These vary from five percent to 25 percent of the property's sales value. These guideline percentages vary by type of property and are primarily based on the inherent risk assumed for the types and characteristics of the property. To meet the continuing investment criteria, the contractual loan payments must be sufficient to repay the loans over the customary loan term for the type of property involved. Such periods may range up to 30 years for loans on single family residential property.

Installment Method—Dispositions of foreclosed real estate that do not qualify for the full accrual method may qualify for the installment method. This method recognizes a sale and the corresponding loan. Any profits on the sale are only recognized as the bank holding company receives payments from the purchaser/borrower. Interest income is recognized on an accrual basis, when appropriate.

The installment method is used when the buyer's down payment is not adequate to allow use of the full accrual method but recovery of the cost of the property is reasonably assured if the buyer defaults. Assurance of recovery requires careful judgment on a case-by-case basis. Factors which should be considered include: the size of the down payment, loan-to-value ratios, projected cash flows from the property, recourse provisions, and guarantees.

Since default on the loan usually results in the seller's reacquisition of the real estate, reasonable assurance of cost recovery may often be achieved with a relatively small down payment. This is especially true in situations involving loans with recourse to borrowers who have verifiable net worth, liquid assets, and income levels. Reasonable assurance of cost recovery may also be achieved when the purchaser/borrower pledges additional collateral.

Cost Recovery Method—Dispositions of foreclosed real estate that do not qualify for either the full accrual or installment methods are sometimes accounted for using the cost recovery method. This method recognizes a sale and the corresponding loans but all income recognition is deferred. Principal payments are applied as a reduction of the loan balance and interest increases the unrecognized gross profit. No profit or interest income is recognized until either the aggregate payments by the borrower exceed the recorded amount of the loan or a change to another accounting method is appropriate (e.g., installment method). Consequently, the loan is maintained in nonaccrual status while this method is being used.

Reduced-Profit Method—This method is used in certain situations where the bank holding company receives an adequate down payment, but the loan amortization schedule does not meet the requirements for use of the full accrual method. The method recognizes a sale and the corresponding loan. However, like the installment method, any profit is apportioned over the life of the loan as payments are received. The method of apportionment differs from the installment method in that profit recognition is based on the present value of the lowest level of periodic payments required under the loan agreement.

Since sales with adequate down payments are generally not structured with inadequate loan amortization requirements, this method is seldom used in practice.

Deposit Method—The deposit method is used in situations where a sale of the foreclosed real estate has not been consummated. It may also be used for dispositions that could be accounted for under the cost recovery method. Under this method a sale is not recorded and the asset continues to be reported as foreclosed real estate. Further, no profit or interest income is recognized. Payments received from the borrower are reported as a liability until sufficient payments or other events have occurred which allow the use of one of the other methods.

The preceding discussion represents a brief summary of the methods included in FASB Statement No. 66 for accounting for sales of real estate. Refer to FASB Statement No. 66 for a more complete description of the accounting principles that apply to sales of real estate, including the determination of the down payment percentage.

Foreign Banks: See ''Banks, U.S. and foreign.''

Foreign Central Banks: The term ''foreign central banks'' covers: central banks in foreign countries; departments of foreign central governments that have, as an important part of their functions, activities similar to those of a central bank; nationalized banks and banking institutions owned by central governments that have, as an important part of their functions, activities similar to those of a central bank; and the Bank for International Settlements (BIS).

Foreign Currency Transactions and Translation: *Foreign currency transactions* are transactions occurring in the ordinary course of business (e.g., purchases, sales, borrowings, lendings, forward exchange contracts) denominated in currencies other than the office's functional currency (as described below).

Foreign currency translation, on the other hand, is the process of translating financial statements from the foreign office's functional currency into the reporting currency. Such translation normally is performed only at reporting dates.

A *functional currency* is the currency of the primary economic environment in which an office operates. For most consolidated bank holding companies, the functional currency will be the U.S. dollar. However, if a consolidated bank holding company has foreign offices, one or more foreign offices may have a functional currency other than the U.S. dollar.

Accounting for foreign currency transactions—A change in exchange rates between the functional currency and the currency in which a transaction is denominated will increase or decrease the amount of the functional currency expected to be received or paid. These increases or decreases in the expected functional currency cash flow are to be reported as foreign currency transaction gains and losses and are to be included in the determination of the income of the period in which the transaction takes place, or if the transaction has not yet settled, the period in which the rate change takes place.

Except for foreign currency derivatives and transactions described in the following section, bank holding companies should consistently report net gains (losses) from foreign currency transactions other than trading transactions in Schedule HI, item 5(l), ''Other noninterest income,'' or item 7(d), ''Other noninterest expense.'' Net gains (losses) from foreign currency trading transactions should be reported in Schedule HI, item 5(c), ''Trading revenue.''

Foreign currency transaction gains or losses to be excluded from the determination of net income—Gains and losses on the following foreign currency transactions shall not be included in ''Noninterest income'' or ''Noninterest expense,'' but shall be reported in the same manner as translation adjustments (as described below):

(1) Foreign currency transactions that are designated as, and are effective as, economic hedges of a net investment in a foreign office.

(2) Intercompany foreign currency transactions that are of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future), when the parties to the transaction are consolidated, combined, or accounted for by the equity method in the bank holding company's FR Y-9C.

See the Glossary entry for ''derivative contracts'' for information on the accounting and reporting for foreign currency derivatives.

Accounting for foreign currency translation (applicable only to bank holding companies with foreign offices)—The FR Y-9C must be reported in U.S. dollars. Balances of foreign subsidiaries or branches of the reporting bank holding company denominated in a functional currency other than U.S. dollars shall be converted to U.S. dollar equivalents and consolidated into the reporting bank holding company's FR Y-9C. The translation adjustments for each reporting period, determined utilizing the current rate method, may be reported in ''Other comprehensive income'' in Schedule HI-A of the Report of Income for Bank Holding Companies. Amounts accumulated in the ''Accumulated other comprehensive income'' component of equity capital in Schedule HC will not be included in the bank holding company's results of operations until such time as the foreign office is disposed of, when they will be used as an element to determine the gain or loss on disposition.

For further guidance, refer to FASB Statement No. 52, ''Foreign Currency Translation.''

Foreign Debt Exchange Transactions: Foreign debt exchange transactions generally fall into three categories: (1) loan swaps, (2) debt/equity swaps, and (3) debt-for-development swaps. These transactions are to be reported in the FR Y-9C in accordance with generally accepted accounting principles as summarized below. The accounting pronouncements mentioned below should be consulted for more detailed reporting guidance in these areas.

Generally accepted accounting principles require that these transactions be reported at their fair value. There is a significant amount of precedent in the accounting for exchange transactions to consider both the fair value of the consideration given up as well as the fair value of the assets received in arriving at the most informed valuation, especially if the value of the consideration given up is not readily determinable or may not be a good indicator of the value received. It is the responsibility of management to make the valuation considering all of the circumstances. Such valuations are subject to examiner review.

Among the factors to consider in determining fair values for foreign debt exchange transactions are:

(1) Similar transactions for cash;

(2) Estimated cash flows from the debt or equity instruments or other assets received;

(3) Market values, if any, of similar instruments; and

(4) Currency restrictions, if any, affecting payments on or sales of the debt or equity instruments, local currency, or other assets received, including where appropriate those affecting the repatriation of capital.

Losses arise from swap transactions when the fair value determined for the transaction is less than the recorded investment in the sovereign debt and other consideration paid, if any. Such losses should generally be charged to the allowance for loan and lease losses (or allocated transfer risk reserve, if appropriate) and must include any discounts from official exchange rates that are imposed by sovereign obligors as transaction fees. All other fees and transaction costs involved in such transactions must be charged to expense as incurred.

Loss recoveries or even gains might be indicated in a swap transaction as a result of the valuation process. However, due to the subjective nature of the valuation process, such loss recoveries or gains ordinarily should not be recorded until the debt or equity instruments, local currency, or other assets received in the exchange transaction are realized in unrestricted cash or cash equivalents.

Loan swaps—The reporting guidance for this type of transaction is presented in the AICPA's Notice to Practitioners, ''Accounting for Foreign Loan Swaps,'' issued on May 27, 1985.

Foreign loan swaps, or debt/debt swaps, involve the exchange of one foreign loan for another. This type of transaction represents an exchange of monetary assets that must be reported at current fair value. Normally, when monetary assets are exchanged, with or without additional cash payments, and the parties have no remaining obligations to each other, the earnings process is complete.

Debt/equity swaps—The reporting treatment for this type of transaction is presented in the AICPA Practice Bulletin No. 4, ''Accounting for Foreign Debt/Equity Swaps.''

A foreign debt/equity swap represents an exchange of monetary for nonmonetary assets that must be measured at fair value. This type of swap is typically accomplished when holders of U.S. dollar-denominated sovereign debt agree to convert that debt into approved local equity investments. The holders are generally credited with local currency at the official exchange rate. A discount from the official exchange rate is often imposed as a transaction fee. The local currency is generally not available to the holders for any purposes other than approved equity investments. Restrictions may be placed on dividends on the equity investments and capital usually cannot be repatriated for several years.

In arriving at the fair value of the transaction, both the secondary market price of the debt given up and the fair value of the equity investment or assets received should be considered.

Debt-for-development swaps—In this type of exchange, sovereign debt held by a bank holding company is generally purchased by a nonprofit organization or contributed to the nonprofit the nonprofit organization. When the sovereign debt is purchased by or donated to a nonprofit organization, the organization may enter into an agreement with the debtor country to cancel the debt in return for the country's commitment to provide local currency or other assets for use in connection with specific projects or programs in that country. Alternatively, a bank holding company may exchange the sovereign debt with the country and receive local currency. In this alternative, the local currency will be donated or sold to the nonprofit organization for use in connection with specific projects or programs in that country.

These transactions, including amounts charged to expense as donations, must be reported at their fair values in accordance with generally accepted accounting principles applicable to foreign debt exchange transactions. This includes appropriate consideration of the market value of the instruments involved in the transaction and the fair value of any assets received, taking into account any restrictions that would limit the use of the assets. In debt-for-development swaps where a bank holding company receives local currency in exchange for the sovereign loan it held and the local currency has no restrictions on its use and is freely convertible, it is generally appropriate for fair value to be determined by valuing the local currency received at its fair market exchange value.

Foreign Governments and Official Institutions: Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of these reports, other government-owned enterprises are not included.

Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Foreign Office: For purposes of these reports, a foreign office of the reporting bank holding company is a branch or subsidiary located in Puerto Rico, in a U.S. territory or possession, or in a foreign country; an Edge or Agreement subsidiary, including both its U.S. and its foreign offices; or an IBF. Branches of bank subsidiaries on U.S. military facilities wherever located are treated as domestic offices, not foreign offices.

Forward Contract: See "Futures, forward, and standby contracts."

Functional Currency: See "Foreign currency transactions and translation."

Futures, Forward, and Standby Contracts: Futures and forward contracts are commitments for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to make delivery, at a specified future date, of a specified instrument at a specified price or yield.

Futures contracts are standardized and are traded on organized exchanges. Exchanges in the U.S. are registered with and regulated by the Commodity Futures Trading Commission. Forward contracts are traded over the counter and their terms are not standardized. Such contracts can only be terminated, other than by receipt of the underlying financial instrument or commodity, by agreement of both buyer and seller. Standby contracts and other option arrangements are optional forward contracts. The buyer of such a contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. Such contracts may relate to purchases or sales of securities, money market instruments, or futures contracts.

A standby contract or put option is an optional delivery forward placement contract. It obligates the seller of the contract to purchase some financial instrument at the option of the buyer of the contract.

A call option is an optional forward purchase contract. It obligates the seller of the contract to sell some financial instrument at the option of the buyer of the contract.

FR Y-9C treatment of open contracts—Contracts are outstanding (i.e., open) until they have been terminated by acquisition or delivery of the underlying financial instruments or, for futures contracts, by offset, or, for standby contracts and other option arrangements, by expiring unexercised. (‘‘Offset’’ is the purchase and sale of an equal number of futures contracts on the same underlying instrument for the same delivery month executed through the same broker or dealer and executed on the same exchange.)

The reporting of these contracts should follow the accounting outlined in FAS 133 and disclosed in Schedule HC-L.

Goodwill: See ‘‘Purchase acquisition’’ in the entry for ‘‘business combinations.’’

Hypothecated Deposit: A hypothecated deposit is the aggregation of periodic payments on an installment contract received by a reporting institution in a state in which, under law, such payments are not immediately used to reduce the unpaid balance of the installment note, but are accumulated until the sum of the payments equals the entire amount of principal and interest on the contract, at which time the loan is considered paid in full. For purposes of these reports, hypothecated deposits are to be netted against the related loans. Deposits which simply serve as collateral for loans are not considered hypothecated deposits for purposes of these reports.

See also: ‘‘Deposits.’’

IBF: See ‘‘International Banking Facility (IBF).’’

Income Taxes: All bank holding companies, regardless of size, are required to report income taxes (federal, state and local, and foreign) on the FR Y-9C on an accrual basis. Note that, in almost all cases, applicable income taxes as reported in Schedule HI of the Report of Income for Bank Holding Companies will differ from amounts reported to taxing authorities. The applicable income tax expense or benefit that is reflected in the Report of Income for Bank Holding Companies should include both taxes currently paid or payable (or receivable) and deferred income taxes. The following discussion of income taxes is based on FASB Statement No. 109, *Accounting for Income Taxes*.

Applicable income taxes in the year-end Report of Income for Bank Holding Companies shall be the sum of the following:

(1) Taxes currently paid or payable (or receivable) for the year determined from the bank holding company's federal, state, and local income tax returns for that year. Since the bank holding company's tax returns will not normally be prepared until after the year-end FR Y-9C has been completed, the bank holding company must estimate the amount of the current Income tax liability (or receivable) that will ultimately be reported on its tax returns. Estimation of this liability (or receivable) may involve consultation with the holding company's tax advisers, a review of the previous year's tax returns, the identification of significant expected differences between items of income and expense reflected on the Report of Income for Bank Holding Companies and on the tax returns, and the identification of expected tax credits.

and

(2) Deferred income tax expense or benefit measured as the change in the net deferred tax assets or liabilities for the period reported. Deferred tax liabilities and assets represent the amount by which taxes payable (or receivable) are expected to increase or decrease in the future as a result of ‘‘temporary differences’’ and net operating loss or tax credit carryforwards that exist at the reporting date.

The actual tax liability (or receivable) calculated on the bank holding company's tax returns may differ from the estimate reported as currently payable or receivable on the year-end Report of Income for Bank Holding Companies. An amendment to the bank holding company's year-end and subsequent FR Y-9Cs may be appropriate if the difference is significant. Minor differences should be handled as accrual adjustments to applicable income taxes in Reports of Income for Bank Holding Companies during the year the differences are detected. The reporting of applicable income taxes in the Report of Income for Bank Holding Companies for report dates other than year-end is discussed below under ''interim period applicable income taxes.''

Temporary differences result when events are recognized in one period on the bank holding company's books but are recognized in another period on the bank holding company's tax return. These differences result in amounts of income or expense being reported in the Report of Income in one period but in another period in the tax returns. There are two types of temporary differences. Deductible temporary differences reduce taxable income in future periods. Taxable temporary differences result in additional taxable income in future periods.

For example, a bank holding company's provision for loan and lease losses is expensed for financial reporting purposes in one period. However, for some bank holding companies this amount may not be deducted for tax purposes until the loans are actually charged off in a subsequent period. This deductible temporary difference ''originates'' when the provision for loan and lease losses is recorded in the financial statements and ''turns around'' or ''reverses'' when the loans are subsequently charged off, creating tax deductions.

Other deductible temporary differences include write-downs of other real estate owned, the recognition of loan origination fees and other postemployment benefits expense.

Depreciation can result in a taxable temporary difference if a bank holding company uses the straight-line method to determine the amount of depreciation expense to be reported in the Report of Income for Bank Holding Companies but uses an accelerated method for tax purposes. In the early years, tax depreciation under the accelerated method will typically be larger than book depreciation under the straight-line method. During this period, a taxable temporary difference originates. Tax depreciation will be less than book depreciation in the later years when the temporary difference reverses. Therefore, in any given year, the depreciation reported in the Report of Income for Bank Holding Companies will differ from that reported in the bank holding company's tax returns. However, total depreciation taken over the useful life of the asset will be the same under either method. Other taxable temporary differences include the undistributed earnings of unconsolidated subsidiaries and associated companies and amounts funded to pension plans which exceed the recorded expense.

Some events do not have tax consequences and therefore do not give rise to temporary differences. Certain revenues are exempt from taxation and certain expenses are not deductible. These events were previously known as ''permanent differences.'' Examples of such events (for federal income tax purposes) are interest received on certain obligations of states and political subdivisions in the U.S., and premiums paid on officers' life insurance policies where the bank holding company is the beneficiary, and 85 percent of cash dividends received on the corporate stock of domestic U.S. corporations.

Deferred tax assets shall be calculated as of the report date by applying the ''applicable tax rate'' (defined below) to the bank holding company's total deductible temporary differences and operating loss carryforwards. A deferred tax asset shall also be recorded for the amount of tax credit carryforwards available to the bank holding company. Based on the estimated realizability of the deferred tax asset, a valuation allowance should be established to reduce the recorded deferred tax asset to the amount that is considered ''more likely than not'' (i.e., greater than 50 percent chance) to be realized.

Deferred tax liabilities should be calculated by applying the ''applicable tax rate'' to total taxable temporary differences at the report date.

Operating loss carrybacks and carryforwards and tax credit carryforwards—When a bank holding company's deductions exceed its income for federal income tax purposes, it has sustained an operating loss. An operating loss that occurs in a year following periods when the bank holding company had taxable income may be carried back to recover income taxes previously paid. The tax effects of any loss carrybacks that are realizable through a refund of taxes previously paid is recognized in the year the loss occurs. In this situation, the applicable income taxes on the Report of Income for Bank

Holding Companies will reflect a credit rather than an expense. Bank holding companies may carry back operating losses for two years. (For tax years beginning before 1998, bank holding companies could carry operating losses for three years.)

Generally, an operating loss that occurs when loss carrybacks are not available (e.g., occurs in a year following periods of losses) becomes an operating loss carryforward. Bank holding companies may carry operating losses forward 20 years. (For tax years beginning before 1998, bank holding companies could carry operating losses forward 15 years.)

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

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

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

Valuation allowance—A valuation allowance must be recorded, if needed, to reduce the amount of deferred tax assets to an amount that is more likely than not to be realized. Changes in the valuation allowance generally shall be reported in Schedule HI, item 9, "Applicable income taxes (foreign and domestic)." The following discussion of the valuation allowance relates to the allowance, if any, included in the amount of net deferred tax assets or liabilities to be reported on the balance sheet (Schedule HC) and in Schedule HC-F, item 2, and Schedule HC-G, item 2.

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

(1) Taxable income in carryback years (which can be offset to recover taxes previously paid).

(2) Reversing taxable temporary differences.

(3) Future taxable income (exclusive of reversing temporary differences and carryforwards).

(4) Tax-planning strategies.

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

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

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

Examples of *negative evidence* include:

- Cumulative losses in recent years.

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

Examples of *positive evidence* include:

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

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

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

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

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

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

Deferred tax assets (net of the valuation allowance) and deferred tax liabilities related to a particular tax jurisdiction (e.g., federal, state, and local) may be offset against each other for reporting purposes. A resulting debit balance shall be included in ''Other assets'' and reported in Schedule HC-F, item 2. A resulting credit balance shall be included in ''Other liabilities'' and reported in Schedule HC-G, item 2. A bank holding company may report a net deferred tax debit, or asset, for one tax jurisdiction (e.g., federal taxes) and also report a net deferred tax credit, or liability, for another tax jurisdiction (e.g., state taxes).

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

Intraperiod allocation of income taxes—When the Report of Income for Bank Holding Companies for a period includes extraordinary items, the total amount of the applicable income taxes for the year to date shall be allocated in Schedule HI between item 9, ''Applicable income taxes (foreign and domestic),'' and the applicable income taxes netted in item 12, ''Extraordinary items, net of applicable taxes and minority interest.''

The applicable income taxes on operating income (item 9) shall be the amount that the total applicable income taxes on pretax income, including both current and deferred taxes (calculated as described above), would have been for the period had ''Extraordinary items'' (item 12) been zero.

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

Purchase business combinations—In purchase business combinations (as described in the Glossary entry for ''business combinations''), bank holding companies shall recognize as a temporary difference the difference between the tax basis of acquired assets or liabilities and the amount of the purchase price allocated to the acquired assets and liabilities (with certain exceptions specified in FASB Statement No. 109). As a result, the acquired asset or liability shall be recorded gross and a deferred tax asset or liability shall be recorded for any resulting temporary difference.

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

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

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

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

For further information, see FASB Statement No. 109, *Accounting for Income Taxes*.

Insurance Commissions: Insurance commissions generally represent remuneration paid by insurance underwriters to insurance agents and brokers for the sale of insurance products. Companies also earn fees for generating insurance sales leads pursued by third-party insurance agents and by providing other services related to selling and servicing insurance contracts and maintaining separate accounts. For the purpose of Schedule HI, insurance commissions and fees is defined to include all income from insurance related activities, including premium revenue.

Insurance Premiums: Insurance premiums are the consideration paid by policyholders to insurance underwriters in exchange for the provision of defined future benefits or for the indemnification against specified insured losses. Insurance premiums should be reported net of any premiums conveyed in conjunction with reinsurance transfers to or from other insurance underwriters/reinsurers. Revenues related to long-term life and annuity products are generally recognized when due, while revenues on property casualty, health, accident and short-term life insurance coverage are recognized *pro rata* over the term of the contract.

Insurance Underwriting: Insurance underwriting is the process whereby insurance companies assume risks (e.g. that a death, sickness, casualty or other event) will occur, for which premiums based upon underwriting standards are charged.

Intangible Assets: See ''Business combinations.''

Interest-Bearing Account: See ''Deposits.''

Interest Capitalization: See ''Capitalization of interest.''

Internal-Use Computer Software: Guidance on the accounting and reporting for the costs of internal-use computer software is set forth in AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. A summary of this accounting guidance follows. For further information, see AICPA Statement of Position 98-1. Internal-use computer software is software that meets both of the following characteristics: (1) The software is acquired, internally developed, or modified solely to meet the bank holding company's internal needs; and (2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

Statement of Position 98-1 identifies three stages of development for internal-use software: the preliminary project stage, the application development stage, and the post- implementation/operation stage. The processes that occur during the preliminary project stage of software development are the conceptual formulation of alternatives, the evaluation of the alternatives, the determination of the existence of needed technology, and the final selection of alternatives. The application development stage involves the design of the chosen path (including software configuration and software interfaces), coding, installation of software to hardware, and testing (including the parallel processing phase). Generally, training and application maintenance occur during the post-implementation/operation stage. Upgrades of and enhancements to existing internal-use software, i.e., modification to software that result in additional functionality, also go through the three aforementioned stages of development.

Computer software costs that are incurred in the preliminary project stage should be expensed as incurred.

Internal and external costs incurred to develop internal-use software during the application development stage should be capitalized. Capitalization of these costs should begin once (a) the preliminary project stage is completed and (b) management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than when a computer software project is substantially complete and ready for its intended use, i.e., after all substantial testing is completed. Capitalized internal-use computer software costs generally should be amortized on a straight-line basis over the estimated useful life of the software.

Only the following application development stage costs should be capitalized: (1) External direct costs of materials and services consumed in developing or obtaining internal-use software; (2) Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and (3) Interest costs incurred when developing internal-use software.

Costs to develop or obtain software that allows for access or conversion of old data by new systems also should be capitalized. Otherwise, data conversion costs should be expensed as incurred. General and administrative costs and overhead costs should not be capitalized as internal-use software costs. During the post-implementation/operation stage, internal and external training costs and maintenance costs should be expensed as incurred. Impairment of capitalized internal-use computer software costs should be recognized and measured in accordance with FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*.

The costs of internally developed computer software to be sold, leased, or otherwise marketed as a separate product or process should be reported in accordance with FASB Statement No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*. If, after the development of internal-use software is completed, a bank holding company decides to market the software, proceeds received from the license of the software, net of direct incremental marketing costs, should be applied against the carrying amount of the software.

International Banking Facility (IBF): *General definition*—An International Banking Facility (IBF) is a set of asset and liability accounts, segregated on the books and records of the establishing entity, which reflect international transactions. An IBF is established in accordance with the terms of Federal Reserve Regulation D and after appropriate notification to the Federal Reserve. The establishing entity may be a U.S. depository institution, a U.S. office of an Edge or Agreement corporation, or a U.S. branch or agency of a foreign bank pursuant to Federal Reserve Regulation D. An IBF is permitted to hold only certain assets and liabilities. In general, IBF accounts are limited, as specified in the paragraphs below, to non-U.S. residents of foreign countries, residents of Puerto Rico and U.S. territories and possessions, other IBFs, and U.S. and non-U.S. offices of the establishing entity.

Permissible IBF assets include extensions of credit to the following:

(1) non-U.S. residents (including foreign branches of other U.S. banks);

(2) other IBFs; and

(3) U.S. and non-U.S. offices of the establishing entity.

Credit may be extended to non-U.S. nonbank residents only if the funds are used in their operations outside the United States. IBFs may extend credit in the form of a loan, deposit, placement, advance, security, or other similar asset.

Permissible IBF liabilities include (as specified in Federal Reserve Regulation D) liabilities to non-U.S. nonbank residents only if such liabilities have a minimum maturity or notice period of at least two business days. IBF liabilities also may include overnight liabilities to:

(1) non-U.S. offices of other depository institutions and of Edge or Agreement corporations;

(2) non-U.S. offices of foreign banks;

(3) Foreign governments and official institutions;

(4) other IBFs; and

(5) the establishing entity.

IBF liabilities may be issued in the form of deposits, borrowings, placements, and other similar instruments. However, IBFs are prohibited from issuing negotiable certificates of deposit, bankers acceptances, or other negotiable or bearer instruments.

Treatment of the IBFs of bank subsidiaries of the holding company on the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C)—IBFs established by a subsidiary of the holding company (e.g., by a bank subsidiary or by its Edge or Agreement subsidiaries) are to be consolidated in the FR Y-9C. In the consolidated balance sheet (Schedule HC) and income statement (Schedule HI), transactions between the IBFs of the bank subsidiaries of the reporting holding company and between these IBFs and other offices of the bank holding company are to be eliminated. For purposes of these reports, the IBFs of the holding companies' banking subsidiaries are to be treated as foreign offices where, in the schedules, a distinction is made between foreign and domestic offices of the reporting bank holding company.

Assets of the IBFs of the banking subsidiaries of the reporting bank holding company should be reported in the asset categories of the report by type of instrument and customer, as appropriate. For example, IBFs are to report their holdings of securities in Schedule HC, item 2, and in the appropriate items of Schedule HC-B; their holdings of loans in Schedule HC, item 4(b), and in the appropriate items of Schedule HC-C, and federal funds sold and securities purchased under agreements to resell in Schedule HC, item 3.

For purposes of these reports, all liabilities of the IBFs of the banking subsidiaries of the reporting bank holding company to outside parties are classified under three headings:

(1) federal funds purchased and securities sold under agreements to repurchase, which are to be reported in Schedule HC, item 14;

(2) accrued liabilities, which are to be reported in Schedule HC, item 20; and

(3) all other liabilities, including deposits, placements, and borrowings, which are to be treated as deposit liabilities in foreign offices and reported in Schedule HC, item 13(b).

Treatment of transactions with IBFs of other depository institutions—Transactions between the offices of the reporting bank holding company and IBFs outside the scope of the FR Y-9C are to be reported as transactions with depository institutions in the U.S., as appropriate. (Note, however, that only foreign offices of the bank holding company and IBFs of its banking subsidiaries are permitted to have transactions with other IBFs.)

Investments in Common Stock of Unconsolidated Subsidiaries: See the instruction to Schedule HC, item 8, ‘‘Investments in unconsolidated subsidiaries and associated companies.’’

Joint Venture: See ‘‘Subsidiaries.’’

Lease Accounting: A lease is an agreement that transfers the right to use land, buildings, or equipment for a specified period of time. This financing device is essentially an extension of credit evidenced by an obligation between a lessee and a lessor.

Standards for lease accounting are set forth in FASB Statement No. 13, *Accounting for Leases*, as amended and interpreted.

Accounting with the bank holding company as lessee—Any lease entered into by a lessee bank holding company or its consolidated subsidiaries that are on an accrual basis of accounting shall be accounted for as a property acquisition financed with a debt obligation. The property shall be amortized according to the bank holding company's normal depreciation policy (except, if appropriate, the amortization period shall be the lease term) unless the lease involves land only. The interest expense portion of each lease payment shall be calculated to result in a constant rate of interest on the balance of the debt obligation. In the FR Y-9C, the property ‘‘asset’’ is to be reported in Schedule HC, item 6, and the liability for capitalized leases in Schedule HC, item 16, the interest expense portion of the capital lease payments is to be reported in Schedule HI, item 2(e), ‘‘Other interest expense’’ and the amortization expense on the asset is to be reported in Schedule HI, item 7(b), ‘‘Expenses of premises and fixed assets, net of rental income.’’ If any one of the following criteria is met, a lease must be accounted for as a capital lease:

(1) ownership of the property is transferred to the lessee at the end of the lease term, or

(2) the lease contains a bargain purchase option, or

(3) the lease term represents at least 75 percent of the estimated economic life of the leased property, or

(4) the present value of the minimum lease payments at the beginning of the lease term is 90 percent or more of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by and expected to be realized by the lessor.

If none of the above criteria is met, the lease should be accounted for as an operating lease. Rental payments should be charged to expense over the term of the operating lease as they become payable.

NOTE: If a lease involves land only, the lease must be capitalized if either of the first two criteria above is met. Where a lease that involves land and building meets either of these two criteria, the land and building must be separately capitalized by the lessee. The accounting for a lease involving land and building that meets neither of the first two criteria should conform to the standards prescribed by FASB Statement No. 13.

Accounting for sales with leasebacks—Sale–leaseback transactions involve the sale of property by the owner and a lease of the property back to the seller. If a bank holding company sells premises or fixed assets and leases back the property, the lease shall be treated as a capital lease if it meets any one of the four criteria above for capitalization. Otherwise, the lease shall be accounted for as an operating lease.

As a general rule, the bank holding company shall defer any gain resulting from the sale. For capital leases, this deferred gain is amortized in proportion to the depreciation taken on the leased asset. For operating leases, the deferred gain is amortized in proportion to the rental payments the bank holding company will make over the lease term. The unamortized deferred gain is to be reported in ''Other liabilities.'' (Exceptions to the general rule on deferral which permit full or partial recognition of a gain at the time of the sale may occur if the leaseback covers less than substantially all of the property that was sold or if the total gain exceeds the minimum lease payments.)

If the fair value of the property at the time of the sale is less than the book value of the property, the difference between these two amounts shall be recognized as a loss immediately. In this case, if the sales price is less than the fair value of the property, the additional loss shall be deferred since it is in substance a prepayment of rent.Similarly, if the fair value of the property sold is greater than its book value, any loss on the sale shall also be deferred. Deferred losses shall be amortized in the same manner as deferred gains as described above.

For further information, see FASB Statement No. 28, *Accounting for Sales with Leasebacks*.

Accounting with bank holding company as lessor—Unless a long-term creditor is also involved in the transaction, a lease entered into by a lessor bank holding company or its consolidated subsidiaries on an accrual accounting basis that meets one of the four criteria above for a capital lease plus two additional criteria (as defined below) shall be treated as a direct financing lease. After initial direct costs have been deducted, the unearned income (minimum lease payments plus estimated residual value less the cost of the leased property) shall be amortized to income over the lease term in a manner which produces a constant rate of return on the net investment (minimum lease payments plus estimated residual value less unearned income). Other methods of income recognition may be used if the results are not materially different.

The following two additional criteria must be met for a lease to be classified as a direct financing lease:

(1) Collectability of the minimum lease payments is reasonably predictable.

(2) No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

When a lessor bank holding company or its consolidated subsidiaries on an accrual basis of accounting enters into a lease that has all the characteristics of a direct financing lease but where a long-term creditor provides nonrecourse financing to the lessor, the transaction shall be accounted for as a leveraged lease. The lessor's net investment in a leveraged lease shall be recorded in a manner similar to that for a direct financing lease but net of the principal and interest on the nonrecourse debt. Based on a projected cash flow analysis for the lease term, unearned and deferred income shall be amortized to income at a constant rate only in those years of the lease term in which the net investment is positive. In the years in which the net investment is not positive, no income is to be recognized on the leveraged lease.

If a lease is neither a direct financing lease nor a leveraged lease, the lessor bank holding company or its consolidated subsidiaries shall account for it as an *operating lease*. The leased property shall be reported as ''Other assets'' and depreciated in accordance with the bank holding company's normal policy. Rental payments are generally credited to income over the term of an operating lease as they become receivable.

Letter of Credit: A letter of credit is a document issued by a bank holding company or its consolidated subsidiaries (generally a banking subsidiary) on behalf of its customer (the account party) authorizing a third party (the beneficiary), or in special cases the account party, to draw drafts on the bank holding company or its consolidated subsidiary up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment (except when prepaid by the account party) on the part of the consolidated bank holding company to provide payment on drafts drawn in accordance with the terms of the document.

As a matter of sound practice, letters of credit should:

(1) be conspicuously labeled as a letter of credit;

(2) contain a specified expiration date or be for a definite term;

(3) be limited in amount;

(4) call upon the issuing bank holding company or its issuing consolidated subsidiaries to pay only upon the presentation of a draft or other documents as specified in the letter of credit and not require the issuing bank holding company or consolidated subsidiaries to make determinations of fact or law at issue between the account party and the beneficiary; and

(5) be issued only subject to an agreement between the account party and the issuing bank holding company or its consolidated subsidiaries which establishes the unqualified obligation of the account party to reimburse the issuing bank holding company or its consolidated subsidiaries for all payments made under the letter of credit.

There are four basic types of letters of credit:

(1) commercial letters of credit,

(2) letters of credit sold for cash,

(3) travelers' letters of credit, and

(4) standby letters of credit,

each of which is discussed separately below.

A *commercial letter of credit* is issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

A letter of credit sold for cash is a letter of credit for which the bank holding company or a consolidated subsidiary has received funds from the account party at the time of issuance. This type of letter of credit is not to be reported as an outstanding letter of credit but as a demand deposit. These letters are considered to have been sold for cash even though the consolidated bank holding company may have advanced funds to the account party for the purchase of such letters of credit on a secured or unsecured basis.

A *travelers' letter of credit* is issued to facilitate travel. This letter of credit is addressed by the bank holding company or its consolidated subsidiaries to its correspondents authorizing the correspondents to honor drafts drawn by the person named in the letter of credit in accordance with specified terms. These letters are generally sold for cash.

A *standby letter of credit* is a letter of credit or similar arrangement that:

(1) represents an obligation on the part of the issuing bank holding company or a consolidated subsidiary to a designated third party (the beneficiary) contingent upon the failure of the issuing consolidated bank holding company's customer (the account party) to perform under the terms of the underlying contract with the beneficiary, or

(2) obligates the bank holding company or a consolidated subsidiary to guarantee or stand as surety for the benefit of a third party to the extent permitted by law or regulation.

The underlying contract may entail either financial or nonfinancial undertakings of the account party with the beneficiary. The underlying contract may involve such things as the customer's payment of commercial paper, delivery of merchandise, completion of a construction contract, release of maritime liens, or repayment of the account party's obligations to the beneficiary. Under the terms of a standby letter, as a general rule, drafts will be drawn only when the underlying event fails to occur as intended.

Limited-Life Preferred Stock: See ''Preferred stock.''

Loan: For purposes of this report, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The reporting bank holding company or its consolidated subsidiaries may originate a loan by directly negotiating with a borrower or it may purchase a loan or a portion of a loan originated by another lender that directly negotiated with a borrower. The reporting bank holding company or its subsidiaries may also sell a loan or a portion of a loan, regardless of the method by which it acquired the loan.

Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances, and similar written or oral obligations.

Among the extensions of credit reportable as loans in Schedule HC-C, which covers both loans held for sale and loans that the reporting bank holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff, are:

(1) acceptances of banks that are not consolidated subsidiaries for the reporting bank holding company's FR Y-9C;

(2) acceptances executed by or for the account of a subsidiary bank of the reporting bank holding company and subsequently acquired by the consolidated holding company through purchase or discount;

(3) customers' liability to a bank subsidiary of the reporting bank holding company on drafts paid under letters of credit for which the bank subsidiary of the reporting bank holding company has not been reimbursed;

(4) ''advances'' and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which a bank subsidiary of the reporting bank holding company has given deposit credit to customers;

(5) paper pledged by the bank holding company or by its consolidated subsidiaries whether for collateral to secure bills payable (e.g., margin collateral to secure bills rediscounted) or for any other purpose;

(6) sales of ''term federal funds'' (i.e., sales of immediately available funds with a maturity of more than one business day), other than those involving security resale agreements;

(7) factored accounts receivable;

(8) loans arising out of the purchase of assets (other than securities) under resale agreements with a maturity of more than one business day if the agreement requires the bank holding company to resell the identical asset purchased; or

(9) participations (acquired or held) in a single loan or in a pool of loans or receivables (see discussion in the Glossary entry for ''Transfers of Financial Assets'').

Loan acceptances and commercial paper, held in a trading account are to be reported in Schedule HC, item 5, ''Trading assets.''

See also ''Loan secured by real estate,'' ''Overdraft,'' and ''Sale of assets.''

Loan Fees: The accounting standards for nonrefundable fees and cost associated with lending, committing to lend, and purchasing a loan or group of loans are set forth in FASB No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*. The statement applies to all types of loans as well as to debt securities (but not to loans or securities carried at market value) and to all types of lenders. It must be applied to all lending and leasing transactions in fiscal years beginning after December 15, 1987 (that is, the first quarter of 1988 for companies with calendar year-ends).

In summary, FASB No. 91 requires that loan fees be deferred and recognized over the life of the loan as an adjustment of the yield. Certain direct origination costs must also be deferred and amortized over the life of the loan as a reduction of the yield. Amortization of deferred fees and costs is generally computed using the interest method. FASB No. 91 applies to both a lender and a purchaser, and should be applied to individual loan contracts.

For a complete discussion of the required accounting for loan fees, see FASB No. 91.

Loan Impairment: The accounting standard for impaired loans is FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. For further information, refer to FASB Statement No. 114.

Each institution is responsible for maintaining an allowance for loan and lease losses (allowance) adequate to absorb estimated credit losses in its entire loan and lease portfolio. FASB Statement No. 114 sets forth measurement methods for estimating the portion of the overall allowance for loan and lease losses attributable to impaired loans. An appropriate allowance must be maintained for other loans in accordance with FASB Statement No. 5.

In general, certain loans are impaired under FASB Statement No. 114 when, based on current information and events, it is likely that an institution will be unable to collect all amounts due according to the contractual terms of the loan agreement, (i.e., both principal and interest). An institution should apply its normal loan review procedures when determining whether a loan covered by FASB Statement No. 114 is impaired. When a loan is deemed impaired under FASB Statement No. 114, an institution may choose to measure impairment using (1) the present value of expected future cash flows discounted at the loan's effective interest rate (i.e., the contractual interest rate adjusted for any net deferred loan fees or costs, premium, or discount existing at the origination or acquisition of the loan), (2) the loan's observable market price, or (3) the fair value of the collateral, if the loan is collateral dependent. A loan is collateral dependent if repayment of the loan is expected to be provided solely by the underlying collateral and there are no other available and reliable sources of repayment. A creditor should consider estimated costs to sell, on a discounted basis, in the measurement of impairment if those costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. If the measure of an impaired loan is less than the recorded investment in the loan, an impairment should be recognized by creating an allowance for estimated credit losses for the impaired loan or by adjusting an existing allowance with a corresponding charge or credit to ''Provision for loan and lease losses.''

An institution should not provide an additional allowance for estimated credit losses on an impaired loan over and above what is specified by FASB Statement No. 114 (FAS 114). The allowance established under FAS 114 should take into consideration all available information existing as of the report date that indicates that a loan has been impaired. All available information would include existing environmental factors such as industry, geographical, economic, and political factors that affect collectibility. FASB Statement No. 114 also addresses the accounting by creditors for all loans that are restructured in a troubled debt restructuring involving a modification of terms, except loans that are measured at fair value or the lower of cost or fair value. For guidance on troubled debt restructurings, see the Glossary entry for ''troubled debt restructurings.''

As with all other loans, all impaired loans should be reported as past due or nonaccrual loans in Schedule HC-N in accordance with the schedule's instructions. Since full collection of principal and interest is not expected for impaired loans, income accrual should normally be discontinued on such loans at the time that they first become impaired. Any cash payments received on impaired loans should be reported in accordance with the criteria for the cash basis recognition of income in the Glossary entry for ''nonaccrual of interest.'' For further information, see that glossary entry.

Loans Secured By Real Estate: For purposes of these reports, loans secured by real estate are loans predicated upon a security interest in real property. A loan predicated upon a security interest in real property is a loan secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit—that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien on real property. All loans satisfying the criteria above are to be reported as loans secured by real estate (Schedule HC-C, item 1), regardless of whether secured by first or junior liens, regardless of the department or subsidiary within the bank or bank holding company that made the loans, regardless of how the loans are categorized in the bank holding company's records, and regardless of the purpose of the financing. Only in transactions where a lien on real property has been taken as collateral solely through an abundance of caution and where the terms as a consequence have not been made more favorable than they would have been in the absence of the lien, would the loans not be considered to be secured by real estate and not be classifiable as loans secured by real estate in the FR Y-9C.

Loss Contingencies: A loss contingency is an existing condition, situation, or set of circumstances that involves uncertainty as to possible loss that will be resolved when one or more future events occur or fail to occur. An estimated loss (or expense) from a loss contingency (for example, pending or threatened litigation) must be accrued by a charge to income if it is probable that an asset has been impaired or a liability incurred as of the report date and the amount of the loss can be reasonably estimated.

A contingency that might result in a gain, for example, the filing of an insurance claim, shall not be recognized as income prior to realization.

For further information, see FASB Statement No. 5, *Accounting for Contingencies*.

Mandatory Convertible Debt: See discussion of mandatory convertible securities in instructions for Schedule HC, item 19, "Subordinated notes and debentures."

Market (Fair) Value of Securities: The market value of securities should be determined, to the extent possible, by timely reference to the best available source of current market quotations or other data on relative current values. For example, securities traded on national, regional, or foreign exchanges or in organized over-the-counter markets should be valued at the most recently available quotation in the most active market. Rated securities for which no organized market exists should be valued on the basis of a yield curve estimate. Quotations from brokers or others making markets in securities that are neither widely nor actively traded are acceptable if prudently used. Unrated debt securities for which no reliable market price data are available may be valued at cost adjusted for amortization of premium or accretion of discount unless credit problems of the obligor or upward movements in the level of interest rates warrant a lower estimate of current value. Securities that are not marketable such as, Federal Reserve stock or equity securities in closely held businesses, should be valued at book or par value, as appropriate.

Mergers: See "Business combinations."

Money Market Deposit Account (MMDA): See "Deposits."

Mortgages, Residential, Participations in Pools of: See "Transfers of financial assets."

NOW Account: See "Deposits."

Nonaccrual Status: Bank holding companies on an accrual basis of reporting shall not accrue interest or discount on (1) any asset which is maintained on a cash basis because of deterioration in the financial position of the borrower, (2) any asset for which payment in full of interest or principal is not expected, or (3) any asset upon which principal or interest has been in default for a period of 90 days or more unless it is *both* well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guaranty of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for the nonaccrual of interest listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

Exceptions to the general rule—In the following situations, an asset need not be placed in nonaccrual status:

(1) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6 are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan or a loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank holding company's net income is not materially overstated.

Treatment of previously accrued interest—The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status and the treatment of subsequent payments as either principal or interest should be handled in accordance with generally accepted accounting principles. Acceptable accounting treatment includes a reversal of all previously accrued but uncollected interest applicable to assets placed in a nonaccrual status against appropriate income and balance sheet accounts.

For example, one acceptable method of accounting for such uncollected interest on a loan placed in nonaccrual status is (1) to reverse all of the unpaid interest by crediting the ‘‘income earned, not collected on loans’’ account on the balance sheet, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate ‘‘interest and fee income on loans’’ account on the income statement, and (3) to reverse any uncollected interest that had been accrued during previous calendar years by debiting the ‘‘allowance for loan and lease losses’’ account on the balance sheet. The use of this method presumes that bank holding company management’s additions to the allowance through charges to the ‘‘provision for loan and lease losses’’ on the income statement have been based on an evaluation of the collectability of the loan and lease portfolios *and* the ‘‘income earned, not collected on loans’’ account.

Treatment of cash payments and criteria for the cash basis recognition of income—When doubt exists as to the collectibility of the remaining book balance of an asset in nonaccrual status, any payments received must be applied to reduce principal to the extent necessary to eliminate such doubt. Placing an asset in nonaccrual status does *not,* in and of itself, require a charge-off, in whole or in part, of the asset’s principle. However, any identified losses must be charged off.

While an asset is in nonaccrual status, some or all of the cash interest payments received may be treated as interest income on a cash basis as long as the remaining book balance of the asset (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible. (An asset subject to the cost recovery method required by AICPA Practice Bulletin No. 6 should follow that method for reporting purposes.) A bank holding company’s determination as to the ultimate collectibility of the asset’s remaining book balance must be supported by a current, well documented credit evaluation of the borrower’s financial condition and prospects for repayment, including consideration of the borrower’s historical repayment performance and other relevant factors.

When recognition of interest income on a cash basis is appropriate, it should be handled in accordance with generally accepted accounting principles. One acceptable practice involves allocating contractual interest payments among interest income, reduction in principal, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the asset’s remaining book balance at the contractual rate. A bank holding company may also choose to account for the contractual interest in its entirety either as income, reduction in principal, or recovery of prior charge-offs, depending on the condition of the loan, consistent with its accounting policies for other financial reporting purposes.

Restoration to accrual status—As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank holding company expects repayment of the remaining contractual principal and interest, *or* (2) when it otherwise becomes well secured and in the process of collection.

For purposes of meeting the first test, the bank holding company must have received repayment of the past due principal and interest unless, as discussed below, the asset has been formally restructured and qualifies for accrual status, or the asset has been acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party and meets the criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6.

A loan or other debt instrument that has been formally restructured as to be reasonably assured of repayment and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructuring is supported by a current, well documented credit evaluation of the borrower’s financial condition and prospects for repayment under the revised terms. Otherwise, the restructured asset must remain in nonaccrual status. The evaluation must include consideration of the borrower’s sustained historical repayment performance for a reasonable period prior to the date on which the loan or other debt instrument is returned to accrual status. (In returning the asset to accrual status, sustained historical payment performance for a reasonable time prior to the restructuring may be taken into account.) Such a restructuring must improve the collectibility of the loan or other debt instrument in accordance with a reasonable repayment schedule and does not relieve the holding company from the responsibility to promptly charge off all identified losses.

Until the restructured asset is restored to accrual status, if ever, cash payments received must be treated in accordance with the criteria stated above in the preceding section of this entry. In addition, after a formal restructuring, if a restructured asset that has been returned to accrual status later meets the criteria for placement in nonaccrual status as a result of past due status based on its modified terms or for other reasons, the asset must be placed in nonaccrual status. For further information on formally restructured assets, see the Glossary entry for ''Troubled Debt Restructuring.''

Treatment of multiple extensions of credit to one borrower—As a general principle, nonaccrual status for an asset should be determined based on an assessment of the individual asset's collectibility and payment ability and performance. Thus, when one loan to a borrower is placed in nonaccrual status, a bank holding company or its subsidiaries do not automatically have to place all other extensions of credit to that borrower in nonaccrual status. When a depository institution has multiple loans or other extensions of credit outstanding to a single borrower, and one loan meets criteria for nonaccrual status, the depository institution should evaluate its other extensions of credit to that borrower to determine whether one or more of these other assets should also be placed in nonaccrual status.

Noninterest-Bearing Account: See ''Deposits.''

Nontransaction Account: See ''Deposits.''

Notes and Debentures Subordinated to Deposits: See ''Subordinated notes and debentures.''

Offsetting: Offsetting is the reporting of recognized assets and liabilities on a net basis on the balance sheet where the ''right of setoff'' exists as discussed in APB Opinion 10 and defined in FASB Technical Bulletin 88-2. In addition, bank holding companies are permitted to offset assets and liabilities recognized in the FR Y-9C for forward, interest rate swap, currency swap, option, and other conditional or exchange contracts executed with the same counterparty when a ''right of setoff'' exists. Under FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, a right of setoff exists when all of the following conditions are met:

(1) Each party owes the other determinable amounts. Thus, only bilateral netting is permitted.

(2) The reporting party has the right to set off the amount owed with the amount owed by the other party.

(3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.

(4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership).

According to Interpretation No. 39, a master netting arrangement exists if the reporting bank holding company has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract.

Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability on the balance sheet. The reporting entity's choice to offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently.

Offsetting of assets and liabilities is also permitted by other pronouncements identified in Interpretation No. 39. These pronouncements apply to such items as leverage leases, pension plan and other postretirement benefit plan assets and liabilities, and deferred tax assets and liabilities. In addition, FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*, describes the circumstances in which amounts recognized as payables under repurchase agreements may be offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in the balance sheet. The reporting entity's choice to offset or not to offset payables and receivables under Interpretation No. 41 must be applied consistently.

One-Day Transaction: See ''Federal funds transactions.''

Option: See ''Futures, forward, and standby contracts.''

Organization Costs: See ''Start-up Activites.''

Other Real Estate Owned: See ''Foreclosed Assets'' and the instructions to Schedule HC-M, item 13.

Overdraft: An overdraft can be either planned or unplanned. An unplanned overdraft occurs when a depository institution honors a check or draft drawn against a deposit account when insufficient funds are on deposit and there is no advance contractual agreement to honor the check or draft. When a contractual agreement has been made in advance to allow such credit extensions, overdrafts are referred to as planned or prearranged. Any overdraft, whether planned or unplanned, is an extension of credit and is to be treated and reported as a ''loan'' rather than being treated as a negative deposit balance.

Planned overdrafts are to be classified in Schedule HC-C by type of loan according to the nature of the overdrawn depositor. For example, a planned overdraft by a commercial customer is to be classified as a ''commercial and industrial loan.''

Unplanned overdrafts in depositors' accounts are to be classified in Schedule HC-C, item 9, ''All other loans,'' unless the depositor is a depository institution or a foreign government or official institution. Such unplanned overdrafts would be reported in Schedule HC-C, item 2, ''Loans to depository institutions and acceptances of other banks'' and item 7, ''Loans to foreign governments and official institutions.''

For purposes of treatment of overdrafts, separate transaction accounts of a single depositor that are established under a bona fide cash management arrangement are regarded as a single account rather than multiple or separate accounts. In such a situation, an overdraft in one of the accounts of a single customer is netted against the related transaction accounts of the customer and an extension of credit is regarded as arising only if, and to the extent, the combined accounts of the customer are overdrawn.

The consolidated bank holding company's overdrafts on deposit accounts it holds with other depository institutions that are not consolidated on the reporting holding company's FR Y-9C (i.e., its ''due from'' accounts) are to be reported as borrowings in Schedule HC, item 16, except overdrafts arising in connection with checks or drafts drawn by subsidiary depository institutions of the reporting bank holding company 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 HC-E until the funds are remitted).

Participations: See ''Transfers of financial assets.''

Participations in Acceptances: See ''Bankers' acceptances.''

Participations in Pools of Securities: See ''Repurchase/resale agreements.''

Pass-through Reserve Balances: Under the Monetary Control Act of 1980, and as reflected in Federal Reserve Regulation D, depository institutions that are members of the Federal Reserve System must maintain their required reserves (in excess of vault cash) directly with a Federal Reserve Bank. However, nonmember depository institutions may maintain their required reserves (in excess of vault cash) in one of two ways: either (1) directly with a Federal Reserve Bank or (2) indirectly in an account with another institution (referred to here as a ''correspondent''), which, in turn, is required to pass the reserves through to a Federal Reserve Bank. This second type of account is called a ''pass-through account,'' and a depository institution passing its reserves to the Federal Reserve through a correspondent is referred to as a ''respondent.'' This pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal

Reserve. The required reporting of the ‘‘pass-through reserve balances’’ reflects this structure of asset/debt relationships.

Perpetual Debt: Perpetual debt is an unsecured debt instrument of the bank holding company or its subsidiaries that, if issued by a bank, must also be subordinated to the claims of the depositors. The major characteristics are described below:

(1) The debt instrument cannot provide the noteholder the right to demand repayment of principal except in the event of bankruptcy, insolvency, or reorganization.

(2) The issuer can *not* voluntarily redeem the debt issue without prior approval of the Federal Reserve, *unless* the debt is converted to, exchanged for, or simultaneously replaced in like amount by an issue of common or perpetual preferred stock of the issuer or the issuer’s parent company.

(3) When issued by the bank holding company, a bank subsidiary, or a subsidiary with substantial operations, the debt instrument must contain a provision permitting interest payments to be deferred when dividends on all outstanding common or preferred stock of the issuer have been eliminated.

(4) When issued by a bank holding company or a subsidiary with substantial operations, the instrument must convert automatically to common or perpetual preferred stock of the issuer when the issuer’s retained earnings and surplus accounts become negative.

For a complete discussion of the criteria for determining the capital status of perpetual debt, see 12 CFR, Part 225, Appendix B.

Perpetual Preferred Stock: See ‘‘Preferred stock.’’

Policyholder: A policyholder is the party that owns an insurance policy.

Pooling of Interests: See ‘‘Business combinations.’’

Pools of Residential Mortgages, Participations in: See ‘‘Transfers of financial assets.’’

Pools of Securities, Participations in: See ‘‘Repurchase/resale agreements.’’

Preauthorized Transfer Account: See ‘‘Deposits.’’

Preferred Stock: Preferred stock is a form of ownership interest in a bank holding company or other company which entitles its holders to some preference or priority over the owners of common stock, usually with respect to dividends or asset distributions in a liquidation.

Limited-life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock or common stock at a stated date.

Perpetual preferred stock is preferred stock that does not have a stated maturity date or that cannot be redeemed at the option of the holder. It includes those issues of preferred stock that automatically convert into common stock at a stated date.

Premiums and Discounts: A premium arises when a bank holding company or its consolidated subsidiaries purchase a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium which all consolidated bank holding companies are required to amortize.

A discount arises when a consolidated bank holding company purchases a security, loan, or other asset at a price below its par or face value, typically because the current level of interest rates for such assets is greater than its contract or stated rate of interest. A discount is also present on instruments that do not have a stated rate of interest such as U.S. Treasury bills and commercial paper. The difference between par or face value and the purchase price represents the discount which all bank holding companies on the accrual basis of accounting are required to accrete.

Premiums and discounts are accounted for as adjustments to the yield on an asset. As a general rule, a premium shall be amortized to the asset’s maturity date unless it is more conservative in its effect on current income to amortize the premium in two stages: (1) first to the call or ‘‘put’’ date and price and (2) then to the maturity date and par or face value. A discount must be accreted from date of purchase to maturity, not to call or put date. The preferable method for amortizing premiums and accreting discounts involves the use of the interest method for accruing income on the asset. The objective of the interest method is to produce a constant yield or rate of return on the carrying value of the asset (par or face value plus unamortized premium or less unaccreted discount) at the beginning of each amortization period over the asset's remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable if the results are not materially different from the interest method.

Deferred income taxes applicable to timing differences between the amounts of discount accreted for purposes of these reports and for income tax purposes must be recognized in each year-end reporting period and included in item 9, "Applicable income taxes (foreign and domestic)," in Schedule HI of the Consolidated Income Statement.

A premium or discount may also arise when the reporting bank holding company or its consolidated subsidiaries, acting either as a lender or a borrower, are involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable. The market value of the note would be its present value as determined by discounting all future payments on the note using an appropriate interest rate, i.e., a rate comparable to that on new loans of similar risk. The difference between the face amount and the recorded value of the note is a premium or discount. This discount or premium shall be accounted for as an adjustment of the interest income or expense over the life of the note using the interest method described above.

For further information, see APB Opinion No. 21, *Interest on Receivables and Payables*.

Purchase Acquisition: See "Business combinations."

Put Option: See "Futures, forward, and standby contracts."

Real Estate, Loan Secured By: See "Loans secured by real estate."

Reciprocal Balances: Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, that is, when a subsidiary bank of the consolidated bank holding company has both a due to and a due from balance with another depository institution. For purposes of the FR Y-9C, reciprocal balances between subsidiaries of the reporting bank holding company and unrelated banks should be reported in accordance with generally accepted accounting principles.

GAAP permits financial institutions to net reciprocal balances where right of offset exists.

For a definition of "Commercial banks in the U.S.," see the Glossary entry for "Banks, U.S. and foreign."

Reinsurance: Reinsurance is the transfer, with indemnification, of all or part of the underwriting risk from one insurer to another for a portion of the premium or other consideration. Reinsurance contacts may be on an excess-of-loss or quota-share basis, the latter being when the primary underwriter and the reinsurer proportionately share all insured losses from the first dollar. Reinsurance includes insurance coverage arranged by a bank holding company affiliate such as a mortgage reinsurance company, underwritten by another underwriter and then returned or ceded in part or whole back to the mortgage reinsurance affiliate.

Reinsurance Recoverables: Reinsurance recoverables represent reimbursements expected by insurance underwriters, under reinsurance contracts governing underwriting coverage ceded to another insurer, for paid and unpaid claims, claim settlement expenses and other policy benefits. Reinsurance recoverables do not include insurance payments expected by the bank holding company as a result of policy claims filed by the company with insurance underwriters.

Renegotiated "Troubled" Debt: See "Troubled debt restructuring."

Reorganizations: See "Business combinations."

Repurchase Agreements to Maturity and Long-Term Repurchase Agreements: See "Repurchase/resale agreements."

Repurchase/Resale Agreements: A repurchase agreement is a transaction involving the ''sale'' of financial assets by one party to another, subject to an agreement by the ''seller'' to repurchase the assets at a specified date or in specified circumstances. A resale agreement (also known as a reverse repurchase agreement) is a transaction involving the ''purchase'' of financial assets by one party from another, subject to an agreement by the ''purchaser'' to resell the assets at a specified date or in specified circumstances.

As stated in the AICPA's *Audit and Accounting Guide for Banks and Savings Institutions*, dollar repurchase agreements (also called dollar rolls) are agreements to sell and repurchase similar but not identical securities. The dollar roll market consists primarily of agreements that involve mortgage-backed securities (MBS). Dollar rolls differ from regular repurchase agreements in that the securities sold and repurchased, which are usually of the same issuer, are represented by different certificates, are collateralized by different but similar mortgage pools (for example, single-family residential mortgages) and generally have different principal amounts.

General rule—Consistent with FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, repurchase and resale agreements involving financial assets (e.g., securities and loans), including dollar repurchase agreements, are either reported as (a) secured borrowings and loans or (b) sales and forward repurchase commitments based on whether the transferring (''selling'') institution maintains control over the transferred assets. (See Glossary entry for ''transfers of financial assets'' for further discussion of control criteria).

If a repurchase agreement both entitles and obligates the ''selling'' institution to repurchase or redeem the transferred assets from the transferee (''purchaser'') the ''selling'' institution should report the transaction as a secured borrowing if and only if the following conditions have been met:

(1) The assets to be repurchased or redeemed are the same or ''substantially the same'' as those transferred, as defined by FASB Statement No. 140.

(2) The ''selling'' institution has the ability to repurchase or redeem the transferred assets on substantially the agreed terms, even in the event of default by the transferee (''purchaser''). This ability is presumed to exist if the ''selling'' institution has obtained cash or other collateral sufficient to fund substantially all of the cost of purchasing replacement assets from others.

(3) The agreement is to repurchase or redeem the transferred assets before maturity, at a fixed or determinable price.

(4) The agreement is entered into concurrently with the transfer.

Participations in pools of securities are to be reported in the same manner as security repurchase/resale transactions.

Repurchase agreements reported as secured borrowings.—If a repurchase agreement qualifies as a secured borrowing, the ''selling'' institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities ''sold'' under agreements to repurchase are reported in Schedule HC, item 14(b), ''Securities sold under agreements to repurchase.''

(2) Financial assets (other than securities) ''sold'' under agreements to repurchase are reported as follows:

   (a) If the repurchase agreement has an original maturity of one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule HC, item 14(a), ''Federal funds purchased (in domestic offices),'' if it is a domestic office, and in Schedule HC, item 16, ''Other borrowed money,'' if it is a foreign office.

   (b) If the repurchase agreement has an original maturity of more than one business day or is not in immediately available funds, it should be reported in Schedule HC, item 16, ''Other borrowed money.''

In addition, the ''selling'' institution may need to record further entries depending on the terms of the agreement. If the ''purchaser'' has the right to sell or repledge noncash assets, the ''selling'' institution should recategorize the transferred financial assets as ''assets receivable'' and report them in Schedule HC, item 11, ''Other assets.'' Otherwise, the financial assets should continue to be reported in the same asset category as before the transfer (e.g., securities should continue to be reported in Schedule HC, item 2, ''Securities,'' or item 5, ''Trading Assets,'' as appropriate).

Resale agreements reported as secured borrowings.— Similarly, if a resale agreement qualifies as a secured borrowing, the ''purchasing'' institution should report the transaction as indicated below based on whether the agreement involves a security of some other financial asset.

(1) Securities ''purchased'' under agreements to resell reported in Schedule HC, item 3(b), ''Securities purchased under agreements to resell.''

(2) Financial assets (other than securities) ''purchased'' under agreements to resell are reported as follows:

  (a) If the resale agreement has an original maturity of one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule HC, item 3(a), ''Federal funds sold (in domestic offices),'' if it is in a domestic office, and in Schedule HC, item 4(b), ''Loans and leases, net of unearned income,'' if it is a foreign office.

  (b) If the resale agreement has an original maturity of more than one business day or is not in immediately available funds, it should be reported in Schedule HC, item 4(b), ''Loans and leases, net of unearned income.''

In addition, the ''purchasing'' institution may need to record further entries depending on the terms of agreement. If the ''purchasing'' institution has the right to sell the noncash assets it has ''purchased'' and sells these assets, it should recognize the proceeds from the sale and report its obligation to return the assets in Schedule HC, item 20, ''Other liabilities.'' If the ''selling'' institution defaults under the terms of the repurchase agreement and is no longer entitled to redeem the noncash assets, the ''purchasing'' institution should recognize these assets on its own balance sheet (e.g., securities should be reported in Schedule HC, item 2, ''Securities,'' or item 5, ''Trading assets,'' as appropriate) and initially measure them at fair value. However, if the ''purchasing'' insitution has already sold the assets it has ''purchased,'' it should derecognize its obligation to return the assets. Otherwise, the ''purchasing'' institution should not recognize the transferred financial assets (i.e., the financial assets ''purchased'' under the resale agreement) on its balance sheet.

Repurchase/resale agreements reported as sales.—If a repurchase agreement does not qualify as a secured borrowing under FASB Statement No. 140, the selling institution should account for the transaction as a sale of financial assets and a forward repurchase commitment. The selling institution should remove the transferred assets from its balance sheet, record the proceeds from the sale of transferred assets (including the forward repurchase commitment) and record any gain or loss on the transaction. Similarly, if a resale agreement does not qualify as a borrowing under FASB Statement No. 140, the purchasing institution should account for the transaction as a purchase of financial assets and a forward resale commitment. The purchasing institution should record the transferred assets on its balance sheet and initially measure them at fair value, record the payment for the purchased assets (including the forward resale commitment).

Reserve Balances, Pass-through: See ''Pass-through reserve balances.''

Sales of Assets for Risk-Based Capital Purposes: This entry should be read in conjunction with the Federal Reserve's final rule revising the regulatory capital treatment of recourse arrangements and direct credit substitutes, including residual interests and credit-enhancing interest-only strips, which was published on November 29, 2001. This entry provides guidance for determining whether sales of loans, securities, receivables, and other assets are subject to the agencies' risk-based capital standards and are reportable in Schedule HC-R, Regulatory Capital, and Schedule HC-S, Servicing, Securitization and Asset Sale Activities. For information on the reporting of transfers of financial assets for purposes of the balance sheet, income statement, and related schedules, see the Glossary entry for ''transfers of financial assets.''

For purposes of reporting in Schedules HC-R and HC-S, some transfers of assets that qualify as sales under generally accepted accounting principles are subject to the capital guidelines because they meet the following definition of "recourse" that is set forth in those guidelines.

Definition of ''recourse'' for risk-based capital purposes—As defined in capital guidelines, recourse means an arrangement in which a bank holding company retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the bank holding company's claim on the asset. If a bank holding company has no claim on an asset it has sold, then the retention of any credit risk is recourse.

A recourse obligation typically arises when an institution transfers assets on a sale and retains an obligation to repurchase the assets or absorb losses due to a default of principal or interest or any other deficiency in the performance of the underlying obligor or some other party. Recourse may also exist implicitly where a bank holding company provides credit enhancement beyond any contractual obligation to support assets it has sold.

The following are examples of recourse arrangements:

(1) Credit-enhancing representations and warranties made on the transferred assets, i.e., representations and warranties that are made in connection with a transfer of assets (including loan servicing assets) and that obligate a bank holding company to protect investors from losses arising from credit risk in the assets transferred or the loans serviced. Credit-enhancing representations and warranties include promises to protect a party from losses resulting from the default or nonperformance of another party or from an insufficiency in the value of collateral. Credit-enhancing representations and warranties do not include:

   (a) Early-default clauses and similar warranties that permit the return of, or premium refund clauses covering, qualifying 1–4 family residential first mortgage loans, i.e., those that qualify for a 50 percent risk weight for risk-based capital purposes, for a period of 120 days from the date of transfer. These warranties may cover only those loans that were originated within 1 year of the date of transfer.

   (b) Premium refund clauses covering assets guaranteed, in whole or in part, by the U.S. Government, a U.S. Government agency, or a U.S. Government-sponsored agency, provided the premium refund clauses are for a period not to exceed 120 days from the date of transfer.

   (c) Warranties that permit the return of assets in instances of fraud, misrepresentation, or incomplete documentation.

(2) Loan servicing assets retained pursuant to an agreement under which the bank holding company does one or more of the following:

   (a) Is responsible for losses associated with the loans serviced.

   (b) Is responsible for making mortgage servicer cash advances, i.e., funds that a residential mortgage servicer advances to ensure an uninterrupted flow of payments or the timely collection of residential mortgage loans, including disbursements made to cover foreclosure costs or other expenses arising from a mortgage loan to facilitate its timely collection. A mortgage servicer cash advance is not a recourse obligation if:

      (i) the mortgage servicer is entitled to full reimbursement or, for any one residential mortgage loan, nonreimbursable advances are limited to an insignificant amount of the outstanding principal on that loan, and

      (ii) the servicer's entitlement to reimbursement is not subordinated.

   (c) Makes credit-enhancing representations and warranties on the serviced loans.

(3) Retained subordinated interests that absorb more than their pro rata share of losses from the underlying assets.

(4) Assets sold under an agreement to repurchase, if the assets are not already included on the balance sheet.

(5) Loan strips sold without contractual recourse where the maturity of the transferred portion of the loan is shorter than the maturity of the commitment under which the loan is drawn.

(6) Credit derivative contracts under which the bank holding company retains more than its pro rata share of credit risk on transferred assets.

(7) Clean-up calls, except that calls that are exercisable at the option of the bank holding company (as servicer or as an affiliate of the servicer) only when the pool balance is 10 percent or less of the original pool balance are not recourse.

In addition, all recourse arrangements in the form of on-balance sheet assets are ‘‘residual interests.’’ The capital guidelines define ‘‘residual interest’’ to mean any on-balance sheet asset that represents an interest (including a beneficial interest) created by a transfer that qualifies as a sale (in accordance with generally accepted accounting principles) of financial assets, whether through a securitization or otherwise, and that exposes a bank holding company to credit risk directly or indirectly associated with the transferred asset that exceeds a pro rata share of the bank holding company's claim on the asset, whether through subordination provisions or other credit enhancement techniques. In general, residual interests include credit-enhancing interest-only strips, spread accounts, cash collateral accounts, retained subordinated interests, other forms of overcollateralization, accrued but uncollected interest on transferred assets that (when collected) will be available to serve in a credit-enhancing capacity, and similar on-balance sheet assets that function as a credit enhancement.

If an asset transfer that qualifies for sale treatment under generally accepted accounting principles meets the preceding definition of ‘‘recourse,’’ the transaction *must* be treated as an ‘‘asset sale with recourse’’ for purposes of reporting risk-based capital information in Schedule HC-R. The transaction must also be reported as an asset sale with recourse in Schedule HC-S, item 1 or item 11, as appropriate, depending on whether the asset was securitized by the reporting institution.

Assets transferred in transactions that do not qualify as sales under generally accepted accounting principles should continue to be reported as assets on the balance sheet and are subject to the capital guidelines.

Summary Description of the Risk-Based Capital Treatment of Recourse Arrangements—Under the capital guidelines, in general, a bank holding company must hold risk-based capital against the entire outstanding amount of the assets sold with recourse. However, some of the exceptions to this general rule include the following:

(1) Under the low-level exposure provisions of the capital guidelines, the risk-based capital requirement for a recourse arrangement is limited to the maximum contractual loss exposure when this amount is less than the amount of risk-based capital that would be required to be held against the entire outstanding amount of the assets sold.

(2) For a residual interest or other recourse exposure in a securitization (other than a credit-enhancing interest-only strip) that qualifies for the ratings-based approach, the required amount of risk-based capital is determined based on the relative risk of loss of the residual interest or other recourse exposure.

(3) For a residual interest that does not qualify for the ratings-based approach, including a credit-enhancing interest-only strip that is not deducted from Tier 1 capital under the concentration limit, the residual interest is subject to a dollar-for-dollar capital charge.

(4) Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, risk-based capital must be held against the amount of recourse retained on small business obligations transferred with recourse.

For further information on the reporting of recourse arrangements for risk-based capital calculation purposes, refer to the instructions for Schedule HC-R, Regulatory Capital, including the sections of instructions on ‘‘Risk-Weighted Assets’’ and ‘‘Balance Sheet Asset Categories’’ and the instructions for the following Schedule HC-R items:

- Item 49, ‘‘Retained recourse on small business obligations sold with recourse;’’
- Item 50, ‘‘Recourse and direct credit substitutes (other than financial standby letters of credit) subject to the low level exposure rule and residual interests subject to a dollar-for-dollar capital requirement;’’ and
- Item 51, ‘‘All other financial assets sold with recourse.’’

Interpretations and illustrations of the definition of ‘‘recourse’’ for risk-based capital purposes:

(1) For any given asset transfer, the determination of whether credit risk is retained by the transferring institution in excess of a pro rata share of its claim on the asset is to be based upon the substance of the transfer agreement or other relevant documents or informal commitments and understandings, or subsequent actions of the parties to the transactions, not upon the form or particular terminology used. The presence of a bona fide ‘‘sale with recourse’’ provision would establish the transaction as an asset sale with recourse for purposes of risk-based capital and

Schedules HC-R and HC-S. However, the absence of a recourse provision, the absence of the term ''recourse,'' even the presence of a statement to the effect that there is no recourse or, in the case of a participation, the use of the terms ''pass-through'' or ''pure pass-through'' will *not* by themselves establish a transaction as a sale that is not subject to risk-based capital. If other conditions and provisions of the transfer are such as to leave the transferor with credit risk as described in the definition of recourse, the transfer is an asset sale with recourse for purposes of risk-based capital and Schedules HC-R and HC-S.

(2) If assets are sold subject to specific contractual terms that limit the seller's recourse liability to *a percentage of the amount of assets sold or to a specific dollar amount and this percentage or amount exceeds a pro rata share of the seller's claim on the assets*, the transaction represents an asset sale with recourse for risk-based capital purposes. For example, if assets are sold subject to a ten percent recourse liability provision (i.e., the seller's credit risk is limited to ten percent of the amount of assets sold) with no other retention of credit risk by the seller, the *total* outstanding amount of the assets sold is subject to risk-based capital, not just ten percent of the assets sold, unless the low level exposure rule (discussed in the instructions to Schedule HC-R, item 50) applies.

(3) Among the transfers where credit risk has been retained by the seller and that should be considered by the seller as asset sales with recourse for purposes of risk-based capital and Schedules HC-R and HC-S are arrangements such as the following (this list is illustrative of the principles involved in the application of the definition of ''recourse'' and is not all-inclusive)—

(a) the sale of an asset with a realistic bona fide put option allowing the purchaser, at its option, to return the asset to the seller;

(b) the sale of an asset guaranteed by a standby letter of credit issued by the seller;

(c) the sale of an asset guaranteed by a standby letter of credit issued by any other party in which the credit risk on the asset sold, either directly or indirectly, rests with the seller;

(d) the sale of an asset guaranteed by an insurance contract in which the seller, either directly or indirectly, indemnifies or otherwise protects the insurer in any manner against credit risk; and

(e) sales and securitizations of assets which use contractual cash flows (e.g., interest-only strips receivable and so-called ''spread accounts''), retained subordinated interests, or retained securities (e.g., collateral invested amounts and cash collateral accounts) as credit enhancements.

(4) The sale of a loan or other asset subject to an agreement under which the seller will pass through to the purchaser a rate of interest that differs from the stated rate of interest on the transferred asset would not, for this reason alone, require the transaction to be treated as an asset sale with recourse for risk-based capital purposes provided (1) the seller's obligation to pass interest through to the purchaser is contingent upon the continued interest payment performance of the underlying obligor of the transferred asset (i.e., the seller has no obligation to pass interest through if the obligor defaults in whole or in part on interest or principal) and (2) none of the other characteristics of the sale or participation causes the transaction to meet the definition of ''recourse.''

(5) The definition of ''recourse'' applies to all transfers of assets, including sales of a single asset or of a pool of assets and sales of participations in a single asset or in a pool of assets (whether of similar or dissimilar instruments). In participations that qualify for sale treatment under generally accepted accounting principles and are not ''syndications'' (as described in the Glossary item for that term), the seller of the participations should handle the transfer of shares to participants in accordance with the definition of ''recourse,'' even though the assets being participated were acquired or accumulated for the express purpose of issuing participations and even though the participation was prearranged with the purchasers of the participations. However, the definition of ''recourse'' does not apply to the *initial* operation and distribution of participations in the form of syndications, since in a syndication there is no transfer of assets involved of the type to which this definition is addressed. Any *subsequent* transfers of shares, or parts of shares, in a syndicated loan would be subject to the ''recourse'' definition.

(6) The definition of ''recourse'' (and these interpretations and illustrations) is also applicable to asset transfers that are made to special or limited purpose entities that are not technically affiliated with the seller. Regardless of the legal structure of the transaction, if credit risk is retained by the seller, either contractually or otherwise, either directly or indirectly, the seller should treat the transaction as an asset sale with recourse for purposes of risk-based capital and Schedules HC-R and HC-S even if the sale to the special purpose entity is stated as being without recourse.

Savings Deposits: See ''Deposits.''

Securities Borrowing/Lending Transactions: Securities borrowing/lending transactions are typically initiated by broker–dealers and other financial institutions that need specific securities to cover a short sale or a customer's failure to deliver securities sold. A transferee (''borrower'') of securities generally is required to provide ''collateral'' to the transferor (''lender'') of securities, commonly cash but sometimes other securities or standby letters of credit, with a value slightly higher than that of the securities ''borrowed.''

Most securities borrowing/lending transactions do not qualify as sales under FASB Statement No. 140 because the agreement entitles and obligates the securities lender to repurchase or redeem the transferred assets before their maturity. (See the Glossary entry for ''transfers of financial assets'' for further discussion of sale criteria.) When such transactions do not qualify as sales, securities lenders and borrowers should account for the transactions as secured borrowings in which cash (or securities that the holder is permitted by contract or custom to sell or repledge) received as ''collateral'' by the securities lender is considered the amount borrowed, the securities ''loaned'' are considered pledged as collateral against the amount borrowed, and the ''loaned securities'' are recategorized on the securities lender's balance sheet as ''assets receivable'' and reported in Schedule HC, item 11, ''Other assets.''

If the securities borrowing/lending transaction meets the criteria for a sale under FASB Statement No. 140, the lender of the securities should remove the securities from its balance sheet, record the proceeds from the sale of the securities (including the forward repurchase commitment), and recognize any gain or loss on the transaction. The borrower of the securities should record the securities on its balance sheet at fair value and record the payment for the purchased assets (including the forward resale commitment).

Securities, Participations in Pools of: See ''Repurchase/resale agreements.''

Separate Accounts: Separate accounts are employed by life insurers to segregate and account for assets and related liabilities maintained to meet specific investment objectives of contractholders. The accounts are often maintained as separate accounting entities for pension plans as well as fixed benefit, variable annuity and other products on which the customer and not the insurer retains all or most of the investment and/or interest rate risk. Investment income and investment gains and losses generally accrue directly to such contractholders and are not accounted for on the general accounts of the insurer. The carrying values of separate account assets and liabilities usually approximate each other with little associated capital reflected on the books of the insurer. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the company.

Servicing Assets and Liabilities: The accounting and reporting standards for servicing assets and liabilities are set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* and FASB Statement No. 65, *Accounting for Certain Mortgage Banking Activities* as amended by Statement No. 140. A summary of the relevant sections of these accounting standard follows. For further information, see FASB Statements No. 140 and No. 65 and the Glossary entry for ''Transfers of Financial Assets.''

Servicing of mortgage loans, credit card receivables, or other financial assets includes, but is not limited to, collecting principal, interest, and escrow payments from borrowers; paying taxes and insurance from escrowed funds; monitoring delinquencies; executing foreclosure if necessary; temporarily investing funds pending distribution; remitting fees to guarantors, trustees, and others providing services; and accounting for and remitting principal and interest payments to the holders of beneficial interests in the financial assets. Servicers typically receive certain benefits from the servicing contract and incur the costs of servicing the assets.

Servicing is inherent in all financial assets; it becomes a distinct asset or liability only when contractually separated from the underlying financial assets by sale or securitization of the assets with servicing retained or by a separate purchase or assumption of the servicing. When a bank holding company undertakes an obligation to service financial assets, it must recognize a servicing asset or liability for that servicing contract unless it securitizes the assets, retains all of the resulting securities, and classifies the securities as held-to-maturity debt securities. Servicing assets result from contracts to service financial assets for which the benefits of servicing (revenues from contractually specified servicing fees, late charges, and other ancillary sources) are expected to more than adequately compensate the servicer for performing the servicing. Servicing liabilities result from contracts to service financial assets for which the benefits of servicing are not expected to adequately compensate the servicer for performing the servicing. Contractually specified servicing fees are all amounts that, per contract, are due to the servicer in exchange for servicing the financial asset and would no longer be received by a servicer if the beneficial owners of the serviced assets or their trustees or agents were to exercise their actual or potential authority under the contract to shift the servicing to another servicer. Adequate compensation is the amount of benefits of servicing that would fairly compensate a substitute servicer should one be required including the profit that would be demanded by a substitute servicer in the marketplace.

When a bank holding company sells or securitizes financial assets and retains the servicing asset, the bank shall allocate the cost of the financial assets to the servicing assets and the financial assets (without the servicing) based on their relative fair values. If it is not practicable to estimate the fair values of the servicing assets and the financial assets (without the servicing), the entire cost shall be allocated to the financial assets (without the servicing) and no cost shall be allocated to the servicing assets. If a bank holding company incurs a servicing liability in a sale or securitization, the servicing liability should initially be measured at fair value. If a bank holding company securitizes assets, retains all of the resulting securities, and classifies the securities as held-to-maturity debt securities, no separate servicing asset or liability shall be recorded. If a bank purchases servicing assets or assumes servicing liabilities in a transaction other than a sale or securitization of the financial assets being serviced, the asset or liability shall be recorded at fair value. For purchased servicing assets, the fair value is presumptively the price paid to acquire the servicing.

All servicing assets and liabilities carried on the books of reporting bank holding companies shall be amortized in proportion to, and over the period of, estimated net servicing income (servicing revenue in excess of servicing costs) or net servicing loss (servicing costs in excess of servicing revenue). The book value of servicing assets and liabilities should be reviewed at least quarterly. If the book value of a stratum of a servicing asset exceeds its fair value, the servicing asset is considered to be impaired and the book value shall be reduced to fair value through a valuation allowance for that stratum. The servicing assets shall be stratified into groups based on one or more of the predominant risk characteristics of the underlying financial assets for purposes of determining fair value. If the fair value of a servicing liability increases above the book value, the increased obligation shall be recognized as a loss in current earnings. The fair value of servicing assets (liabilities) is the amount at which the assets (liabilities) could be bought (incurred) or sold (settled) in a bona fide transaction between willing parties.

For purposes of the FR Y-9C, servicing assets resulting from contracts to service loans secured by real estate (as defined for Schedule HC-C, item 1, in the Glossary entry for ‘‘Loans secured by real estate’’) should be reported in Schedule HC-M, item 12(a), ‘‘Mortgage servicing assets.’’ Servicing assets resulting from contracts to service all other financial assets should be reported in Schedule HC-M, item 12(b), ‘‘Purchased credit card relationships and nonmortgage servicing assets.’’

Settlement Date Accounting: See ‘‘Trade date and settlement date accounting.’’

Shell Branches: Shell branches are limited service branches of banks that do not conduct transactions with residents, other than with other shell branches, in the country in which they are located. Transactions at shell branches are usually initiated and effected by their head office or by other related branches outside the country in which the shell branches are located, with records and supporting documents maintained at the initiating offices. Examples of such locations are the Bahamas and the Cayman Islands.

Short Position: When a bank holding company or its consolidated subsidiaries sell an asset that they do not own, they have established a short position. If on the report date a bank holding company or its subsidiaries are in a short position, it shall report its liability to purchase the asset in Schedule HC, item 15, ''Trading liabilities.'' In this situation, the right to receive payment shall be reported in Schedule HC, item 11, ''Other assets.'' Short positions shall be reported gross. Short trading positions shall be revalued consistent with the method used by the reporting bank holding company for the valuation of its trading account assets.

Standby Contract: See ''Futures, forward, and standby contracts.''

Standby Letter of Credit: See ''Letter of credit.''

Start-Up Activities: Guidance on the accounting and reporting for the costs of start-up activities, including organization costs, is set forth in AICPA Statement of Position 98-5, *Reporting on the Costs of Start-Up Activities*. A summary of this accounting guidance follows. For further information, see AICPA Statement of Position 98-5.

Start-up activities are defined broadly as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, or commencing some new operation. Start-up activities include activities related to organizing a new entity, such as a new bank holding company, the costs of which are commonly referred to as organization costs. Organization costs for a bank holding company are the direct costs incurred to incorporate the bank holding company. Such costs include, but are not limited to, professional (e.g., legal, accounting, and consulting) fees and printing costs directly related to the incorporation process, and the cost of economic impact studies. Costs of start-up activities, including organization costs, should be expensed as incurred. Costs of acquiring or constructing premises and fixed assets and getting them ready for their intended use are not start-up costs, but costs of using such assets that are allocated to start-up activities (e.g., depreciation of computers) are considered start-up costs.

For a new bank holding company, pre-opening expenses such as salaries and employee benefits, rent, depreciation, supplies, directors' fees, training, travel, postage, and telephone are considered start-up costs. Pre-opening income earned and expenses incurred from the bank holding company's inception through the date the bank holding company commences operations should be reported in the income statement using one of the two following methods, consistent with the manner in which the reporting bank holding company reports pre-opening income and expenses for other financial reporting purposes: (1) Pre-opening income and expenses for the entire period from the bank holding company's inception through the date the bank holding company commences operations should be reported in the appropriate items of Schedule HI, Consolidated Report of Income, each quarter during the calendar year in which operations commence; or (2) The net amount of pre-opening income and expenses for the period from the bank holding company's inception until the beginning of the calendar year in which the bank holding company commences operations should be included, along with the bank holding company's opening (original) equity capital, in Schedule HI-A, item 14, ''Other adjustments to equity capital (not included above).'' The net amount of these pre-opening income and expenses should be identified and described in the ''Notes to the Income Statement.'' Pre-opening income earned and expenses incurred during the calendar year in which the bank holding company commences operations should be reported in the appropriate items of Schedule HI, Consolidated Report of Income, each quarter during the calendar year in which operations commence.

STRIPS: See ''Coupon Stripping, Treasury Receipts, and STRIPS.''

Subordinated Notes and Debentures: A subordinated note or debenture is a form of debt issued by a bank holding company or its subsidiaries. When issued by a subsidiary bank, a subordinated note or debenture is not insured by a federal agency, is subordinated to the claims of depositors, has an original weighted average maturity of five years or more. Such debt shall be issued by a bank with the approval of, or under the rules and regulations of, the appropriate federal bank supervisory agency (i.e., the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, or the Federal Deposit Insurance Corporation).

When issued by a bank holding company or its consolidated nonbank subsidiaries, a subordinated note or debenture is a form of unsecured long-term debt that is subordinated to other debt of the consolidated bank holding company.

Both notes and debentures subordinated to deposits and other subordinated notes and debentures of the bank holding company are to be reported in Schedule HC, item 19, ''Subordinated notes and debentures.''

Subsidiaries: The treatment of subsidiaries in the FR Y-9C depends upon the degree of ownership held by the reporting bank holding company.

The term ''*subsidiary*'' is defined under Section 225. 2 of Federal Reserve Regulation Y, which generally includes companies 25 percent or more owned or controlled by another company. However, for purposes of the Consolidated Financial Statements for Bank Holding Companies, a *subsidiary* is a company in which the parent bank holding company directly or indirectly owns more than 50 percent of the outstanding voting stock.

An *associated company* is a corporation in which the bank holding company, directly or indirectly, owns 20 to 50 percent of the outstanding voting stock and over which the bank holding company exercises significant influence. This 20 to 50 percent ownership is presumed to carry ''significant'' influence unless the bank holding company can demonstrate the contrary to the satisfaction of the Federal Reserve.

A *corporate joint venture* is a corporation owned and operated by a group of companies (''joint venturers''), no one of which has a majority interest, as a separate and specific business or project for the mutual benefit of the joint venturers. Each joint venturer may participate, directly or indirectly, in the management of the joint venture. An entity that is a majority-owned subsidiary of one of the joint venturers is not a corporate joint venture.

Certain subsidiaries (as specified in the General Instructions section of this book) must be consolidated on the FR Y-9C. The equity ownership in subsidiaries that are not consolidated on the FR Y-9C and in associated companies is accounted for using the equity method of accounting and is reported in Schedule HC, item 8, ''Investments in unconsolidated subsidiaries and associated companies.''

Ownership in a corporate joint venture is to be treated in the same manner as an associated company (defined above) only to the extent that the equity share represents significant influence over management. Otherwise, equity holdings in a joint venture are treated as holdings of corporate stock and income is recognized only when distributed in the form of dividends.

''Super NOW'' Account: See ''Deposits.''

Suspense Accounts: Suspense accounts are temporary holding accounts in which items are carried until they can be identified and their disposition to the proper account can be made. The items included in these accounts should be reviewed and should be reported in the appropriate accounts of the FR Y-9C.

Syndications: A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any even each participant shall fund and be at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by *all* the participants, although there is usually a lead institution organizing or managing the credit. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participations.

Each participant in the syndicate, including the lead bank of the bank holding company, records its own share of the participated loan and the total amount of the loan is not entered on the books of one bank to be shared through transfers of loans. Thus, the initial operation and distribution of this type of participation does not require a determination as to whether a transfer that should be accounted for as a sale has occurred. However, any subsequent transfers of shares, or parts of shares, in the syndicated loan would be subject to the provisions of FASB Statement No. 140 governing whether these transfers should be accounted for as a sale or a secured borrowing. (*See* the Glossary entry for ''transfers of financial assets.'')

Telephone Transfer Account: See ''Deposits.''

Term Federal Funds: See ''Federal funds transactions.''

Time Deposits: See ''Deposits.''

Trade Date and Settlement Date Accounting: Transactions in securities and trading account assets (including money market instruments) should be reported on the basis of trade date accounting in accordance with generally accepted accounting principles. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method a bank holding company elects should be used consistently, unless the bank holding company has elected settlement date accounting and subsequently decides to change to the preferred trade date method.

Under trade date accounting, assets purchased shall be recorded in the appropriate asset category on the trade date and the bank holding company's (or its consolidated subsidiaries') obligation to pay for those assets shall be reported in ''Other liabilities.'' Conversely, when an asset is sold, it shall be removed on the trade date from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in ''Other assets.'' Any gain or loss resulting from such transaction shall also be recognized on the trade date. On the settlement date, disbursement of the payment or receipt of the proceeds will eliminate the respective ''Other liability'' or ''Other asset'' entry resulting from the transaction.

Under settlement date accounting, assets purchased are not recorded until settlement date. On the trade date, no entries are made. Upon receipt of the assets on the settlement date, the asset is reported in the proper asset category and payment is disbursed. The selling bank holding company (or its consolidated subsidiaries) on the trade date, would make no entries. On settlement date, the selling bank holding company would reduce the appropriate asset category and reflect the receipt of the payment. Any gain or loss resulting from such transaction would be recognized on the settlement date.

Trading Account: Bank holding companies that (a) regularly underwrite or deal in securities, interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquire or take 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) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report such assets or positions as trading assets or liabilities.

All trading assets should be segregated from a bank holding company's other assets and reported in Schedule HC, item 5, ''Trading assets.'' In addition, for bank holding companies with average trading assets of $2 million or more (from Schedule HC-K), the types of assets and liabilities in the trading account should be detailed in Schedule HC-D, ''Trading Assets and Liabilities.'' A bank holding company's failure to establish a separate account for assets that are used for trading purposes does not prevent such assets from being designated as trading for purposes of this report. For further information, see the FFIEC Supervisory Policy Statement on Securities Activities and FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

All trading account assets should be reported at their fair value with unrealized gains and losses recognized in current income. When a security or other asset is acquired, a bank holding company should determine whether it intends to hold the asset for trading or for investment (e.g., for securities, available-for-sale or held-to-maturity). A bank holding company should not record a newly acquired asset in a suspense account and later determine whether it was acquired for trading or investment purposes. Regardless of how a bank holding company categorizes a newly acquired asset, management should document its decision.

All trading liabilities should be segregated from other transactions and reported in Schedule HC, item 15, ''Trading liabilities.'' The trading liability account includes the fair value of derivative contracts held for-trading that are in loss positions and short sales of securities and other assets. Trading account liabilities should be reported at fair value with unrealized gains and losses recognized in current income in a manner similar to trading account assets.

Given the nature of the trading account, transfers into or from the trading category should be rare. Transfers between a trading account and any other account of the bank holding company must be recorded at fair value at the time of the transfer. For a security transferred from the trading category, the unrealized holding gain or loss at the date of the transfer will already have been recognized in earnings and should not be reversed. For a security transferred into the trading category, the unrealized holding gain or loss at the date of the transfer should be recognized in earnings.

For purposes of this report, short sales of securities or other assets are treated as trading transactions because such sales are entered into with the intent to profit from short-term price movements. Nonetheless, the obligation incurred in a short sale should *not* be netted against trading assets, but should be recorded as a liability in Schedule HC, item 15, ''Trading liabilities,'' and in Schedule HC-D, item 13, ''Liability for short positions.'' (See the Glossary entry for ''short position.'')

Transaction Account: See ''Deposits.''

Transfers of Financial Assets: The accounting and reporting standards for transfers of financial assets are set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* which replaces FASB Statement No. 125 of the same name. These standards are based on consistent application of a financial components approach that focuses on control. Under the financial components approach, after the reporting bank holding company transfers financial assets, it recognizes the financial and servicing assets it controls and the liabilities it has incurred, removes financial assets from the balance sheet when control has been surrendered, and removes liabilities from the balance sheet when extinguished. A summary of those accounting and reporting standards follows. For further information, see FASB Statement No. 140, the FASB staff implementation guide to statement No. 140, and the Glossary entries for ''Extinguishments of Liabilities'' and ''Servicing Assets and Liabilities.''

FASB Statement No. 140 is effective for transfers of assets, including repurchase agreements, loan participations, dollar-rolls, securities lending, and similar transactions, occurring after March 31, 2001. However, the provisions of Statement No. 140 governing the accounting for collateral are effective for December 31, 2000, year-end financial statements. Bank holding companies should apply Statement No. 140 prospectively after its effective dates, with earlier or retroactive application not permitted, except for the provisions of this accounting standard applicable to servicing contracts in existence before January 1, 1997 (see the Glossary entry for ''Servicing Assets and Liabilities''), and financial assets subject to prepayment held on or acquired after January 1, 1997 (discussed below in this Glossary entry). Statement No. 125 generally applies to transfers of financial assets occurring after December 31, 1996, but before April 1, 2001.

A financial asset is cash, evidence of an ownership interest in another entity, or a contract that conveys to the bank holding company a contractual right either to receive cash or another financial instrument from another entity or to exchange other financial instruments on potentially favorable terms with another entity. Most of the assets on a bank holding company's balance sheet are financial assets, including balances due from depository institutions, securities, federal funds sold, securities purchased under agreements to resell, loans and lease financing receivables, and interest-only strips receivable.[5] However, servicing assets are not financial assets. Financial assets also include financial futures contracts, forward contracts, interest rate swaps, interest rate caps, interest rate floors, and certain option contracts.

Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing: A bank holding company should account for a transfer of its financial assets (or a transfer of all or a portion of one of its financial assets) in which it surrenders control over those financial assets as a sale to the extent that it receives consideration other than beneficial interests in the transferred assets in exchange. According to Statement No. 140, a transferor (i.e., the entity that transfers all or a portion of one or more financial assets) has surrendered control over transferred assets, and therefore has sold the assets, if and only if all three of the following conditions are met:

(1) The transferred assets have been isolated from the transferor, i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.

(2) Each transferee (i.e., the entity that recieves all or a portion of one or more financial assets from the transferor), or each holder of the beneficial interests in a qualifying special purpose entity that is a transferee, has the right to pledge or exchange the assets it received, and no condition both restrains the transferee from taking advantage of that right and provides more than a trivial benefit to the transferor.

5. Both Statement Nos. 125 and 140 define an interest-only strip receivable as 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.

(3) The transferor does not maintain effective control over the transferred assets through (a) an agreement that both entitles and obligates it to repurchase or redeem the transferred assets before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call option.

If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not satisfy the criteria for sale treatment, the transfer should be accounted for as a secured borrowing with pledge of collateral.

Accounting for a Transfer That Qualifies as a Sale: Upon the completion of a transfer of financial assets that satisfies all three of the conditions to be accounted for as a sale, the purchaser(s) must recognize on the balance sheet all assets obtained and any liabilities incurred and initially measure them at fair value. The aggregate fair value is presumed to be the price paid by the purchaser(s). As for the selling bank holding company, it must:

(1) Remove all assets sold from the balance sheet while continuing to carry on its balance sheet any retained interest in the transferred assets, including, if applicable, servicing assets, retained undivided interests, and beneficial interests in assets transferred to a qualifying special-purpose entity in a securitization. The selling bank holding company must allocate the amount at which the transferred assets were carried on the balance sheet at the date of the transfer between the assets sold and the retained interests, if any, based on their relative fair values at that date.

(2) Recognize on the balance sheet all cash, derivative financial instruments, and other assets obtained and all servicing liabilities and other liabilities incurred in consideration as proceeds of the sale. Derivatives include put or call options held or written (e.g., guarantee or recourse obligations), forward commitments (e.g., commitments to deliver additional receivables in some securitizations), and swaps (e.g., provisions that convert interest rates from fixed to variable).

(3) Initially measure the assets obtained and liabilities incurred in a sale at fair value. However, if it is not practicable to estimate the fair value of an asset obtained, the selling bank holding company must record the asset at zero. If it is not practicable to estimate the fair value of a liability incurred, the selling bank holding company must not recognize any gain on the sale. The liability should be recorded on the balance sheet at the greater of:

(a) The amount, if any, by which the fair values of the assets obtained in the sale less the fair values of the liabilities incurred in the sale exceeds the sum of the carrying values of the assets transferred, or

(b) The amount of loss that is probable of occurring in accordance with FASB Statement No. 5, *Accounting for Contingencies*, as interpreted by FASB Interpretation No. 14, *Reasonable Estimation of the Amount of a Loss*. Under that interpretation, when the reasonable estimate of the loss is a range and some amount within the range appears at the time to be a better estimate than any other amount within the range, that amount should be considered probable. When no amount within the range is a better estimate than any other amount, the minimum amount in the range should be considered probable.

(4) Recognize in income any gain or loss on the sale.

Bank holding companies should refer to FASB Statement No. 140 for implementation guidance for accounting for transfers of partial interests, transfers of certain lease receivables, securities lending transactions, repurchase agreements including ‘‘dollar rolls,’’ ‘‘wash sales,’’ loan syndications, loan participations (discussed below), risk participations in bankers acceptances, factoring arrangements, and transfers of receivables with recourse. However, this accounting standard does not provide guidance on the accounting for most assets and liabilities recorded on the balance sheet following a transfer accounted for as a sale. As a result, after their initial measurement or carrying amount allocation, these assets and liabilities should be accounted for in accordance with the existing generally accepted accounting principles applicable to them.

Loan Participations: FASB Statement No. 140 applies to loan participations occurring after March 31, 2001, including transfers by the originating lender to a participating institution that takes place after that date under loan participation agreements that originated before April 1, 2001. However, for transfers by a consolidated FDIC-insured institution, the isolation test in Statement No. 140 (described above under ‘‘Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing'') applies to transfers occuring after December 31, 2001. If the loan participation agreement gives a participating institution the right to pledge or exchange the participation, the isolation test has been met, and the originating lender does not maintain effective control over the participation, then the conditions for the surrender of control have been met and the originating lender should account for transfers to the participating institution as sales of financial assets.

An originating lender's right of first refusal on a bona fide offer to the participating institution from a third party, a requirement for a participating institution to obtain the originating lender's permission that shall not be unreasonably withheld, or a prohibition on the participating institution's sale of the participation to the originating lender's competitor is a limitation on the participating institutions rights, but is presumed not to constrain a participant from exercising its right to pledge or exchange the participation. However, if the participation agreement constrains the participating institution from pledging or exchanging its participation, the originating lender has not relinquished control over the loan and should account for the transfer as a secured borrowing.

A loan participation agreement may give the originating lender the contractual right to repurchase a loan participation at any time. In this situation, the right to repurchase is effectively a call option on a specific loan participation, i.e., a participation that is not readily obtainable in the marketplace. Regardless of whether this option is freestanding or attached, it either constrains the participating institution from pledging or exchanging its participation or results in the originating lender maintaining effective control over the participation. As a consequence, the contractual right to repurchase precludes sale accounting and the transfer should be accounted for as a secured borrowing.

In addition, under a loan participation agreement, the originating lender may give the participating institution the right to resell the participation, but reserves the right to call the loan participation at any time from whomever holds it and can enforce that right by discontinuing the flow of interest to the holder of the participation at the call date. In this situation, the originating lender has maintained effective control over the particiaption and the transfer should be accounted for as a secured borrowing, not as a sale.

If an originating consolidated FDIC-insured lender has transferred a loan participation to a participating institution with recourse prior to January 1, 2002, the existence of the recourse obligation in and of itself does not preclude sale accounting for the transfer under Statement No. 140. If a loan participation with recourse prior to January 1, 2002, meets the three conditions identified above in order for the transferor to have surrendered control over the transferred assets, the transfer should be accounted for as a sale for financial reporting purposes. However, a loan participation sold with recourse is subject to the banking agencies' risk-based capital requirements as discussed in the Glossary entry for ''sales of assets for risk-based capital purposes'' and in the instructions for Schedule HC-R, Regulatory Capital.

If an originating consolidated FDIC-insured lender transfers a loan participation with recourse after December 31, 2001, the participation generally will not be considered isolated from the transferor, i.e., the originating lender, in the event of an FDIC receivership. Section 360.6 of the FDIC's regulations limits the FDIC's ability to reclaim loan participations transferred ''without recourse,'' as defined in the regulations, but does not limit the FDIC's ability to reclaim loan participations transferred with recourse. Under Section 360.6, a participation that is subject to an agreement that requires the originating lender to repurchase the participation or to otherwise compensate the participating institution due to a default on the underlying loan is considered a participation ''with recourse.'' As a result, a loan participation transferred ''with recourse'' after December 31, 2001, generally should be accounted for as a secured borrowing and not as a sale for financial reporting purposes. This means that the originating lender should not remove the participation from its loan assets on the balance sheet, but should report the secured borrowing in Schedule HC, item 16, ''Other borrowed money.''

Financial Assets Subject to Prepayment: Financial assets such as interest-only strips receivable and certain loans, debt securities, other receivables, and retained interests in securitizations can be contractually prepaid or otherwise settled in such a way that the holder of the financial asset would not recover substantially all of its recorded investment. After their initial recording on the balance sheet, financial assets of this type must be subsequently measured at fair value like available-for-sale securities or trading securities.

Traveler's Letter of Credit: See ''Letter of credit.''

Treasury Stock: Treasury stock is stock that the bank holding company has issued and subsequently acquired, but that has not been retired or resold. As a general rule, treasury stock is to be carried at cost and is a deduction from a bank holding company's total equity capital.

''Gains'' and ''losses'' on the sale, retirement, or other disposal of treasury stock are not to be reported in Schedule HI, Income Statement, but should be reflected in Schedule HI-A, items 7 and 8, ''Sale of treasury stock,'' and ''Purchase of treasury stock.'' Such gains and losses, as well as the excess of the cost over the par value of treasury stock carried at par, are generally to be treated as adjustments to Schedule HC, item 25, ''Surplus.''

For further information, see Accounting Research Bulletin No. 43, as amended by APB Opinion No. 6.

Troubled Debt Restructuring: The accounting standards for troubled debt restructurings are set forth in FASB Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*, as amended by FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. A summary of this amended accounting standard follows. For further information, see FASB Statements No. 15 and No. 114.

A troubled debt restructuring is a restructuring in which a bank holding company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. The restructuring may include (1) the transfer from the borrower to the bank holding company of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan or other debt instrument (hereafter referred to collectively as a ''loan''), (2) a modification of the loan terms, or (3) a combination of the above. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not to be reported as a restructured loan.

The recorded amount of a loan is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest.

In cases where the new terms of the restructured troubled debt provide for a reduction of either interest *or* principal (referred to as a modification of terms), the institution should measure any loss on the restructuring in accordance with the guidance concerning impaired loans set forth in the Glossary entry for ''loan impairment,'' except that a troubled debt restructuring involving a modification of terms before the effective date of FASB Statement No. 114 may continue to be accounted for and disclosed in accordance with FASB Statement No. 15 as long as the restructured loan is not impaired based on the terms of the restructuring agreement. See the Glossary entry for ''nonaccrual of interest'' for a discussion of the conditions under which a nonaccrual asset which has undergone a troubled debt restructuring (including those that involve a multiple note structure) may be returned to accrual status.

A troubled debt restructuring in which a bank holding company receives physical possession of the borrower's assets, regardless of whether foreclosure or repossession proceedings take place, should be accounted for in accordance with paragraph 34 of FASB Statement No. 15, as amended. Thus, in such situations, the loan should be treated as if assets have been received in satisfaction of the loan and reported as described in the Glossary entry for ''foreclosed assets.''

Despite the granting of some type of concession by the bank holding company to a borrower, a troubled debt restructuring may still result in the recorded amount of the loan bearing a market yield, i.e., an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the bank holding company is willing to accept for an extension of credit with comparable risk. This may arise as a result of reductions in the recorded amount of the loan prior to the restructuring (e.g., by charge-offs). All loans that have undergone troubled debt restructurings and that are in compliance with their modified terms must be reported as restructured assets in Schedule HC-C, Memorandum item 1. However, a restructured asset that is in compliance with its modified terms and yields a market rate need not continue to be reported as a troubled debt restructuring in the memorandum item in this schedule in calendar years after the year in which the restructuring took place.

A restructuring may include both a modification of terms and the acceptance of property in partial satisfaction of the loan. The accounting for such a restructuring is a two step process. First, the recorded amount of the loan is reduced by the fair value less cost to sell of the property received. Second, the institution should measure any impairment on the remaining recorded balance of the restructured loan in accordance with the guidance concerning impaired loans set forth in FASB Statement No. 114.

A restructuring may involve the substitution or addition of a new debtor for the original borrower. The treatment of these situations depends upon their substance. Restructurings in which the substitute or additional debtor controls, is controlled by, or is under common control with the original borrower, or performs the custodial function of collecting certain of the original borrower's funds, should be accounted for as modifications of terms. Restructurings in which the substitute or additional debtor does not have a control or custodial relationship with the original borrower should be accounted for as a receipt of a ''new'' loan in full or partial satisfaction of the original borrower's loan. The ''new'' loan should be recorded at its fair value.

A credit analysis should be performed for a restructured loan in conjunction with its restructuring to determine its collectibility and estimated credit loss. When available information confirms that a specific restructured loan, or a portion thereof, is uncollectible, the uncollectible amount should be charged off against to the allowance for loan and lease losses at the time of the restructuring. As is the case for all loans, the credit quality of restructured loans should be regularly reviewed. The bank holding company should periodically evaluate the collectibility of the restructured loan so as to determine whether any additional amounts should be charged to the allowance for loan and lease losses or, if the restructuring involved an asset other than a loan, to another appropriate account.

Trust Preferred Securities as Investments: As bank holding company investments, trust preferred securities are hybrid instruments possessing characteristics typically associated with debt obligations. Although each issue of these securities may involve minor differences in terms, under the basic structure of trust preferred securities a corporate issuer, such as a bank holding company, first organizes a business trust or other special purpose entity. This trust issues two classes of securities: common securities, all of which are purchased and held by the corporate issuer, and trust preferred securities, which are sold to investors. The business trust's only assets are deeply subordinated debentures of the corporate issuer, which the trust purchases with the proceeds from the sale of its common and preferred securities. The corporate issuer makes periodic interest payments on the subordinated debentures to the business trust, which uses these payments to pay periodic dividends on the trust preferred securities to the investors. The subordinated debentures have a stated maturity and may also be redeemed under other circumstances. Most trust preferred securities are subject to mandatory redemption upon the repayment of the debentures.

Trust preferred securities meet the definition of a security in FASB Statement No. 115, ''Accounting for Certain Investments in Debt and Equity Securities.'' Because of the mandatory redemption provision in the typical trust preferred security, *investments* in trust preferred securities would normally be considered debt securities for financial accounting purposes. Accordingly, regardless of the authority under which a bank holding company is permitted to invest in trust preferred securities, bank holding companies should report these *investments* as debt securities for purposes of these reports (unless, based on the specific facts and circumstances of a particular issue of trust preferred securities, the securities would be considered equity rather than debt securities under Statement No. 115). If not held for trading purposes, trust preferred securities issued by U.S. business trusts should be reported in Schedule HC-B, item 6(a), ''Other domestic debt securities.''

Trust Preferred Securities Issued: Trust preferred securities are marketed under a variety of names including MIPS (''Monthly Income Preferred Securities''), QUIPS (''Quarterly Income Preferred Securities'') and TOPrS (''Trust Originated Preferred Securities''). These securities are generally issued out of special purpose subsidiaries that are wholly owned by the parent bank holding company. The proceeds from the issuance of these securities are lent to the parent bank holding company in the form of a very long term, deeply subordinated note.

Bank holding companies seeking to issue such securities should consult with their Federal Reserve Bank. These transactions, which give rise to minority interest upon consolidation of the subsidiary with the parent bank holding company, will normally be accorded Tier 1 capital status. Minority interest in consolidated subsidiaries generally qualifies as Tier 1 capital under the Federal Reserve's capital adequacy guidelines for bank holding companies. To be eligible as Tier 1 capital, such instruments must provide for a minimum five-year consecutive deferral period on distributions to preferred shareholders. In addition, the intercompany loan must be subordinated to all subordinated debt and have the longest feasible maturity. The amount of these instruments, together with other cumulative preferred stock a bank holding company may include in Tier 1 capital, is limited to 25 percent of the sum of all core capital elements, including cumulative perpetual preferred stock. For purposes of determining this limitation, core capital elements include (1) common stockholders' equity, (2) qualifying noncumulative perpetual preferred stock, (3) qualifying cumulative perpetual preferred stock and (4) minority interest. See the end of the instructions to Schedule HC-R for examples of determining the limit of trust preferred securities and other cumulative preferred stock that can be included in Tier 1 capital. Like other preferred stock includable in capital, these instruments require Federal Reserve approval before they may be redeemed.

For purposes of reporting on the FR Y-9C, trust preferred securities *issued* should be included with minority interest and reported in Schedule HC, item 22, ''Minority interest in consolidated subsidiaries and similar items.'' In addition, trust preferred securities *issued* should be reported separately in Schedule HC-R, Memoranda item 3(b), ''Cumulative preferred stock included and reported in 'Minority interest in consolidated subsidiaries and similar items,' on Schedule HC.''

U.S. Banks: See ''Banks, U.S. and foreign.''

U.S. Territories and Possessions: United States territories and possessions include American Samoa, Guam, the Northern Mariana Islands, the U.S. Virgin Islands, and U.S. trust territories.

Valuation Allowance: A valuation allowance is an account established against a specific asset category, or to recognize a specific liability, with the intent of absorbing some element of estimated loss. Such allowances are created by charges to expense in the Report of Income for Bank Holding Companies and are netted from the asset accounts to which they relate for presentation in the Consolidated Balance Sheet in the FR Y-9C. Provisions establishing or augmenting such allowances are to be reported as ''Other noninterest expense'' except for the provision for loan and lease losses and the provision for allocated transfer risk for which separate, specifically designated income statement items have been established on Schedule HI.

When-Issued Securities Transactions: Transactions involving securities described as ''when-issued'' or ''when-as-and-if-issued'' are, for the purposes of the FR Y-9C, to be treated as conditional transactions in a security authorized for issuance but not yet actually issued. Purchases and sales, of when-issued securities for which settlement date has not occurred as of the report date are not to be reflected in the balance sheet, Schedule HC, until settlement date. Bank holding companies should report as forward contracts in Schedule HC-L, item 11(b), commitments to purchase and sell when-issued securities that are not excluded from the requirements of FASB Statement No. 133 as a regular-way security trade. Such contracts should be reported on a gross basis (except that bank holding companies may net purchases and sales of the identical security with the same party). Commitments to purchase or sell when-issued securities that are excluded from the requirements of FASB Statement No. 133 should be reported as ''Other off-balance sheet items'' in Schedule HC-L, item 9, subject to the existing reporting threshold for this item.

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.) Such transactions are contingent upon the actual issuance of the security. 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 paid. On settlement date, the securities purchased by the bank holding company or its subsidiaries shall be reported as held-to-maturity securities in Schedule HC, item 2(a), as available-for-sale securities in Schedule HC, item 2(b), or as trading account assets in the balance sheet, Schedule HC, item 5.

Yield Maintenance Dollar Repurchase Agreement: See ''Repurchase/resale agreements.''

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
Schedule HI — Consolidated Income Statement				
V	1050	HI-1h	Sum of HI-1a1 through HI-1g must equal HI-1h.	(bhck4010 + bhck4059 + bhck4065 + bhck4115 + bhckb488 + bhckb489 + bhck4060 + bhck4069 + bhck4020 + bhck4518) eq bhck4107
V	1070	HI-2f	Sum of HI-2a1a through HI-2e must equal HI-2f.	(bhcka517 + bhcka518 + bhck6761 + bhck4172 + bhck4180 + bhck4185 + bhck4397 + bhck4398) eq bhck4073
V	1090	HI-3	HI-1h minus HI-2f must equal HI-3.	(bhck4107 - bhck4073) eq bhck4074
V	1110	HI-5m	Sum of HI-5a through HI-5l must equal HI-5m.	(bhck4070 + bhck4483 + bhcka220 + bhckb490 + bhckb491 + bhckb492 + bhckb493 + bhckc386 + bhckc387 + bhck8560 + bhck8561 + bhckb496 + bhckb497) eq bhck4079
V	1130	HI-7e	Sum of HI-7a through HI-7d must equal HI-7e.	(bhck4135 + bhck4217 + bhckc216 + bhckc232 + bhck4092) eq bhck4093
V	1150	HI-8	Sum of HI-3, HI-5m through HI-6b minus the sum of HI-4 and HI-7e must equal HI-8.	(bhck4074 + bhck4079 + bhck3521 + bhck3196) - (bhck4230 + bhck4093) eq bhck4301
V	1170	HI-11	HI-8 minus the sum of HI-9 and HI-10 must equal HI-11.	bhck4301 - (bhck4302 + bhck4484) eq bhck4300
V	1190	HI-13	Sum of HI-11 and HI-12 must equal HI-13.	(bhck4300 + bhck4320) eq bhck4340
V	1240	HI-Mem3	HI-Mem3 must be less than or equal to the sum of HI-1a1 and HI-1b.	bhck4313 le (bhck4010 + bhck4065)
V	1250	HI-Mem4	HI-Mem4 must be less than or equal to HI-1d3.	bhck4507 le bhck4060
V	1275[1]	HI-Mem9d	If the sum of HI-Mem9a through HI-Mem9d is not equal to zero, then the sum of HI-Mem9a through HI-Mem9d must equal HI-5c.	if (bhck8757 + bhck8758 + bhck8759 + bhck8760) ne 0 then ((bhck8757 + bhck8758 + bhck8759 + bhck8760) eq bhcka220
V	1295	HI-Mem13	HI-Mem13 must equal 1 (yes) or 0 (no).	bhcka530 eq 1 or bhcka530 eq 0
Schedule HI-A — Changes in Equity Capital				
V	1400	HI-A3	Sum of HI-A1 and HI-A2 must equal HI-A3.	(bhck3217 + bhckb507) eq bhckb508
V	1430	HI-13	HI-A4 must equal HI-13.	bhct4340 eq bhck4340
V	1500	HI-A14	Sum of HI-A3 through HI-A7, HI-A9, and HI-A12 through HI-A14 minus the sum of HI-A8, HI-A10, and HI-A11 must equal HI-A15.	(bhckb508 + bhct4340 + bhck3577 + bhck3578 + bhck3579 + bhck3580 + bhck4782 + bhck4356 + bhckb511 + bhck4591 + bhck3581) - (bhck4783 + bhck4598 + bhck4460) eq bhct3210

[1]Edit should be performed only if Schedule K, item 4a is greater than or equal to $2 million for any quarter of the preceeding calendar year.

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
Schedule HI-B — Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses **Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)**				
V	1600	HI-B(I)9A	Sum of HI-B(I)1aA through HI-B(I)8bA must equal HI-B(I)9A.	(bhck3582 + bhck3584 + bhck5411 + bhckc234 + bhckc235 + bhck3588 + bhck3590 + bhckb512 + bhck4653 + bhck4654 + bhck4655 + bhck4645 + bhck4646 + bhckb514 + bhckb516 + bhck4643 + bhck4644 + bhck4658 + bhck4659) eq bhck4635
V	1620	HI-B(I)9B	Sum of HI-B(I)1aB through HI-B(I)8bB must equal HI-B(I)9B.	(bhck3583 + bhck3585 + bhck5412 + bhckc217 + bhckc218 + bhck3589 + bhck3591 + bhckb513 + bhck4663 + bhck4664 + bhck4665 + bhck4617 + bhck4618 + bhckb515 + bhckb517 + bhck4627 + bhck4628 + bhck4668 + bhck4669) eq bhck4605
V	1640	HI-B(I)Mem1A	HI-B(I)Mem1A must be less than or equal to the sum of HI-B(I)4aA, HI-B(I)4bA, and HI-B(I)7A.	bhck5409 le (bhck4645 + bhck4646 + bhck4644)
V	1660	HI-B(I)Mem1B	HI-B(I)Mem1B must be less than or equal to the sum of HI-B(I)4aB, HI-B(I)4bB, and HI-B(I)7B.	bhck5410 le (bhck4617 + bhck4618 + bhck4628)
V	1680	HI-B(I)Mem2A	HI-B(I)Mem2A must be less than or equal to the sum of HI-B(I)1aA through HI-B(I)1fA.	bhck4652 le (bhck3582 + bhck3584 + bhck5411 + bhckc234 + bhckc235 + bhck3588 + bhck3590 + bhckb512)
V	1700	HI-B(I)Mem2B	HI-B(I)Mem2B must be less than or equal to the sum of HI-B(I)1aB through HI-B(I)1fB.	bhck4662 le (bhck3583 + bhck3585 + bhck5412 + bhckc217 + bhckc218 + bhck3589 + bhck3591 + bhckb513)
V	1730	HI-B(I)9B	HI-B(II)2 must equal HI-B(I)9B.	bhct4605 eq bhck4605
V	1750	HI-B(II)4	HI-B(II)3 must equal HI-B(I)9A minus HI-B(II)4.	bhckc079 eq (bhck4635 - bhck5523)
V	1770	HI-4	HI-B(II)5 must equal HI-4.	bhct4230 eq bhck4230
V	1790	HI-B(II)6	The sum of HI-B(II)1, HI-B(II)2, HI-B(II)5, and HI-B(II)6 minus the sum of HI-B(II)3 and HI-B(II)4 must equal HI-B(II)7.	(bhckb522 + bhct4605 + bhct4230 + bhckc233) - (bhckc079 + bhck5523) eq bhct3123
Schedule HC — Consolidated Balance Sheet				
V	2025	HC-4c	HI-B(II)7 must equal HC-4c.	bhct3123 eq bhck3123
V	2050	HC-4d	HC-4b minus HC-4c must equal HC-4d.	(bhckb528 - bhck3123) eq bhckb529
V	2070	HC-12	Sum of HC-1a through HC-4a and HC-4d through HC-11 must equal HC-12.	(bhck0081 + bhck0395 + bhck0397 + bhck1754 + bhck1773 + bhdmb987 + bhckb989 + bhck5369 + bhckb529 + bhck3545 + bhck2145 + bhck2150 + bhck2130 + bhck2155 + bhck3163 + bhck0426 + bhck2160) eq bhck2170
V	2080	HC-12	HC-12 must be greater than zero.	bhck2170 gt 0
V	2110	HC-21	Sum of HC-13a1 through HC-20 must equal HC-21.	(bhdm6631 + bhdm6636 + bhfn6631 + bhfn6636 + bhdmb993 + bhckb995 + bhck3548 + bhck3190 + bhck2920 + bhck4062 + bhck2750) eq bhck2948
V	2125	HC-28	Sum of HC-23 through HC-27 must equal HC-28.	(bhck3283 + bhck3230 + bhck3240 + bhck3247 + bhckb530 + bhcka130) eq bhck3210
V	2127	HC-28	HI-A15 must equal HC-28.	bhct3210 eq bhck3210

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	2135	HC-29	Sum of HC-21, HC-22, and HC-28 must equal HC-29.	(bhck2948 + bhck3000 + bhck3210) eq bhck3300
V	2145	HC-29	HC-29 must equal HC-12.	bhck3300 eq bhck2170
Schedule HC-B — Securities Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
V	2175	HC-B6bA	Sum of HC-B1A through HC-B6bA must equal HC-B8A.	(bhck0211 + bhck1289 + bhck1294 + bhck8496 + bhck1698 + bhck1703 + bhck1709 + bhck1714 + bhck1718 + bhck1733 + bhckb838 + bhckb842 + bhckb846 + bhckb850 + bhckb854 + bhckb858 + bhck1737 + bhck1742) eq bhct1754
V	2185	HC-B7D	Sum of HC-B1D through HC-B7D must equal HC-B8D.	(bhck1287 + bhck1293 + bhck1298 + bhck8499 + bhck1702 + bhck1707 + bhck1713 + bhck1717 + bhck1732 + bhck1736 + bhckb841 + bhckb845 + bhckb849 + bhckb853 + bhckb857 + bhckb861 + bhck1741 + bhck1746 + bhcka511) eq bhct1773
V	2200	HC-2a	HC-B8A must equal HC-2a.	bhct1754 eq bhck1754
V	2215	HC-B8B	Sum of HC-B1B through HC-B6bB must equal HC-B8B.	(bhck0213 + bhck1290 + bhck1295 + bhck8497 + bhck1699 + bhck1705 + bhck1710 + bhck1715 + bhck1719 + bhck1734 + bhckb839 + bhckb843 + bhckb847 + bhckb851 + bhckb855 + bhckb859 + bhck1738 + bhck1743) eq bhck1771
V	2225	HC-B8C	Sum of HC-B1C through HC-B7C must equal HC-B8C.	(bhck1286 + bhck1291 + bhck1297 + bhck8498 + bhck1701 + bhck1706 + bhck1711 + bhck1716 + bhck1731 + bhck1735 + bhckb840 + bhckb844 + bhckb848 + bhckb852 + bhckb856 + bhckb860 + bhck1739 + bhck1744 + bhcka510) eq bhck1772
V	2235	HC-2b	HC-B8D must equal HC-2b.	bhct1773 eq bhck1773
V	2240	HC-BM1	HC-BM1 must be less than or equal to the sum of HC-2a and HC-2b.	bhck0416 le (bhck1754 + bhck1773)
V	2250	HC-BM2c	Sum of HC-BM2a through HC-BM2c must be equal to the sum of HC-B1A through HC-B6bA and HC-B1D through HC-B6bD.	(bhck0383 + bhck0384 + bhck0387) eq ((bhck0211 + bhck1289 + bhck1294 + bhck8496 + bhck1698 + bhck1703 + bhck1709 + bhck1714 + bhck1718 + bhck1733 + bhckb838 + bhckb842 + bhckb846 + bhckb850 + bhckb854 + bhckb858 + bhck1737 + bhck1742) + (bhck1287 + bhck1293 + bhck1298 + bhck8499 + bhck1702 + bhck1707 + bhck1713 + bhck1717 + bhck1732 + bhck1736 + bhckb841 + bhckb845 + bhckb849 + bhckb853 + bhckb857 + bhckb861 + bhck1741 + bhck1746)
V	2260	HC-BM4a	HC-BM4a must be less than or equal to the sum of HC-B2aA through HC-B3A, HC-B5aA through HC-B6bA, HC-B2aC through HC-B3C, and HC-B5aC through HC-B6bC.	bhck8782 le (bhck1289 + bhck1294 + bhck8496 + bhckb838 + bhckb842 + bhckb846 + bhckb850 + bhckb854 + bhckb858 + bhck1737 + bhck1742 + bhck1291 + bhck1297 + bhck8498 + bhckb840 + bhckb844 + bhckb848 + bhckb852 + bhckb856 + bhckb860 + bhck1739 + bhck1744)

FR Y-9C CHECKLIST

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Each edit in the checklist must balance, rounding errors are not allowed				
V	2270	HC-BM4b	HC-BM4b must be less than or equal to the sum of HC-B2aB through HC-B3B, HC-B5aB through HC-B6bB, HC-B2aD through HC-B3D, and HC-B5aD through HC-B6bD.	bhck8783 le (bhck1290 + bhck1295 + bhck8497 + bhckb839 + bhckb843 + bhckb847 + bhckb851 + bhckb855 + bhckb859 + bhck1738 + bhck1743 + bhck1293 + bhck1298 + bhck8499 + bhckb841 + bhckb845 + bhckb849 + bhckb853 + bhckb857 + bhckb861 + bhck1741 + bhck1746)
Schedule HC-C — Loans and Lease Financing Receivables Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
V	2275	HC-C1eB	Sum of HC-C1aB through HC-C1eB must be less than or equal to HC-C1A.	(bhdm1415 + bhdm1420 + bhdm1797 + bhdm5367 + bhdm5368 + bhdm1460 + bhdm1480) le bhck1410
V	2285	HC-C2bA	HC-C2B must be less than or equal to the sum of HC-C2aA and HC-C2bA.	bhdm1288 le (bhck1292 + bhck1296)
V	2300	HC-C3B	HC-C3B must be less than or equal to HC-C3A.	bhdm1590 le bhck1590
V	2315	HC-C4bA	HC-C4B must be less than or equal to the sum of HC-C4aA and HC-C4bA.	bhdm1766 le (bhck1763 + bhck1764)
V	2325	HC-C6cA	HC-C6B must be less than or equal to the sum of HC-C6aA, HC-C6bA, and HC-C6cA.	bhdm1975 le (bhckb538 + bhckb539 + bhck2011)
V	2333	HC-C7B	HC-C7B must be less than or equal to HC-C7A.	bhdm2081 le bhck2081
V	2340	HC-C9B	HC-C9B must be less than or equal to HC-C9A.	bhdm1635 le bhck1635
V	2360	HC-C10bA	HC-C10B must be less than or equal to the sum of HC-C10aA and HC-C10bA.	bhdm2165 le (bhck2182 + bhck2183)
V	2370	HC-C11A	Sum of HC-C1A through HC-C10bA minus HC-C11A must equal HC-C12A.	(bhck1410 + bhck1292 + bhck1296 + bhck1590 + bhck1763 + bhck1764 + bhckb538 + bhckb539 + bhck2011 + bhck2081 + bhck1635 + bhck2182 + bhck2183) - bhck2123 eq bhck2122
V	2380	HC-C11B	HC-C11B must be less than or equal to HC-C11A.	bhdm2123 le bhck2123
V	2395	HC-C12A	HC-C12A must equal the sum of HC-4a and HC-4b.	bhck2122 eq (bhck5369 + bhckb528)
V	2410	HC-C12B	Sum of HC-C1aB through HC-C10B minus HC-C11B must equal HC-C12B.	(bhdm1415 + bhdm1420 + bhdm1797 + bhdm5367 + bhdm5368 + bhdm1460 + bhdm1480 + bhdm1288 + bhdm1590 + bhdm1766 + bhdm1975 + bhdm2081 + bhdm1635 + bhdm2165) - bhdm2123 eq bhdm2122
V	2420	HC-C12B	HC-C12B must be less than or equal to HC-C12A.	bhdm2122 le bhck2122
V	2430	HC-CM1	HC-CM1 must be less than or equal to the sum of HC-C11A and HC-C12A minus the sum of HC-C1c1B through HC-C1c2bB, and HC-C6aA through HC-C6cA.	bhck1616 le (bhck2123 + bhck2122) - (bhdm1797 + bhdm5367 + bhdm5368 + bhckb538 + bhckb539 + bhck2011)
V	2440	HC-CM2	HC-CM2 must be less than or equal to the sum of HC-C4aA, HC-C4bA, and HC-C9A.	bhck2746 le (bhck1763 + bhck1764 + bhck1635)
V	2455	HC-CM3	HC-CM3 must be less than or equal to HC-C1A.	bhckb837 le bhck1410
V	2460	HC-CM4	HC-CM4 must be less than or equal to HC-C6aA.	bhckc391 le bhckb538

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
Schedule HC-D — Trading Assets and Liabilities				
V	2480[1]	HC-D11b	Sum of HC-D1 through HC-D11b must equal HC-D12.	(bhck3531 + bhck3532 + bhck3533 + bhck3534 + bhck3535 + bhck3536 + bhck3537 + bhck3541 + bhck3542 + bhck3543 + bhfn3543) eq bhct3545
V	2490[1]	HC-5	HC-D12 must equal HC-5.	bhct3545 eq bhck3545
V	2510[1]	HC-D14	Sum of HC-D13 and HC-D14 must equal HC-D15.	(bhck3546 + bhck3547) eq bhct3548
V	2525[1]	HC-15	HC-D15 must equal HC-15.	bhct3548 eq bhck3548
Schedule HC-E — Deposit Liabilities				
V	2550	HC-E1e	If HC-E1e is greater than zero, then HC-E1e must be greater than or equal to $100k.	if bhcb2604 gt 0 then bhcb2604 ge 100
V	2565	HC-E2a	Sum of HC-E1a and HC-E2a must be less than or equal to HC-13a1.	(bhcb2210 + bhod3189) le bhdm6631
V	2580	HC-E2e	Sum of HC-E1a through HC-E2e must equal the sum of HC-13a1 and HC-13a2.	(bhcb2210 + bhcb3187 + bhcb2389 + bhcb6648 + bhcb2604 + bhod3189 + bhod3187 + bhod2389 + bhod6648 + bhod2604) eq (bhdm6631 + bhdm6636)
V	2595	HC-E2e	If HC-E2e is greater than zero, then HC-E2e must be greater than or equal to $100k.	if bhod2604 gt 0 then bhod2604 ge 100
V	2610	HC-EM3	If HC-EM3 is greater than zero, then HC-EM3 must be greater than or equal to $100k.	if bhdma242 gt 0 then bhdma242 ge 100
V	2615	HC-EM3	HC-EM3 must be less than or equal to the sum of HC-E1e and HC-E2e.	bhdma242 le (bhcb2604 + bhod2604)
V	2625	HC-EM4	HC-EM4 must be less than or equal to the sum of HC-13b1 and HC-13b2.	bhfna245 le (bhfn6631 + bhfn6636)
Schedule HC-F — Other Assets				
V	2640	HC-F5	Sum of HC-F1 through HC-F5 must equal HC-F6.	(bhckb556 + bhck2148 + bhcka519 + bhcka520 + bhck1752 + bhck2168) eq bhct2160
V	2655	HC-11	HC-F6 must equal HC-11.	bhct2160 eq bhck2160
Schedule HC-G — Other Liabilities				
V	2680	HC-G4	Sum of HC-G2 through HC-G4 must equal HC-G5.	(bhck3049 + bhckb557 + bhckb984) eq bhct2750
V	2695	HC-20	HC-G5 must equal HC-20.	bhct2750 eq bhck2750

[1]Edit should be performed only if Schedule K, item 4a is greater than or equal to $2 million for any quarter of the preceeding calendar year.

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
Schedule HC-H — Interest Sensitivity				
V	2710	HC-H1	HC-H1 must be less than or equal to the sum of HC-1b1 through HC-4b, HC-7 through HC-9, and HC-11 minus HC-N10C.	bhck3197 le ((bhck0395 + bhck0397 + bhck1754 + bhck1773 + bhdmb987 + bhckb989 + bhck5369 + bhckb528 + bhck2150 + bhck2130 + bhck2155 + bhck2160) - bhck5526)
V	2725	HC-H3	HC-H3 must be less than or equal to the sum of HC-16 and HC-19.	bhck3298 le (bhck3190 + bhck4062)
V	2740	HC-H5	HC-H5 must be less than or equal to HC-19.	bhck3409 le bhck4062
Schedule HC-K — Quarterly Averages				
V	2770	HC-K5	HC-K5 must be greater than zero.	bhck3368 gt 0
Schedule HC-L — Derivatives and Off-Balance Sheet Items **Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)**				
V	2800	HC-L2a	HC-L2a must be less than or equal to HC-L2.	bhck3820 le bhck6566
V	2805	HC-L3a	HC-L3a must be less than or equal to HC-L3.	bhck3822 le bhck6570
V	2815	HC-L9g	Sum of HC-L9a through HC-L9g must be less than or equal to HC-L9.	(bhck3432 + bhck3434 + bhck3435 + bhck6561 + bhck6562 + bhck6568 + bhck6586) le bhck3430
V	2830	HC-L13A	Sum of HC-L11aA through HC-L11eA must equal the sum of HC-L12A and HC-L13A.	(bhck8693 + bhck8697 + bhck8701 + bhck8705 + bhck8709 + bhck8713 + bhck3450) eq (bhcka126 + bhck8725)
V	2855	HC-L13B	Sum of HC-L11aB through HC-L11eB must equal the sum of HC-L12B and HC-L13B.	(bhck8694 + bhck8698 + bhck8702 + bhck8706 + bhck8710 + bhck8714 + bhck3826) eq (bhcka127 + bhck8726)
V	2880	HC-L13C	Sum of HC-L11aC through HC-L11eC must equal the sum of HC-L12C and HC-L13C.	(bhck8695 + bhck8699 + bhck8703 + bhck8707 + bhck8711 + bhck8715 + bhck8719) eq (bhck8723 + bhck8727)
V	2895	HC-L13D	Sum of HC-L11aD through HC-L11eD must equal the sum of HC-L12D and HC-L13D.	(bhck8696 + bhck8700 + bhck8704 + bhck8708 + bhck8712 + bhck8716 + bhck8720) eq (bhck8724 + bhck8728)
Schedule HC-M — Memoranda				
V	2920	HC-M2	HC-M2 must be less than or equal to the sum of HC-16 and HC-19.	bhck6555 le (bhck3190 + bhck4062)
V	2925	HC-M3	HC-M3 must be less than or equal to the sum of HC-16 and HC-19.	bhck6556 le (bhck3190 + bhck4062)
V	2955	HC-M8	HC-M8 must equal 1 (yes) or 0 (no).	bhckc251 eq 1 or bhckc251 eq 0
V	2970	HC-M9	HC-M9 must equal 1 (yes) or 0 (no).	bhck6689 eq 1 or bhck6689 eq 0
V	2985	HC-M10	HC-M10 must equal 1 (yes) or 0 (no).	bhck6019 eq 1 or bhck6019 eq 0
V	3010	HC-M12c	Sum of HC-M12a, HC-M12b and HC-M12c must equal HC-M12d.	(bhck3164 + bhckb026 + bhck5507) eq bhct0426
V	3020	HC-10b	HC-M12d must equal HC-10b.	bhct0426 eq bhck0426
V	3030	HC-M13b	Sum of HC-M13a and HC-M13b must equal HC-M13c.	(bhck2744 + bhck2745) eq bhct2150

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	3040	HC-7	HC-M13c must equal HC-7.	bhct2150 eq bhck2150
V	3050	HC-M14c	Sum of HC-M14a through HC-M14c must equal HC-M14d.	(bhck2309 + bhck2332 + bhck2333) eq bhct3190
V	3060	HC-16	HC-M14d must equal HC-16.	bhct3190 eq bhck3190
V	3070	HC-M15	HC-M15 must equal 1 (yes) or 0 (no).	bhckb569 eq 1 or bhckb569 eq 0
V	3075	HC-M18	If HC-M17 is equal to 1 (yes), then HC-M18 must equal 1 (yes) or 0 (no); else HC-M18 must equal null.	if bhckc159 eq 1 then bhckc160 eq 1 or bhckc160 eq 0 if bhckc159 eq 0 then bhckc160 eq null
V	3077	HC-M19	If HC-M17 is equal to 1 (yes), then HC-M19 must equal 1 (yes) or 0 (no); else HC-M19 must equal null.	if bhckc159 eq 1 then bhckc161 eq 1 or bhckc161 eq 0 if bhckc159 eq 0 then bhckc161 eq null
V	3079	HC-M20d	HC-M20d must be less than or equal to the sum of HC-M20c1, HC-M20c2 and HC-M20c3.	bhck5047 le (bhck5041 + bhck5043 + bhck5045)
Schedule HC-N — Past Due and Nonaccrual Loans, Leases and Other Assets Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
V	3080	HC-N1aC	Sum of HC-N1aA through HC-N1aC must be less than or equal to HC-C1aB.	(bhck2759 + bhck2769 + bhck3492) le bhdm1415
V	3085	HC-N1bC	Sum of HC-N1bA through HC-N1bC must be less than or equal to HC-C1bB.	(bhck3493 + bhck3494 + bhck3495) le bhdm1420
V	3095	HC-N1c1C	Sum of HC-N1c1A through HC-N1c1C must be less than or equal to HC-C1c1B.	(bhck5398 + bhck5399 + bhck5400) le bhdm1797
V	3100	HC-N1c2aC	Sum of HC-N1c2aA through HC-N1c2aC must be less than or equal to HC-C1c2aB.	(bhckc236 + bhckc237 + bhckc229) le bhdm5367
V	3105	HC-N1c2bC	Sum of HC-N1c2bA through HC-N1c2bC must be less than or equal to HC-C1c2bB.	(bhckc238 + bhckc239 + bhckc230) le bhdm5368
V	3115	HC-N1dC	Sum of HC-N1dA through HC-N1dC must be less than or equal to HC-C1dB.	(bhck3499 + bhck3500 + bhck3501) le bhdm1460
V	3120	HC-N1eC	Sum of HC-N1eA through HC-N1eC must be less than or equal to HC-C1eB.	(bhck3502 + bhck3503 + bhck3504) le bhdm1480
V	3125	HC-N1fC	Sum of HC-N1fA through HC-N1fC must be less than or equal to HC-C1A minus the sum of HC-C1aB through HC-C1eB.	(bhckb572 + bhckb573 + bhckb574) le (bhck1410 - (bhdm1415 + bhdm1420 + bhdm1797 + bhdm5367 + bhdm5368 + bhdm1460 + bhdm1480))
V	3135	HC-N2bC	Sum of HC-N2aA through HC-N2bC must be less than or equal to the sum of HC-C2aA and HC-C2bA.	(bhck5377 + bhck5378 + bhck5379 + bhck5380 + bhck5381 + bhck5382) le (bhck1292 + bhck1296)
V	3145	HC-N3C	Sum of HC-N3A through HC-N3C must be less than or equal to HC-C3A.	(bhck1594 + bhck1597 + bhck1583) le bhck1590
V	3155	HC-N4C	Sum of HC-N4A through HC-N4C must be less than or equal to the sum of HC-C4aA and HC-C4bA.	(bhck1606 + bhck1607 + bhck1608) le (bhck1763 + bhck1764)
V	3165	HC-N5aC	Sum of HC-N5aA through HC-N5aC must be less than or equal to HC-C6aA.	(bhckb575 + bhckb576 + bhckb577) le bhckb538
V	3175	HC-N5bC	Sum of HC-N5bA through HC-N5bC must be less than or equal to the sum of HC-C6bA and HC-C6cA.	(bhckb578 + bhckb579 + bhckb580) le (bhckb539 + bhck2011)

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	3185	HC-N6C	Sum of HC-N6A through HC-N6C must be less than or equal to HC-C7A.	(bhck5389 + bhck5390 + bhck5391) le bhck2081
V	3195	HC-N7C	Sum of HC-N7A through HC-N7C must be less than or equal to HC-C9A.	(bhck5459 + bhck5460 + bhck5461) le bhck1635
V	3205	HC-N8C	Sum of HC-N8A through HC-N8C must be less than or equal to the sum of HC-C10aA and HC-C10bA.	(bhck1226 + bhck1227 + bhck1228) le (bhck2182 + bhck2183)
V	3215	HC-N9C	Sum of HC-N9A through HC-N9C must be less than or equal to the sum of HC-1a through HC-3b, HC-5, and HC-9 through HC-11.	(bhck3505 + bhck3506 + bhck3507) le (bhck0081 + bhck0395 + bhck0397 + bhck1754 + bhck1773 + bhdmb987 + bhckb989 + bhck3545 + bhck2155 + bhck3163 + bhck0426 + bhck2160)
V	3230	HC-N10A	Sum of HC-N1aA through HC-N9A must equal HC-N10A.	(bhck2759 + bhck3493 + bhck5398 + bhckc236 + bhckc238 + bhck3499 + bhck3502 + bhckb572 + bhck5377 + bhck5380 + bhck1594 + bhck1606 + bhckb575 + bhckb578 + bhck5389 + bhck5459 + bhck1226 + bhck3505) eq bhck5524
V	3240	HC-N10B	Sum of HC-N1aB through HC-N9B must equal HC-N10B.	(bhck2769 + bhck3494 + bhck5399 + bhckc237 + bhckc239 + bhck3500 + bhck3503 + bhckb573 + bhck5378 + bhck5381 + bhck1597 + bhck1607 + bhckb576 + bhckb579 + bhck5390 + bhck5460 + bhck1227 + bhck3506) eq bhck5525
V	3255	HC-N10C	Sum of HC-N1aC through HC-N9C must equal HC-N10C.	(bhck3492 + bhck3495 + bhck5400 + bhckc229 + bhckc230 + bhck3501 + bhck3504 + bhckb574 + bhck5379 + bhck5382 + bhck1583 + bhck1608 + bhckb577 + bhckb580 + bhck5391 + bhck5461 + bhck1228 + bhck3507) eq bhck5526
V	3270	HC-N11A	HC-N11A must be less than or equal to the sum of HC-N1aA through HC-N8A.	bhck5612 le (bhck2759 + bhck3493 + bhck5398 + bhckc236 + bhckc238 + bhck3499 + bhck3502 + bhckb572 + bhck5377 + bhck5380 + bhck1594 + bhck1606 + bhckb575 + bhckb578 + bhck5389 + bhck5459 + bhck1226)
V	3280	HC-N11B	HC-N11B must be less than or equal to the sum of HC-N1aB through HC-N8B.	bhck5613 le (bhck2769 + bhck3494 + bhck5399 + bhckc237 + bhckc239 + bhck3500 + bhck3503 + bhckb573 + bhck5378 + bhck5381 + bhck1597 + bhck1607 + bhckb576 + bhckb579 + bhck5390 + bhck5460 + bhck1227)
V	3290	HC-N11C	HC-N11C must be less than or equal to the sum of HC-N1aC through HC-N8C.	bhck5614 le (bhck3492 + bhck3495 + bhck5400 + bhckc229 + bhckc230 + bhck3501 + bhck3504 + bhckb574 + bhck5379 + bhck5382 + bhck1583 + bhck1608 + bhckb577 + bhckb580 + bhck5391 + bhck5461 + bhck1228)
V	3310	HC-N11aA	HC-N11aA must be less than or equal to HC-N11A.	bhck5615 le bhck5612
V	3320	HC-N11aB	HC-N11aB must be less than or equal to HC-N11B.	bhck5616 le bhck5613
V	3330	HC-N11aC	HC-N11aC must be less than or equal to HC-N11C.	bhck5617 le bhck5614
V	3360	HC-NM1A	HC-NM1A must be less than or equal to the sum of HC-N1aA through HC-N8A.	bhck1658 le (bhck2759 + bhck3493 + bhck5398 + bhckc236 + bhckc238 + bhck3499 + bhck3502 + bhckb572 + bhck5377 + bhck5380 + bhck1594 + bhck1606 + bhckb575 + bhckb578 + bhck5389 + bhck5459 + bhck1226)
V	3370	HC-NM1B	HC-NM1B must be less than or equal to the sum of HC-N1aB through HC-N8B.	bhck1659 le (bhck2769 + bhck3494 + bhck5399 + bhckc237 + bhckc239 + bhck3500 + bhck3503 + bhckb573 + bhck5378 + bhck5381 + bhck1597 + bhck1607 + bhckb576 + bhckb579 + bhck5390 + bhck5460 + bhck1227)

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	3380	HC-NM1C	HC-NM1C must be less than or equal to the sum of HC-N1aC through HC-N8C.	bhck1661 le (bhck3492 + bhck3495 + bhck5400 + bhckc229 + bhckc230 + bhck3501 + bhck3504 + bhckb574 + bhck5379 + bhck5382 + bhck1583 + bhck1608 + bhckb577 + bhckb580 + bhck5391 + bhck5461 + bhck1228)
V	3400	HC-NM2A	HC-NM2A must be less than or equal to the sum of HC-N4A and HC-N7A.	bhck6558 le (bhck1606 + bhck5459)
V	3410	HC-NM2B	HC-NM2B must be less than or equal to the sum of HC-N4B and HC-N7B.	bhck6559 le (bhck1607 + bhck5460)
V	3420	HC-NM2C	HC-NM2C must be less than or equal to the sum of HC-N4C and HC-N7C.	bhck6560 le (bhck1608 + bhck5461)
V	3430	HC-NM2C	Sum of HC-NM2A through HC-NM2C must be less than or equal to HC-CM2.	(bhck6558 + bhck6559 + bhck6560) le bhck2746
V	3445	HC-NM3A	HC-NM3A must be less than or equal to the sum of HC-N1aA through HC-N1fA, HC-N2bA, and HC-N4A through HC-N8A.	bhck3508 le (bhck2759 + bhck3493 + bhck5398 + bhckc236 + bhckc238 + bhck3499 + bhck3502 + bhckb572 + bhck5380 + bhck1606 + bhckb575 + bhckb578 + bhck5389 + bhck5459 + bhck1226)
V	3455	HC-NM3B	HC-NM3B must be less than or equal to the sum of HC-N1aB through HC-N1fB, HC-N2bB, and HC-N4B through HC-N8B.	bhck1912 le (bhck2769 + bhck3494 + bhck5399 + bhckc237 + bhckc239 + bhck3500 + bhck3503 + bhckb573 + bhck5381 + bhck1607 + bhckb576 + bhckb579 + bhck5390 + bhck5460 + bhck1227)
V	3460	HC-NM3C	HC-NM3C must be less than or equal to the sum of HC-N1aC through HC-N1fC, HC-N2bC, and HC-N4C through HC-N8C.	bhck1913 le (bhck3492 + bhck3495 + bhck5400 + bhckc229 + bhckc230 + bhck3501 + bhck3504 + bhckb574 + bhck5382 + bhck1608 + bhckb577 + bhckb580 + bhck5391 + bhck5461 + bhck1228)
V	3465	HC-NM5A	HC-NM5A must be less than or equal to the sum of HC-N1aA through HC-N8A.	bhckc240 le (bhck2759 + bhck3493 + bhck5398 + bhckc236 + bhckc238 + bhck3499 + bhck3502 + bhckb572 + bhck5377 + bhck5380 + bhck1594 + bhck1606 + bhckb575 + bhckb578 + bhck5389 + bhck5459 + bhck1226)
V	3470	HC-NM5B	HC-NM5B must be less than or equal to the sum of HC-N1aB through HC-N8B.	bhckc241 le (bhck2769 + bhck3494 + bhck5399 + bhckc237 + bhckc239 + bhck3500 + bhck3503 + bhckb573 + bhck5378 + bhck5381 + bhck1597 + bhck1607 + bhckb576 + bhckb579 + bhck5390 + bhck5460 + bhck1227)
V	3475	HC-NM5C	HC-NM5C must be less than or equal to the sum of HC-N1aC through HC-N8C.	bhckc226 le (bhck3492 + bhck3495 + bhck5400 + bhckc229 + bhckc230 + bhck3501 + bhck3504 + bhckb574 + bhck5379 + bhck5382 + bhck1583 + bhck1608 + bhckb577 + bhckb580 + bhck5391 + bhck5461 + bhck1228)
Schedule HC-R — Regulatory Capital **Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)** **This schedule is to be submitted on a consolidated basis only by the top-tier bank holding company when the total consolidated assets of the company are $150 million or more.**				
V	3490	HC-28	HC-R1 must equal HC-28.	bhcx3210 eq bhck3210
V	3495	HC-R3	If HC-B7C minus HC-B7D is greater than $10 thousand, then HC-R3 must be greater than zero.	if (bhcka510 - bhcka511) gt 10 then bhcka221 gt 0
V	3500	HC-R3	If HC-B7C minus HC-B7D is greater than or equal to zero, then HC-R3 must be less than or equal to HC-B7C minus HC-B7D.	if (bhcka510 - bhcka511) ge 0 then bhcka221 le (bhcka510 - bhcka511)

FR Y-9C CHECKLIST

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Each edit in the checklist must balance, rounding errors are not allowed				
V	3510	HC-R8	The sum of HC-R1 and HC-R6 minus the sum of HC-R2 through HC-R5 and HC-R7 must equal HC-R8.	(bhcx3210 + bhckb589) - (bhck8434 + bhcka221 + bhck4336 + bhckb588 + bhckb590) eq bhckc227
V	3525	HC-R11	The sum of HC-R8 and HC-R10 minus the sum of HC-R9a and HC-R9b must equal HC-R11.	(bhckc227 + bhckb592) - (bhckb591 + bhck5610) eq bhck8274
V	3550	HC-R17	Sum of HC-R12 through HC-R16 must equal HC-R17.	(bhck5306 + bhckb593 + bhck5310 + bhck2221 + bhckb594) eq bhck5311
V	3565	HC-R18	If HC-R17 is less than or equal to HC-R11, then HC-R18 must equal HC-R17.	if (bhck5311 le bhck8274) then (bhck8275 eq bhck5311)
V	3580	HC-R18	If HC-R11 is greater than zero and HC-R17 is greater than HC-R11, then HC-R18 must equal HC-R11.	if (bhck8274 gt 0 and bhck5311 gt bhck8274) then (bhck8275 eq bhck8274)
V	3590	HC-R18	If HC-R11 is less than or equal to zero, then HC-R18 must equal zero.	if bhck8274 le 0 then bhck8275 eq 0
V	3625	HC-R21	Sum of HC-R11, HC-R18, and HC-R19 minus HC-R20 must equal HC-R21.	((bhck8274 + bhck8275 + bhck1395) - bhckb595) eq bhck3792
V	3635	HC-K5	HC-R22 must equal HC-K5.	bhct3368 eq bhck3368
V	3650	HC-R7	HC-R23 must equal HC-R7.	bhctb590 eq bhckb590
V	3665	HC-R9a	HC-R24 must equal HC-R9a.	bhctb591 eq bhckb591
V	3675	HC-R9b	HC-R25 must equal HC-R9b.	bhct5610 eq bhck5610
V	3690	HC-R22	HC-R22 minus the sum of HC-R23 through HC-R26 must equal HC-R27.	bhct3368 - (bhctb590 + bhctb591 + bhct5610 + bhckb596) eq bhcka224
V	3710	HC-R34A	Sum of HC-1a through HC-1b2 must equal HC-R34A.	(bhck0081 + bhck0395 + bhck0397) eq bhck0010
V	3715	HC-R34F	Sum of HC-R34C through HC-R34F must equal HC-R34A.	(bhc00010 + bhc20010 + bhc90010) eq bhck0010
V	3730	HC-2a	HC-R35A must equal HC-2a.	bhcx1754 eq bhck1754
V	3740	HC-R35F	Sum of HC-R35B through HC-R35F must equal HC-R35A.	(bhce1754 + bhc01754 + bhc21754 + bhc51754 + bhc91754) eq bhcx1754
V	3755	HC-2b	HC-R36A must equal HC-2b.	bhcx1773 eq bhck1773
V	3765	HC-R36F	Sum of HC-R36B through HC-R36F must equal HC-R36A.	(bhce1773 + bhc01773 + bhc21773 + bhc51773 + bhc91773) eq bhcx1773
V	3780	HC-R37A	HC-R37A must equal the sum of HC-3a and HC-3b.	bhckc225 eq (bhdmb987 + bhckb989)
V	3795	HC-R37F	Sum of HC-R37C through HC-R37F must equal HC-R37A.	(bhc0c225 + bhc2c225 + bhc9c225) eq bhckc225
V	3810	HC-4a	HC-R38A must equal HC-4a.	bhct5369 eq bhck5369
V	3820	HC-R38F	Sum of HC-R38B through HC-R38F must equal HC-R38A.	(bhce5369 + bhc05369 + bhc25369 + bhc55369 + bhc95369) eq bhct5369
V	3835	HC-4b	HC-R39A must equal HC-4b.	bhctb528 eq bhckb528
V	3845	HC-R39F	Sum of HC-R39B through HC-R39F must equal HC-R39A.	(bhceb528 + bhc0b528 + bhc2b528 + bhc5b528 + bhc9b528) eq bhctb528
V	3860	HC-4c	HC-R40A must equal HC-4c.	bhcx3123 eq bhck3123
V	3870	HC-R40B	HC-R40B must equal HC-R40A.	bhce3123 eq bhcx3123
V	3885	HC-5	HC-R41A must equal HC-5.	bhcx3545 eq bhck3545
V	3895	HC-R41F	HC-R41A must equal the sum of HC-R41B through HC-R41F.	bhcx3545 eq (bhce3545 + bhc03545 + bhc23545 + bhc53545 + bhc93545)
V	3910	HC-R42A	HC-R42A must equal the sum of HC-6 through HC-11.	bhckb639 eq (bhck2145 + bhck2150 + bhck2130 + bhck2155 + bhck3163 + bhck0426 + bhck2160)

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	3920	HC-R42A	Sum of HC-R34A through HC-R39A, HC-R41A, and HC-R42A minus HC-R40A must equal HC-R43A.	((bhck0010 + bhcx1754 + bhcx1773 + bhckc225 + bhct5369 + bhctb528 + bhcx3545 + bhckb639) - bhcx3123) eq bhct2170
V	3930	HC-R42F	Sum of HC-R42B through HC-R42F must equal HC-R42A.	(bhceb639 + bhc0b639 + bhc2b639 + bhc5b639 + bhc9b639) eq bhckb639
V	3945	HC-12	HC-R43A must equal HC-12.	bhct2170 eq bhck2170
V	3955	HC-R43B	Sum of HC-R35B, HC-R36B, HC-R38B, HC-R39B, HC-R41B, and HC-R42B minus HC-R40B must equal HC-R43B.	((bhce1754 + bhce1773 + bhce5369 + bhceb528 + bhce3545 +bhceb639) - bhce3123) eq bhce2170
V	3965	HC-R43C	Sum of HC-R34C through HC-R39C, HC-R41C, and HC-R42C must equal HC-R43C.	(bhc00010 + bhc01754 + bhc01773 + bhc0c225 + bhc05369 + bhc0b528 + bhc03545 + bhc0b639) eq bhc02170
V	3975	HC-R43D	Sum of HC-R34D through HC-R39D, HC-R41D, and HC-R42D must equal HC-R43D.	(bhc20010 + bhc21754 + bhc21773 + bhc2c225 + bhc25369 + bhc2b528 + bhc23545 + bhc2b639) eq bhc22170
V	3985	HC-R43E	Sum of HC-R35E, HC-R36E, HC-R38E, HC-R39E, HC-R41E, and HC-R42E must equal HC-R43E.	(bhc51754 + bhc51773+ bhc55369 + bhc5b528 + bhc53545 + bhc5b639) eq bhc52170
V	3995	HC-R43F	Sum of HC-R34F through HC-R39F, HC-R41F, and HC-R42F must equal HC-R43F.	(bhc90010 + bhc91754 + bhc91773 + bhc9c225 + bhc95369 + bhc9b528 + bhc93545 + bhc9b639) eq bhc92170
V	4005	HC-R43F	Sum of HC-R43B through HC-R43F must equal HC-R43A.	(bhce2170 + bhc02170 + bhc22170 + bhc52170 + bhc92170) eq bhct2170
V	4035	HC-R44F	Sum of HC-R44C through HC-R44F must equal HC-R44B.	(bhc0b546 + bhc2b546 + bhc5b546 + bhc9b546) eq bhceb546
V	4045	HC-L3	HC-R45A must equal HC-L3.	bhct6570 eq bhck6570
V	4055	HC-R45B	HC-R45B must equal HC-R45A multiplied by 50%. ±2	(bhce6570 le ((bhct6570 * .5) + 2)) and (bhce6570 ge ((bhct6570 * .5) - 2))
V	4065	HC-R45F	Sum of HC-R45C through HC-R45F must equal HC-R45B.	(bhc06570 + bhc26570 + bhc56570 + bhc96570) eq bhce6570
V	4075	HC-L4	HC-R46A must equal HC-L4.	bhct3411 eq bhck3411
V	4085	HC-R46B	HC-R46B must equal HC-R46A multiplied by 20%. ±2	(bhce3411 le ((bhct3411 * .2) + 2)) and (bhce3411 ge ((bhct3411 * .2) - 2))
V	4095	HC-R46F	Sum of HC-R46C through HC-R46F must equal HC-R46B.	(bhc03411 + bhc23411 + bhc53411 + bhc93411) eq bhce3411
V	4105	HC-R47B	HC-R47B must equal HC-R47A.	bhce3429 eq bhck3429
V	4115	HC-R47F	Sum of HC-R47C, HC-R47D, and HC-R47F must equal HC-R47B.	(bhc03429 + bhc23429 + bhc93429) eq bhce3429
V	4125	HC-L6	HC-R48A must equal HC-L6.	bhct3433 eq bhck3433
V	4135	HC-R48B	HC-R48B must equal HC-R48A.	bhce3433 eq bhct3433
V	4145	HC-R48F	Sum of HC-R48C through HC-R48F must equal HC-R48B.	(bhc03433 + bhc23433 + bhc53433 + bhc93433) eq bhce3433
V	4155	HC-R49B	HC-R49B must equal HC-R49A.	bhcea250 eq bhcka250
V	4165	HC-R49F	Sum of HC-R49C through HC-R49F must equal HC-R49B.	(bhc0a250 + bhc2a250 + bhc5a250 + bhc9a250) eq bhcea250
V	4170	HC-R50F	HC-R50F must equal HC-R50B.	bhc9b541 eq bhceb541
V	4175	HC-R51B	HC-R51B must equal HC-R51A.	bhceb675 eq bhckb675
V	4185	HC-R51F	Sum of HC-R51C through HC-R51F must equal HC-R51B.	(bhc0b675 + bhc2b675 + bhc5b675 + bhc9b675) eq bhceb675
V	4195	HC-R52B	HC-R52B must equal HC-R52A.	bhceb681 eq bhckb681
V	4210	HC-R52F	Sum of HC-R52C through HC-R52F must equal HC-R52B.	(bhc0b681 + bhc2b681 + bhc5b681 + bhc9b681) eq bhceb681
V	4220	HC-R53B	HC-R53B must equal HC-R53A multiplied by 50%. ±2	bhce6572 le ((bhck6572 * .5) + 2) and bhce6572 ge ((bhck6572 * .5) - 2)
V	4230	HC-R53F	Sum of HC-R53C through HC-R53F must equal HC-R53B.	(bhc06572 + bhc26572 + bhc56572 + bhc96572) eq bhce6572
V	4240	HC-R54E	Sum of HC-R54C through HC-R54E must equal HC-R54B.	(bhc0a167 + bhc2a167 + bhc5a167) eq bhcea167

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	4250	HC-R55C	Sum of HC-R43C through HC-R49C and HC-R51C through HC-R54C must equal HC-R55C.	(bhc02170 + bhe0b546 + bhc06570 + bhc03411 + bhc03429 + bhc03433 + bhc0a250 + bhc0b675 + bhc0b681 + bhc06572 + bhc0a167) eq bhckb696
V	4260	HC-R55D	Sum of HC-R43D through HC-R49D and HC-R51D through HC-R54D must equal HC-R55D.	(bhc22170 + bhc2b546 + bhc26570 + bhc23411 + bhc23429 + bhc23433 + bhc2a250 + bhc2b675 + bhc2b681 + bhc26572 + bhc2a167) eq bhckb697
V	4270	HC-R55E	Sum of HC-R43E through HC-R46E, HC-R48E, HC-R49E and HC-R51E through HC-R54E must equal HC-R55E.	(bhc52170 + bhc5b546 + bhc56570 + bhc53411 + bhc53433 + bhc5a250 + bhc5b675 + bhc5b681 + bhc56572 + bhc5a167) eq bhckb698
V	4280	HC-R55F	Sum of HC-R43F through HC-R53F must equal HC-R55F.	(bhc92170 + bhc9b546 + bhc96570 + bhc93411 + bhc93429 + bhc93433 + bhc9a250 + bhc9b541 + bhc9b675 + bhc9b681 + bhc96572) eq bhckb699
V	4290	HC-R57C	HC-R57C must equal zero.	bhckb700 eq 0
V	4300	HC-R57D	HC-R57D must equal HC-R55D multiplied by 20%. (+/-2)	bhckb701 le (bhckb697 * .2) + 2) and bhckb701 ge (bhckb697 * .2) - 2)
V	4310	HC-R57E	HC-R57E must equal HC-R55E multiplied by 50%. (+/-2)	bhckb702 le (bhckb698 * .5) + 2) and bhckb702 ge (bhckb698 * .5) - 2)
V	4320	HC-R57F	HC-R57F must equal HC-R55F.	bhckb703 eq bhckb699
V	4335	HC-R59	Sum of HC-R57C, HC-R57D, HC-R57E, HC-R57F, and HC-R58 must equal HC-R59.	(bhckb700 + bhckb701 + bhckb702 + bhckb703 + bhck1651) eq bhckb704
V	4345	HC-R62	HC-R62 must equal HC-R59 minus the sum of HC-R60 and HC-R61.	bhcka223 eq (bhckb704 - (bhcka222 + bhck3218))
Schedule HC-S — Servicing, Securitization and Asset Sale Activities Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
V	4500	HC-S2cA	Sum of HC-S2aA, HC-S2bA and HC-S2cA must be less than or equal to HC-S1A.	(bhckb712 + bhckc393 + bhckc400) le bhckb705
V	4505	HC-S2cB	Sum of HC-S2aB, HC-S2bB and HC-S2cB must be less than or equal to HC-S1B.	(bhckb713 + bhckc394 + bhckc401) le bhckb706
V	4510	HC-S2cC	Sum of HC-S2aC, HC-S2bC and HC-S2cC must be less than or equal to HC-S1C.	(bhckb714 + bhckc395 + bhckc402) le bhckb707
V	4515	HC-S2cD	Sum of HC-S2aD, HC-S2bD and HC-S2cD must be less than or equal to HC-S1D.	(bhckb715 + bhckc396 + bhckc403) le bhckb708
V	4520	HC-S2cE	Sum of HC-S2aE, HC-S2bE and HC-S2cE must be less than or equal to HC-S1E.	(bhckb716 + bhckc397 + bhckc404) le bhckb709
V	4525	HC-S2cF	Sum of HC-S2aF, HC-S2bF and HC-S2cF must be less than or equal to HC-S1F.	(bhckb717 + bhckc398 + bhckc405) le bhckb710
V	4530	HC-S2cG	Sum of HC-S2aG, HC-S2bG and HC-S2cG must be less than or equal to HC-S1G.	(bhckb718 + bhckc399 + bhckc406) le bhckb711
V	4540	HC-S3A	HC-S3A must be less than or equal to HC-S1A.	bhckb726 le bhckb705
V	4545	HC-S3B	HC-S3B must be less than or equal to HC-S1B.	bhckb727 le bhckb706
V	4550	HC-S3C	HC-S3C must be less than or equal to HC-S1C.	bhckb728 le bhckb707
V	4555	HC-S3D	HC-S3D must be less than or equal to HC-S1D.	bhckb729 le bhckb708
V	4560	HC-S3E	HC-S3E must be less than or equal to HC-S1E.	bhckb730 le bhckb709
V	4565	HC-S3F	HC-S3F must be less than or equal to HC-S1F.	bhckb731 le bhckb710

FR Y-9C CHECKLIST

Each edit in the checklist must balance, rounding errors are not allowed				
Edit Type	**FRS EDCK**	**Target Item**	**Edit Test**	**Edit Test in the Form of Boolean Algebra**
V	4570	HC-S3G	HC-S3G must be less than or equal to HC-S1G.	bhckb732 le bhckb711
V	4590	HC-S4bA	Sum of HC-S4aA and HC-S4bA must be less than or equal to HC-S1A.	(bhckb733 + bhckb740) le bhckb705
V	4595	HC-S4bB	Sum of HC-S4aB and HC-S4bB must be less than or equal to HC-S1B.	(bhckb734 + bhckb741) le bhckb706
V	4600	HC-S4bC	Sum of HC-S4aC and HC-S4bC must be less than or equal to HC-S1C.	(bhckb735 + bhckb742) le bhckb707
V	4605	HC-S4bD	Sum of HC-S4aD and HC-S4bD must be less than or equal to HC-S1D.	(bhckb736 + bhckb743) le bhckb708
V	4610	HC-S4bE	Sum of HC-S4aE and HC-S4bE must be less than or equal to HC-S1E.	(bhckb737 + bhckb744) le bhckb709
V	4615	HC-S4bF	Sum of HC-S4aF and HC-S4bF must be less than or equal to HC-S1F.	(bhckb738 + bhckb745) le bhckb710
V	4620	HC-S4bG	Sum of HC-S4aG and HC-S4bG must be less than or equal to HC-S1G.	(bhckb739 + bhckb746) le bhckb711
V	4640	HC-S7bB	Sum of HC-S7aB and HC-S7bB must be less than or equal to HC-S6aB.	(bhckb764 + bhckb767) le bhckb761
V	4645	HC-S7bC	Sum of HC-S7aC and HC-S7bC must be less than or equal to HC-S6aC.	(bhckb765 + bhckb768) le bhckb762
V	4650	HC-S7bF	Sum of HC-S7aF and HC-S7bF must be less than or equal to HC-S6aF.	(bhckb766 + bhckb769) le bhckb763
V	4665	HC-S12A	HC-S12A must be less than or equal to HC-S11A.	bhckb797 le bhckb790
V	4670	HC-S12B	HC-S12B must be less than or equal to HC-S11B.	bhckb798 le bhckb791
V	4675	HC-S12C	HC-S12C must be less than or equal to HC-S11C.	bhckb799 le bhckb792
V	4680	HC-S12D	HC-S12D must be less than or equal to HC-S11D.	bhckb800 le bhckb793
V	4685	HC-S12E	HC-S12E must be less than or equal to HC-S11E.	bhckb801 le bhckb794
V	4690	HC-S12F	HC-S12F must be less than or equal to HC-S11F.	bhckb802 le bhckb795
V	4695	HC-S12G	HC-S12G must be less than or equal to HC-S11G.	bhckb803 le bhckb796
V	4697	HC-SM1a	HC-SM1b must be less than or equal to HC-SM1a.	bhcta250 le bhcka249
V	4700	HC-R49A	HC-SM1b must equal HC-R49A.	bhcta250 eq bhcka250
V	4710	HC-SM4	HC-SM4 must be less than or equal to HC-S1C.	bhckc407 le bhckb707

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Schedule HI — Consolidated Income Statement				
Q	5120	HI-2d	For March, if HC-19 is greater than $2 million, then HI-2d should be greater than zero.	if (mm-q1 eq 03) and (bhck4062 gt 2000) then bhck4397 gt 0
I	5130	HI-2d	For June, September, and December, If HC-19 is greater than $2 million, then HI-2d (current minus previous) should be greater than zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4062 gt 2000) then ((bhck4397 q1 - bhck4397-q2) gt 0)
Q	5135	HI-7a	HI-7a should be greater than zero.	bhck4135 gt 0
I	5140	HI-1a1 thru HI-1g, HI-2a1a thru HI-2e, HI-5a, HI-5b, HI-5h1, HI-5h2, HI-7a thru HI-7c2	For June, September, and December, if HI-A9 (current) is equal to HI-A9 (previous), then the current period should be greater than or equal to the previous period (minus $2k) for HI-1a1 through HI-1g, HI-2a1a through HI-2e, HI-5a, HI-5b, HI-5h1, HI-5h2, and HI-7a through HI-7c2.	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4356-q1 eq bhck4356-q2)) then ((bhck4010-q1 ge bhck4010-q2 - 2) and (bhck4059-q1 ge bhck4059-q2 - 2) and (bhck4065-q1 ge bhck4065-q2 - 2) and (bhck4115-q1 ge bhck4115-q2 - 2) and (bhckb488-q1 ge bhckb488-q2 - 2) and (bhckb489-q1 ge bhckb489-q2 - 2) and (bhck4060-q1 ge bhck4060-q2 - 2) and (bhck4069-q1 ge bhck4069-q2 - 2) and (bhck4020-q1 ge bhck4020-q2 - 2) and (bhck4518-q1 ge bhck4518-q2 - 2) and (bhcka517-q1 ge bhcka517-q2 - 2) and (bhcka518-q1 ge bhcka518-q2 - 2) and (bhck6761-q1 ge bhck6761-q2 - 2) and (bhck4172-q1 ge bhck4172-q2 - 2) and (bhck4180-q1 ge bhck4180-q2 - 2) and (bhck4185-q1 ge bhck4185-q2 - 2) and (bhck4397-q1 ge bhck4397-q2 - 2) and (bhck4398-q1 ge bhck4398-q2 - 2) and (bhck4070-q1 ge bhck4070-q2 - 2) and (bhck4483-q1 ge bhck4483-q2 - 2) and (bhckc386-q1 ge bhckc386-q2 - 2) and (bhckc387-q1 ge bhckc387-q2 - 2) and (bhck4135-q1 ge bhck4135-q2 - 2) and (bhck4217-q1 ge bhck4217-q2 - 2) and (bhckc216-q1 ge bhckc216-q2 - 2) and (bhckc232-q1 ge bhckc232-q2 - 2))
Q	5165	HI-Mem1	HI-Mem1 should be greater than or equal to HI-3.	bhck4519 ge bhck4074
Q	5175	HI-Mem1	The absolute value of HI-Mem1 should be less than or equal to 150% of the absolute value of HI-3.	((if bhck4519 lt 0 and bhck4519 ne null then bhck4519 * -1 else bhck4519) le ((if bhck4074 lt 0 and bhck4074 ne null then bhck4074 * -1 else bhck4074) * 1.5))
Q	5185	HI-Mem2	HI-Mem2 should be greater than or equal to HI-8.	bhck4592 ge bhck4301
Q	5195	HI-Mem2	The absolute value of HI-Mem2 should be less than or equal to 150% of the absolute value of HI-8.	((if bhck4592 lt 0 and bhck4592 ne null then bhck4592 * -1 else bhck4592) le ((if bhck4301 lt 0 and bhck4301 ne null then bhck4301 * -1 else bhck4301) * 1.5))
I	5220	HI-Mem3	For June, September, and December, HI-Mem3 (current) should be greater than or equal to HI-Mem3 (previous - $2k).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then (bhck4313-q1 ge bhck4313-q2 - 2)
I	5235	HI-Mem4	For June, September, and December, HI-Mem4 (current) should be greater than or equal to HI-Mem4 (previous - $2k).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then (bhck4507-q1 ge bhck4507-q2 - 2)
Q	5240	HI-Mem5	For March, if HI-Mem5 is greater than zero, then HI-7a divided by HI-Mem5 should be in the range of $4 - $40 thousand.	if (mm-q1 eq 03) and (bhck4150 gt 0) then ((bhck4135 / bhck4150) ge 4 and (bhck4135 / bhck4150) le 40)
Q	5245	HI-Mem5	HI-Mem5 should be greater than zero.	bhck4150 gt 0
I	5250	HI-Mem5	For June, September, and December, if HI-Mem5 (current) is greater than zero, and HI-7a (previous) is greater than zero, then HI-7a (current - previous) divided by HI-Mem5 (current) should be in the range of $4 - $40 thousand.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4150-q1 gt 0 and bhck4135-q2 gt 0) then ((bhck4135-q1 - bhck4135-q2)/bhck4150-q1) ge 4 and ((bhck4135-q1 - bhck4135-q2)/bhck4150-q1) le 40
Q	5273	HI-Mem6h	If HI-5l minus 5% of the sum of HI-1h and HI-5m is greater than $500k, then the sum of HI-Mem6a through HI-Mem6h should be greater than zero.	if (bhckb497 - ((0.05)*(bhck4107 + bhck4079)) gt 500) then (bhckc013 + bhckc014 + bhckc016 + bhck4042 + bhckc015 + bhck8562 + bhck8563 + bhck8564) gt 0
Q	5275	HI-Mem6h	The sum of HI-Mem6a through HI-Mem6h should be less than or equal to HI-5l.	(bhckc013 + bhckc014 + bhckc016 + bhck4042 + bhckc015 + bhck8562 + bhck8563 + bhck8564) le bhckb497

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Q	5293	HI-Mem7j	If HI-7d minus 5% of the sum of HI-1h and HI-5m is greater than $500k, then the sum of HI-Mem7a through HI-Mem7j should be greater than zero.	If (bhck4092 - ((0.05)*(bhck4107 + bhck4079)) gt 500) then (bhckc017 + bhck0497 + bhck4136 + bhckc018 + bhck8403 + bhck4141 + bhck4146 + bhck8565 + bhck8566 + bhck8567) gt 0
Q	5295	HI-Mem7j	The sum of HI-Mem7a through HI-Mem7j should be less than or equal to HI-7d.	(bhckc017 + bhck0497 + bhck4136 + bhckc018 + bhck8403 + bhck4141 + bhck4146 + bhck8565 + bhck8566 + bhck8567) le bhck4092
I	5298	HI-Mem8a1	For June, September, and December, If HI-Mem8a1(previous) is not equal to zero, then HI-Mem8a1(current) should not equal zero.	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck3571-q2 ne 0)) then bhck3571-q1 ne 0
Q	5345	HI-Mem8c1	If HI-12 equals zero or null, then the sum of HI-Mem8a1, HI-Mem8b1, and HI-Mem8c1 should equal zero or null.	if ((bhck4320 eq 0) or (bhck4320 eq null)) then (((bhck3571 + bhck3573 + bhck3575) eq 0) or ((bhck3571 + bhck3573 + bhck3575) eq null)))
Q	5347	HI-Mem8c1	If the sum of HI-Mem8a1, HI-Mem8b1, and HI-Mem8c1 is equal to zero or null, then HI-12 should equal zero or null.	if (((bhck3571 + bhck3573 + bhck3575) eq 0) or (bhck3571 + bhck3573 + bhck3575) eq null))) then ((bhck4320 eq 0) or (bhck4320 eq null))
Q	5370	HI-Mem8c2	Sum of HI-Mem8a1, HI-Mem8b1, and HI-Mem8c1 minus the sum of HI-Mem8a2, HI-Mem8b2, and HI-Mem8c2 should be equal to HI-12.	((bhck3571 + bhck3573 + bhck3575) - (bhck3572 + bhck3574 + bhck3576)) eq bhck4320
I	5371	HI-Mem9d	If HC-K4a (for any quarter of the preceding calendar year) is greater than or equal to $2 million, and HI-5c(current) is not equal to zero, then the sum of HI-Mem9a through HI-Mem9d should not equal zero.	if (((mm-q1 eq 03) and (bhck3401-q2 ge 2000 or bhck3401-q3 ge 2000 or bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000)) or ((mm-q1 eq 06) and (bhck3401-q3 ge 2000 or bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000)) or ((mm-q1 eq 09) and (bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000 or bhck3401-q7 ge 2000)) or ((mm-q1 eq 12) and (bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000 or bhck3401-q7 ge 2000 or bhck3401-q8 ge 2000))) and (bhcka220-q1 ne 0) then (bhck8757-q1 + bhck8758-q1 + bhck8759-q1 + bhck8760-q1) ne 0
I	5372	HI-Mem9a, HI-Mem9b, HI-Mem9c, HI-Mem9d, HI-Mem10a, HI-Mem10b, and HI-Mem10c	For June, September, and December, if the previous period is not equal to zero, then the current period should not equal zero for HI-Mem9a, HI-Mem9b, HI-Mem9c, HI-Mem9d, HI-Mem10a, HI-Mem10b, and HI-Mem10c.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then if (bhck8757-q2 ne 0 then bhck8757-q1 ne 0) and if (bhck8758-q2 ne 0 then bhck8758-q1 ne 0) and if (bhck8759-q2 ne 0 then bhck8759-q1 ne 0) and if (bhck8760-q2 ne 0 then bhck8760-q1 ne 0) and if (bhck8761-q2 ne 0 then bhck8761-q1 ne 0) and if (bhck8762-q2 ne 0 then bhck8762-q1 ne 0) and if (bhck8763-q2 ne 0 then bhck8763-q1 ne 0)
Q	5374	HI-Mem10a	HI-Mem10a should be less than or equal to HI-1h minus HI-1e.	bhck8761 le (bhck4107 - bhck4069)
Q	5376	HI-Mem10b	HI-Mem10b should be less than or equal to HI-2f.	bhck8762 le bhck4073
Q	5377	HI-Mem10c	If HI-Mem10c is greater than zero, then HI-Mem10c should be less than or equal to HI-5l, or if HI-Mem10c is less than zero, then the absolute value of HI-Mem10c should be less than or equal to HI-7d.	if (bhck8763 gt 0) then (bhck8763 le bhckb497) if (bhck8763 lt 0) then ((bhck8763 * -1) le bhck4092)
I	5381	HI-Mem11	For June, September, and December, if HI-Mem11 (previous) is greater than zero, then HI-Mem11 (current) should be greater than zero.	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhcka251-q2 gt 0)) then (bhcka251-q1 gt 0)
I	5385	HI-Mem12a	For June, September, and December, HI-Mem12a (current) should be greater than or equal to HI-Mem12a (previous -2k).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then (bhck8431-q1 ge bhck8431-q2 - 2)
Q	5387	HI-Mem12a	If HC-M16 is greater than $100 thousand, then HI-Mem12a should be greater than zero.	if (bhckb570 gt 100) then (bhck8431 gt 0)
Q	5390	HI-Mem12a	If HI-Mem12a is greater than zero, then HI-Mem12a should be less than or equal to the sum of HI-5d and HI-5h2 plus 10k.	if (bhck8431 gt 0) then (bhck8431 le ((bhckb490 + bhckc387) + 10))

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Q	5393	HI-Mem12b2	If the sum of HI-Mem12b1 and HI-Mem12b2 is greater than zero, then the sum of HI-Mem12b1 and HI-Mem12b2 should be less than the sum of HI-5h1 and HI-5h2.	if ((bhckc242 + bhckc243) gt 0) then ((bhckc242 + bhckc243) lt (bhckc386 + bhckc387))
I	5395	HI-Mem12b2	For June, September, and December, the sum of HI-Mem12b1 and HI-Mem12b2 (current) should be greater than or equal to the sum of HI-Mem12b1 and HI-Mem12b2 (previous).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then (bhckc242-q1 + bhckc243-q1) ge (bhckc242-q2 + bhckc243-q2)
I	5400*	HI-Mem13	If HI-Mem13 (previous) is greater than zero, then HI-Mem13(current) should equal HI-Mem13 (previous).	if (bhcka530-q2 gt 0) then (bhcka530-q1 eq bhcka530-q2)
Q	5410	HI-Mem14	HI-Mem14 should be less than or equal to the sum of HC-24 and HC-25.	bhckc408 le (bhck3230 + bhck3240)
Q	5420	HI-Mem15	HI-Mem15 should be less than or equal to the sum of HC-24 and HC-25.	bhckc409 le (bhck3230 + bhck3240)
Schedule HI-A — Changes in Equity Capital				

I	5450	HI-A1 and HI- A3	If HI-A15 (previous December) is greater than zero, and HI-A9(current) equals zero, then HI-A1(current) or HI-A3(current) should equal HI-A15(previous December).	if (mm-q1 eq 03 and bhct3210-q2 gt 0 and bhck4356-q1 eq 0) then (bhck3217-q1 or bhckb508-q1) eq bhct3210-q2 or
				if (mm-q1 eq 06 and bhct3210-q3 gt 0 and bhck4356-q1 eq 0) then (bhck3217-q1 or bhckb508-q1) eq bhct3210-q3 or
				if (mm-q1 eq 09 and bhct3210-q4 gt 0 and bhck4356-q1 eq 0) then (bhck3217-q1 or bhckb508-q1) eq bhct3210-q4 or
				if (mm-q1 eq 12 and bhct3210-q5 gt 0 and bhck4356-q1 eq 0) then (bhck3217-q1 or bhckb508-q1) eq bhct3210-q5

I	5455	HI-A2	For June, September, and December, if HI-A2 (previous) is not equal to zero, then HI-A2 (current) should not equal zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhckb507-q2 ne 0) then (bhckb507-q1 ne 0)
Q	5465	HI-A5b	Sum of HI-A5a and HI-A5b should be less than or equal to HC-23.	(bhck3577 + bhck3578) le bhck3283
I	5470	HI-A5a, HI-A5b, HI-A6a, and HI-A6b	For June, September, and December, if HI-A5a, HI-A5b, HI-A6a, or HI-A6b(previous) is not equal to zero, then HI-A5a, HI-A5b, HI-A6a, or HI-A6b (current) should not equal zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck3577-q2 ne 0 or bhck3578-q2 ne 0 or bhck3579-q2 ne 0 or bhck3580-q2 ne 0) then (bhck3577-q1 ne 0 or bhck3578-q1 ne 0 or bhck3579-q1 ne 0 or bhck3580-q1 ne 0)
Q	5475	HI-A6b	Sum of HI-A6a and HI-A6b should be less than or equal to the sum of HC-24 and HC-25.	(bhck3579 + bhck3580) le (bhck3230 + bhck3240)
I	5480	HI-A8	For June, September, and December, if the sum of HI-A7 and HI-A8 (previous) is not equal to zero, then the sum of HI-A7 and HI-A8 (current) should not be equal to zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and ((bhck4782-q2 + bhck4783-q2) ne 0) then ((bhck4782-q1 + bhck4783-q1) ne 0)
I	5485	HI-A9	For June, September, and December, if HI-A9 (previous) is not equal to zero, then HI-A9 (current) should not be equal to zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4356-q2 ne 0) then (bhck4356-q1 ne 0)
I	5510	HI-A5a, HI-A6a, HI-A7, HI-A8, HI-A10, and HI-A11	For June, September, and December, if HI-A9(previous) is equal to HI-A9(current) then, the current period should be greater than or equal to the previous period (-2k) for HI-A5a, HI-A6a, HI-A7, HI-A8, HI-A10, and HI-A11.	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4356-q2 eq bhck4356-q1)) then (bhck3577-q1 ge bhck3577-q2 - 2) and (bhck3579-q1 ge bhck3579-q2 - 2) and (bhck4782-q1 ge bhck4782-q2 - 2) and (bhck4783-q1 ge bhck4783-q2 - 2) and (bhck4598-q1 ge bhck4598-q2 - 2) and (bhck4460-q1 ge bhck4460-q2 - 2)
I	5530	HI-A12	For June, September, and December, if HI-A12 (previous) is not equal to zero, then HI-A12(current) should not be equal to zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhckb511-q2 ne 0) then (bhckb511-q1 ne 0)

*Effective June 30, 2003

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Schedule HI-B — Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses **Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)**				
I	5570	HI-B(I)1aA thru HI-B(I)8bA and HI-B(I)1aB thru HI-B(I)8bB	For June, September, and December, the current period should be greater than or equal to the previous period (minus $2k) for HI-B(I)1aA through HI-B(I)8bA and HI-B(I)1aB through HI-B(I)8bB.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then ((bhck3582-q1 ge bhck3582-q2 - 2) and (bhck3584-q1 ge bhck3584-q2 - 2) and (bhck5411-q1 ge bhck5411-q2 - 2) and (bhckc234-q1 ge bhckc234-q2 - 2) and (bhckc235-q1 ge bhckc235-q2 - 2) and (bhck3588-q1 ge bhck3588-q2 - 2) and (bhck3590-q1 ge bhck3590-q2 - 2) and (bhckb512-q1 ge bhckb512-q2 - 2) and (bhck4653-q1 ge bhck4653-q2 - 2) and (bhck4654-q1 ge bhck4654-q2 - 2) and (bhck4655-q1 ge bhck4655-q2 - 2) and (bhck4645-q1 ge bhck4645-q2 - 2) and (bhck4646-q1 ge bhck4646-q2 - 2) and (bhckb514-q1 ge bhckb514-q2 - 2) and (bhckb516-q1 ge bhckb516-q2 - 2) and (bhck4643-q1 ge bhck4643-q2 - 2) and (bhck4644-q1 ge bhck4644-q2 - 2) and (bhck4658-q1 ge bhck4658-q2 - 2) and (bhck4659-q1 ge bhck4659-q2 - 2) and (bhck3583-q1 ge bhck3583-q2 - 2) and (bhck3585-q1 ge bhck3585-q2 - 2) and (bhck5412-q1 ge bhck5412-q2 - 2) and (bhckc217-q1 ge bhckc217-q2 - 2) and (bhckc218-q1 ge bhckc218-q2 - 2) and (bhck3589-q1 ge bhck3589-q2 - 2) and (bhck3591-q1 ge bhck3591-q2 - 2) and (bhckb513-q1 ge bhckb513-q2 - 2) and (bhck4663-q1 ge bhck4663-q2 - 2) and (bhck4664-q1 ge bhck4664-q2 - 2) and (bhck4665-q1 ge bhck4665-q2 - 2) and (bhck4617-q1 ge bhck4617-q2 - 2) and (bhck4618-q1 ge bhck4618-q2 - 2) and (bhckb515-q1 ge bhckb515-q2 - 2) and (bhckb517-q1 ge bhckb517-q2 - 2) and (bhck4627-q1 ge bhck4627-q2 - 2) and (bhck4628-q1 ge bhck4628-q2 - 2) and (bhck4668-q1 ge bhck4668-q2 - 2) and (bhck4669-q1 ge bhck4669-q2 - 2))
I	5600	HI-B(I)Mem1A, HI-B(I)Mem1B, HI-B(I)Mem2A, HI-B(I)Mem2B, HI-B(I)Mem3	For June, September and December, the current period should be greater than or equal to the previous period (minus $2k) for items HI-B(I)Mem1A, HI-B(I)Mem1B, HI-B(I)Mem2A, HI-B(I)Mem2B, and HI-B(I)Mem3.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then ((bhck5409-q1 ge bhck5409-q2 - 2) and (bhck5410-q1 ge bhck5410-q2 - 2) and (bhck4652-q1 ge bhck4652-q2 - 2) and (bhck4662-q1 ge bhck4662-q2 - 2) and (bhckc388-q1 ge bhckc399-q2 -2))

I	5650	HI-B(II)1	If HI-B(II)7 (previous Dec) is greater than zero, then HI-B(II)1 (current) should equal HI-B(II)7 (previous Dec).	if (mm-q1 eq 03 and bhct3123-q2 gt 0) then (bhckb522-q1 eq bhct3123-q2) or
				if (mm-q1 eq 06 and bhct3123-q3 gt 0) then (bhckb522-q1 eq bhct3123-q3) or
				if (mm-q1 eq 09 and bhct3123-q4 gt 0) then (bhckb522-q1 eq bhct3123-q4) or
				if (mm-q1 eq 12 and bhct3123-q5 gt 0) then (bhckb522-q1 eq bhct3123-q5)

I	5661	HI-B(II)Mem1	If HI-B(II)Mem1 (previous) is greater than zero, then HI-B(II)Mem1 (current) should be greater than zero.	if bhckc435-q2 gt 0 then bhckc435-q1 gt 0
Q	5677	HI-B(II)Mem3	Sum of HI-B(II)Mem1 and HI-B(II)Mem3 should be less than or equal to HI-B(II)7.	(bhckc435 + bhckc390) le bhct3123
Q	5680	HI-B(II)Mem3	If the sum of HC-C6aA and HC-S1C is greater than $500M or the sum of HC-C6aA and HC-S1C divided by the sum of HC-C12A and HC-S1C is greater than 50% and the sum of HC-C12A and HC-S1C divided by the sum of HC-12 and HC-S1C is greater than 50%, then the sum of HI-B(I)Mem3, HI-B(II)Mem2 and HI-B(II)Mem3 should be greater than zero.	if(((bhckb538 + bhckb707) gt 500000) or ((((bhckb538 + bhckb707)/(bhck2122 + bhckb707))*100 gt 50) and ((bhck2122 + bhckb707)/(bhck2170 + bhckb707))*100 gt 50))) then (bhckc388 + bhckc389 + bhckc390) gt 0

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Schedule NIS-P — Notes to the Income Statement - Predecessor Financial Items **This schedule is to be submitted by Bank Holding Companies involved in business combinations during the quarter.** **Information should be provided for aquired company(ies) with aggregated assets of $10 billion or more or 5% of the reporting BHC's total consolidated assets as of the previous quarter-end. Information should be reported year-to-date of aquisition**				
V	5685	NIS-P1b	Sum of NIS-P1a and NIS-P1b should be less than or equal to NIS-P1.	(bhbc4094 + bhbc4218) le bhbc4107
V	5687	NIS-P2a	NIS-P2a should be less than or equal to NIS-P2.	bhbc4421 le bhbc4073
V	5689	NIS-P3	NIS-P1 minus NIS-P2 should equal NIS-P3.	(bhbc4107 - bhbc4073) eq bhbc4074
V	5691	NIS-P5f	Sum of NIS-P5a through NIS-P5f should be less than or equal to NIS-P5.	(bhbc4070 + bhbca220 + bhbcb490 + bhbcb491 + bhbcb493 + bhbcb494) le bhbc4079
V	5693	NIS-P7b	Sum of NIS-P7a and NIS-P7b should be less than or equal to NIS-P7.	(bhbc4135 + bhbcc216) le bhbc4093
V	5695	NIS-P8	Sum of NIS-P3, NIS-P5 and NIS-P6 minus the sum of NIS-P4 and NIS-P7 should equal NIS-P8.	((bhbc4074 + bhbc4079 + bhbc4091) - (bhbc4230 + bhbc4093)) eq bhbc4301
V	5697	NIS-P12	NIS-P8 minus the sum of NI-P9 through NIS-P11 should equal NIS-P12.	bhbc4301 - (bhbc4302 + bhbc4484 + bhbc4320) eq bhbc4340
Schedule HC — Consolidated Balance Sheet				
I	5710	HC-4a	If HC-4a(previous) is greater than $5 million, then HC-4a(current) should be greater than zero.	if bhck5369-q2 gt 5000, then bhck5369-q1 gt 0
Q	5715	HC-6	HC-6 should be greater than zero.	bhck2145 gt 0
I	5720	HC-8	If HC-8(previous) is not equal to zero, then HC-8(current) should not equal zero.	if bhck2130-q2 ne 0 then bhck2130-q1 ne 0
I	5725	HC-10a	If HC-10a(previous) is greater than zero, then HC-10a(current) should be greater than zero.	if bhck3163-q2 gt 0 then bhck3163-q1 gt 0
I	5735	HC-10b	If HC-10b(previous) is greater than zero, then HC-10b(current) should be greater than zero.	if bhck0426-q2 gt 0 then bhck0426-q1 gt 0
I	5745	HC-12	HC-12(current) should not equal HC-12(previous).	bhck2170-q1 ne bhck2170-q2
Q	5750	HC-13b2	If HI-2a2 is greater than $10k, then HC-13b2 should be greater than zero.	if bhck4172 gt 10 then bhfn6636 gt 0
Q	5760	HC-18	HC-18 should be greater than or equal to HC-9.	bhck2920 ge bhck2155
Q	5765	HC-19	For March, if HI-2d is greater than $10k, then HC-19 should be greater than zero.	if (mm-q1 eq 03) and (bhck4397 gt 10) then bhck4062 gt 0
I	5775	HC-19	For June, September and December, If HI-2d (current minus previous) is greater than $10k, then HC-19 (current) should be greater than zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4397-q1 - bhck4397-q2) gt 10 then bhck4062-q1 gt 0
I	5780	HC-22	If HC-22(previous) is greater than zero, then HC-22(current) should be greater than zero.	if bhck3000-q2 gt 0 then bhck3000-q1 gt 0
Q	5785	HC-23	IF HC-23 equals zero, then HI-A10 should equal zero.	if bhck3283 eq 0 then bhck4598 eq 0
I	5790	HC-23	If HC-23(previous) is greater than zero, then HC-23(current) should be greater than zero.	if bhck3283-q2 gt 0 then bhck3283-q1 gt 0
I	5793	HC-24	If HC-24(previous) is greater than zero, then HC-24(current) should be greater than zero.	if bhck3230-q2 gt 0 then bhck3230-q1 gt 0
Q	5794	HC-25	If HI-A11 is greater than zero, then the sum of HC-24 and HC-25 should be greater than zero.	if bhck4460 gt 0 then (bhck3230 + bhck3240) gt 0

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I	5795	HC-26b	For March, If HI-A9(current) equals zero, then HC-26b (current minus previous) should equal HI-A12(current) +/- 10k.	if (mm-q1 eq 03 and bhck4356 eq 0) then ((bhckb530-q1- bhckb530-q2) ge bhckb511-q1-10) and ((bhckb530-q1- bhckb530-q2) le bhckb511-q1+10))
I	5796	HC-26b	For June, September, and December, If HI-A9 (current) equals HI-A9 (previous), then HC-26b (current minus previous) should equal HI-A12 (current minus previous) +/- 10k.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4356-q1 eq bhck4356-q2) then (bhckb530-q1 - bhckb530-q2) ge (bhckb511-q1 - bhckb511-q2 -10) and (bhckb530-q1 - bhckb530-q2) le (bhckb511-q1 - bhckb511-q2 +10)
I	5800	HC-27	If HC-27(previous) not equal zero, then HC-27(current) should not equal zero.	if bhcka130-q2 ne 0 then bhcka130-q1 ne 0
Schedule HC-B — Securities Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
Q	5805	HC-B1B	If HC-B1A is greater than zero, then HC-B1B divided by HC-B1A should not exceed tolerance of 75% - 150%.	if bhck0211 gt 0 then ((bhck0213/bhck0211)*100) ge 75 and ((bhck0213/bhck0211)*100) le 150
Q	5808	HC-B1D	If HC-B1C is greater than zero, then HC-B1D divided by HC-B1C should not exceed tolerance of 75% - 150%.	if bhck1286 gt 0 then ((bhck1287/bhck1286)*100) ge 75 and ((bhck1287/bhck1286)*100) le 150
Q	5810	HC-B2aB	If HC-B2aA is greater than zero, then HC-B2aB divided by HC-B2aA should not exceed tolerance of 75% - 150%.	if bhck1289 gt 0 then ((bhck1290/bhck1289)*100) ge 75 and ((bhck1290/bhck1289)*100) le 150
Q	5813	HC-B2aD	If HC-B2aC is greater than zero, then HC-B2aD divided by HC-B2aC should not exceed tolerance of 75% - 150%.	if bhck1291 gt 0 then ((bhck1293/bhck1291)*100) ge 75 and ((bhck1293/bhck1291)*100) le 150
Q	5815	HC-B2bB	If HC-B2bA is greater than zero, then HC-B2bB divided by HC-B2bA should not exceed tolerance of 75% - 150%.	if bhck1294 gt 0 then ((bhck1295/bhck1294)*100) ge 75 and ((bhck1295/bhck1294)*100) le 150
Q	5817	HC-B2bD	If HC-B2bC is greater than zero, then HC-B2bD divided by HC-B2bC should not exceed tolerance of 75% - 150%.	if bhck1297 gt 0 then ((bhck1298/bhck1297)*100) ge 75 and ((bhck1298/bhck1297)*100) le 150
Q	5820	HC-B3B	If HC-B3A is greater than zero, then HC-B3B divided by HC-B3A should not exceed tolerance of 75% - 150%.	if bhck8496 gt 0 then ((bhck8497/bhck8496)*100) ge 75 and ((bhck8497/bhck8496)*100) le 150
Q	5823	HC-B3D	If HC-B3C is greater than zero, then HC-B3D divided by HC-B3C should not exceed tolerance of 75% - 150%.	if bhck8498 gt 0 then ((bhck8499/bhck8498)*100) ge 75 and ((bhck8499/bhck8498)*100) le 150
Q	5825	HC-B4a1B	If HC-B4a1A is greater than zero, then HC-B4a1B divided by HC-B4a1A should not exceed tolerance of 75% - 150%.	if bhck1698 gt 0 then ((bhck1699/bhck1698)*100) ge 75 and ((bhck1699/bhck1698)*100) le 150
Q	5827	HC-B4a1D	If HC-B4a1C is greater than zero, then HC-B4a1D divided by HC-B4a1C should not exceed tolerance of 75% - 150%.	if bhck1701 gt 0 then ((bhck1702/bhck1701)*100) ge 75 and ((bhck1702/bhck1701)*100) le 150
Q	5830	HC-B4a2B	If HC-B4a2A is greater than zero, then HC-B4a2B divided by HC-B4a2A should not exceed tolerance of 75% - 150%.	if bhck1703 gt 0 then ((bhck1705/bhck1703)*100) ge 75 and ((bhck1705/bhck1703)*100) le 150
Q	5833	HC-B4a2D	If HC-B4a2C is greater than zero, then HC-B4a2D divided by HC-B4a2C should not exceed tolerance of 75% - 150%.	if bhck1706 gt 0 then ((bhck1707/bhck1706)*100) ge 75 and ((bhck1707/bhck1706)*100) le 150
Q	5835	HC-B4a3B	If HC-B4a3A is greater than zero, then HC-B4a3B divided by HC-B4a3A should not exceed tolerance of 75% - 150%.	if bhck1709 gt 0 then ((bhck1710/bhck1709)*100) ge 75 and ((bhck1710/bhck1709)*100) le 150
Q	5837	HC-B4a3D	If HC-B4a3C is greater than zero, then HC-B4a3D divided by HC-4a3C should not exceed tolerance of 75% - 150%.	if bhck1711 gt 0 then ((bhck1713/bhck1711)*100) ge 75 and ((bhck1713/bhck1711)*100) le 150
Q	5840	HC-B4b1B	If HC-B4b1A is greater than zero, then HC-B4b1B divided by HC-B4b1A should not exceed tolerance of 75% - 150%.	if bhck1714 gt 0 then ((bhck1715/bhck1714)*100) ge 75 and ((bhck1715/bhck1714)*100) le 150
Q	5843	HC-B4b1D	If HC-B4b1C is greater than zero, then HC-B4b1D divided by HC-B4b1C should not exceed tolerance of 75% - 150%.	if bhck1716 gt 0 then ((bhck1717/bhck1716)*100) ge 75 and ((bhck1717/bhck1716)*100) le 150
Q	5845	HC-B4b2B	If HC-B4b2A is greater than zero, then HC-B4b2B divided by HC-B4b2A should not exceed tolerance of 75% - 150%.	if bhck1718 gt 0 then ((bhck1719/bhck1718)*100) ge 75 and ((bhck1719/bhck1718)*100) le 150
Q	5847	HC-B4b2D	If HC-B4b2C is greater than zero, then HC-B4b2D divided by HC-B4b2C should not exceed tolerance of 75% - 150%.	if bhck1731 gt 0 then ((bhck1732/bhck1731)*100) ge 75 and ((bhck1732/bhck1731)*100) le 150

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Q	5850	HC-B4b3B	If HC-B4b3A is greater than zero, then HC-B4b3B divided by HC-B4b3A should not exceed tolerance of 75% - 150%.	if bhck1733 gt 0 then ((bhck1734/bhck1733)*100) ge 75 and ((bhck1734/bhck1733)*100) le 150
Q	5853	HC-B4b3D	If HC-B4b3C is greater than zero, then HC-B4b3D divided by HC-B4b3C should not exceed tolerance of 75% - 150%.	if bhck1735 gt 0 then ((bhck1736/bhck1735)*100) ge 75 and ((bhck1736/bhck1735)*100) le 150
Q	5855	HC-B5aB	If HC-B5aA is greater than zero, then HC-B5aB divided by HC-B5aA should not exceed tolerance of 75% - 150%.	if bhckb838 gt 0 then ((bhckb839/bhckb838)*100) ge 75 and ((bhckb839/bhckb838)*100) le 150
Q	5857	HC-B5aD	If HC-B5aC is greater than zero, then HC-B5aD divided by HC-B5aC should not exceed tolerance of 75% - 150%.	if bhckb840 gt 0 then ((bhckb841/bhckb840)*100) ge 75 and ((bhckb841/bhckb840)*100) le 150
Q	5860	HC-B5bB	If HC-B5bA is greater than zero, then HC-B5bB divided by HC-B5bA should not exceed tolerance of 75% - 150%.	if bhckb842 gt 0 then ((bhckb843/bhckb842)*100) ge 75 and ((bhckb843/bhckb842)*100) le 150
Q	5863	HC-B5bD	If HC-B5bC is greater than zero, then HC-B5bD divided by HC-B5bC should not exceed tolerance of 75% - 150%.	if bhckb844 gt 0 then ((bhckb845/bhckb844)*100) ge 75 and ((bhckb845/bhckb844)*100) le 150
Q	5865	HC-B5cB	If HC-B5cA is greater than zero, then HC-B5cB divided by HC-B5cA should not exceed tolerance of 75% - 150%.	if bhckb846 gt 0 then ((bhckb847/bhckb846)*100) ge 75 and ((bhckb847/bhckb846)*100) le 150
Q	5867	HC-B5cD	If HC-B5cC is greater than zero, then HC-B5cD divided by HC-B5cC should not exceed tolerance of 75% - 150%.	if bhckb848 gt 0 then ((bhckb849/bhckb848)*100) ge 75 and ((bhckb849/bhckb848)*100) le 150
Q	5870	HC-B5dB	If HC-B5dA is greater than zero, then HC-B5dB divided by HC-B5dA should not exceed tolerance of 75% - 150%.	if bhckb850 gt 0 then ((bhckb851/bhckb850)*100) ge 75 and ((bhckb851/bhckb850)*100) le 150
Q	5873	HC-B5dD	If HC-B5dC is greater than zero, then HC-B5dD divided by HC-B5dC should not exceed tolerance of 75% - 150%.	if bhckb852 gt 0 then ((bhckb853/bhckb852)*100) ge 75 and ((bhckb853/bhckb852)*100) le 150
Q	5875	HC-B5eB	If HC-B5eA is greater than zero, then HC-B5eB divided by HC-B5eA should not exceed tolerance of 75% - 150%.	if bhckb854 gt 0 then ((bhckb855/bhckb854)*100) ge 75 and ((bhckb855/bhckb854)*100) le 150
Q	5877	HC-B5eD	If HC-B5eC is greater than zero, then HC-B5eD divided by HC-B5eC should not exceed tolerance of 75% - 150%.	if bhckb856 gt 0 then ((bhckb857/bhckb856)*100) ge 75 and ((bhckb857/bhckb856)*100) le 150
Q	5880	HC-B5fB	If HC-B5fA is greater than zero, then HC-B5fB divided by HC-B5fA should not exceed tolerance of 75% - 150%.	if bhckb858 gt 0 then ((bhckb859/bhckb858)*100) ge 75 and ((bhckb859/bhckb858)*100) le 150
Q	5883	HC-B5fD	If HC-B5fC is greater than zero, then HC-B5fD divided by HC-B5fC should not exceed tolerance of 75% - 150%.	if bhckb860 gt 0 then ((bhckb861/bhckb860)*100) ge 75 and ((bhckb861/bhckb860)*100) le 150
Q	5885	HC-B6aB	If HC-B6aA is greater than zero, then HC-B6aB divided by HC-B6aA should not exceed tolerance of 75% - 150%.	if bhck1737 gt 0 then ((bhck1738/bhck1737)*100) ge 75 and ((bhck1738/bhck1737)*100) le 150
Q	5887	HC-B6aD	If HC-B6aC is greater than zero, then HC-B6aD divided by HC-B6aC should not exceed tolerance of 75% - 150%.	if bhck1739 gt 0 then ((bhck1741/bhck1739)*100) ge 75 and ((bhck1741/bhck1739)*100) le 150
Q	5890	HC-B6bB	If HC-B6bA is greater than zero, then HC-B6bB divided by HC-B6bA should not exceed tolerance of 75% - 150%.	if bhck1742 gt 0 then ((bhck1743/bhck1742)*100) ge 75 and ((bhck1743/bhck1742)*100) le 150
Q	5892	HC-B6bD	If HC-B6bC is greater than zero, then HC-B6bD divided by HC-B6bC should not exceed tolerance of 75% - 150%.	if bhck1744 gt 0 then ((bhck1746/bhck1744)*100) ge 75 and ((bhck1746/bhck1744)*100) le 150
I	5895	HC-BM2a	If the sum of HC-2a (previous) and HC-2b (previous) minus HC-B7D (previous) is greater than zero and the sum of HC-2a (current) and HC-2b (current) minus HC-B7D (current) is greater than or equal to $1 million, then the difference between the ratios for HC-BM2a divided by (HC-2a and HC-2b minus HC-B7D) between previous and current should not exceed +/- 30 %.	if ((bhck1754-q2+bhck1773-q2) - bhcka511-q2) gt 0 and (bhck1754-q1+ bhck1773-q1 - bhcka511-q1) ge 1000) then (bhck0383-q2 / (bhck1754-q2 + bhck1773-q2 - bhcka511-q2)) - (bhck0383-q1 / (bhck1754-q1 + bhck1773-q1 - bhcka511-q1)) * 100 le 30 and (bhck0383-q2 / (bhck1754-q2 + bhck1773-q2 - bhcka511-q2)) - (bhck0383-q1 / (bhck1754-q1 + bhck1773-q1 - bhcka511-q1)) * 100 ge -30
I	5900	HC-BM3	For June, September, December, HC-BM3 (current) should be greater than or equal to HC-BM3 (previous).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) then bhck1778-q1 ge bhck1778-q2
I	5940	HC-BM4b	If HC-BM4a (previous) is greater than or equal to $1 million, then HC-BM4a (current) should be greater than zero.	if (bhck8782-q2 ge 1000) then bhck8782-q1 gt 0

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Q	5945	HC-BM4b	If HC-BM4a is greater than zero and HC-BM4b greater than zero, then HC-BM4b divided by HC-BM4a should not exceed tolerance of 75% - 150%.	if (bhck8782 gt 0 and bhck8783 gt 0) then ((bhck8783/bhck8782)*100) ge 75 and ((bhck8783/bhck8782)*100) le 150
Schedule HC-C — Loans and Lease Financing Receivables Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
I	5975	HC-C1c2bB	If HC-C1c2aB (previous) minus HC-C1c2bB (previous) is greater than $1 million and HC-C1c2bB (current) is greater than zero, then HC-C1c2aB (current) divided by HC-C1c2bB (current) should be greater than 80 %.	if ((bhdm5367-q2 - bhdm5368-q2) gt 1000 and (bhdm5368-q1 gt 0)) then ((bhdm5367-q1 / bhdm5368-q1) * 100 gt 80)
I	5980	HC-C1c2bB	If HC-C1c2bB (previous) minus HC-C1c2aB (previous) is greater than $1 million and HC-C1c2aB (current) is greater than zero, then HC-C1c2bB (current) divided by HC-C1c2aB (current) should be greater than 80 %.	if ((bhdm5368-q2 - bhdm5367-q2) gt 1000 and (bhdm5367-q1 gt 0)) then ((bhdm5368-q1 / bhdm5367-q1) * 100 gt 80)
I	6010	HC-CM1	For June, September, and December, if HC-CM1 (previous) is greater than zero, then HC-CM1 (current) should be greater than zero.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and if bhck1616-q2 gt 0 then bhck1616-q1 gt 0
I	6012	HC-CM2	If HC-CM2 (previous) minus $500k is greater than zero, then HC-CM2 (current) should be greater than zero.	if (bhck2746-q2 - 500) gt 0 then (bhck2746-q1 gt 0)
I	6015	HC-CM3	If HC-CM3 (previous) is greater than zero, then HC-CM3 (current) should be greater than zero.	if (bhckb837-q2 gt 0) then (bhckb837-q1 gt 0)
Q	6020	HC-CM4	If the sum of HC-C6aA and HC-S1C is greater than $500M or the sum of HC-C6aA and HC-S1C divided by the sum of HC-C12A and HC-S1C is greater than 50% and the sum of HC-C12A and HC-S1C divided by the sum of HC-12 and HC-S1C is greater than 50%, then HC-CM4 should be greater than zero.	if (((bhckb538 + bhckb707) gt 500000) or ((((bhckb538 + bhckb707)/(bhck2122 + bhckb707))*100 gt 50) and ((bhck2122 + bhckb707)/(bhck2170 + bhckb707))*100 gt 50))) then bhckc391 gt 0
Schedule HC-D — Trading Assets and Liabilities				
I	6030	HC-D11b	If HC-K4a is greater than or equal to $2M for any quarter of the previous year, and HC-5 (current) is greater than zero, the the sum of HC-D1(current) through HC-D11b (current) should be greater than zero.	if (((mm-q1 eq 03) and (bhck3401-q2 ge 2000 or bhck3401-q3 ge 2000 or bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000)) or ((mm-q1 eq 06) and (bhck3401-q3 ge 2000 or bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000)) or ((mm-q1 eq 09) and (bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000 or bhck3401-q7 ge 2000)) or ((mm-q1 eq 12) and (bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000 or bhck3401-q7 ge 2000 or bhck3401-q8 ge 2000))) and (bhck3545-q1 gt 0) then (bhck3531-q1 + bhck3532-q1 + bhck3533-q1 + bhck3534-q1 + bhck3535-q1 + bhck3536-q1 + bhck3537-q1 + bhck3541-q1 + bhck3542-q1 + bhck3543-q1 + bhfn3543-q1) gt 0
I	6035	HC-D11b	For June, September, and December, if the sum of HC-D1 (previous) through HC-D11b (previous) is greater than zero, and HC-5 (current) is greater than zero, then the sum of HC-D1 (current) through HC-D11b (current) should be greater than zero.	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck3531-q2 + bhck3532-q2 + bhck3533-q2 + bhck3534-q2 + bhck3535-q2 + bhck3536-q2 + bhck3537-q2 + bhck3541-q2 + bhck3542-q2 + bhck3543-q2 + bhfn3543-q2) gt 0 and bhck3545-q1 gt 0) then (bhck3531-q1 + bhck3532-q1 + bhck3533-q1 + bhck3534-q1 + bhck3535-q1 + bhck3536-q1 + bhck3537-q1 + bhck3541-q1 + bhck3542-q1 + bhck3543-q1 + bhfn3543-q1) gt 0

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I	6040	HC-D14	If HC-K4a is greater than or equal to $2M for any quarter of the previous year, and HC-15 (current) is greater than zero, the the sum of HC-D13 (current) and HC-D14 (current) should be greater than zero.	if (((mm-q1 eq 03) and (bhck3401-q2 ge 2000 or bhck3401-q3 ge 2000 or bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000)) or
				if ((mm-q1 eq 06) and (bhck3401-q3 ge 2000 or bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000)) or
				if ((mm-q1 eq 09) and (bhck3401-q4 ge 2000 or bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000 or bhck3401-q7 ge 2000)) or
				if ((mm-q1 eq 12) and (bhck3401-q5 ge 2000 or bhck3401-q6 ge 2000 or bhck3401-q7 ge 2000 or bhck3401-q8 ge 2000)))
				and bhck3548-q1 gt 0 then (bhck3546-q1 + bhck3547-q1) gt 0

I	6045	HC-D14	For June, September, and December, if the sum of HC-D13 (previous) and HC-D14 (previous) is greater than zero, and HC-15 (current) is greater than zero, then the sum of HC-D13 (current) and HC-D14 (current) should be greater than zero.	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck3546-q2 + bhck3547-q2) gt 0 and (bhck3548-q1 gt 0)) then (bhck3546-q1 + bhck3547-q1) gt 0
Schedule HC-E — Deposit Liabilities				
Q	6050	HC-E2e	The sum of HC-E1b through HC-E1e plus the sum of HC-E2b through HC-E2e should be greater than or equal to HC-13a2.	(bhcb3187 + bhcb2389 + bhcb6648 + bhcb2604) + (bhod3187 + bhod2389 + bhod6648 + bhod2604) ge bhdm6636
Q	6075	HC-EM2	Sum of HC-EM1 and HC-EM2 should be less than or equal to the sum of HC-E1d and HC-E2d.	(bhdma243+bhdma164) le (bhcb6648 + bhod6648)
Q	6090	HC-EM4	If the sum of HC-13b1 and HC-13b2 is greater than zero, then HC-EM4 should be greater than zero.	if (bhfn6631 + bhfn6636) gt 0 then bhfna245
Schedule HC-F — Other Assets				
I	6100	HC-F1	If HC-F1 (previous) is greater than zero, then HC-F1 (current) should be greater than zero.	if bhckb556-q2 gt 0 then bhckb556-q1 gt 0
I	6120	HC-F3b	If HC-F3a (previous) is greater than HC-F3b (previous) then HC-F3a (current) should be greater HC-F3b (current).	if bhcka519-q2 gt bhcka520-q2 then bhcka519-q1 gt bhcka520-q1
I	6125	HC-F3b	If HC-F3a (previous) is less than HC-F3b (previous) then HC-F3a (current) should be less HC-F3b (current).	if bhcka519-q2 lt bhcka520-q2 then bhcka519-q1 lt bhcka520-q1
I	6130	HC-F4	If HC-F4 (previous) is greater than or equal to $100K, then HC-F4 (current) should be greater than zero.	if bhck1752-q2 ge 100 then bhck1752-q1 gt 0
Q	6135	HC-F4	For March, if HI-1g is greater than $100K, then the sum of HC-F3a, HC-F3b and HC-F4 should be greater than zero.	if ((mm-q1 eq 03) and (bhck4518 gt 100)) then (bhcka519 + bhcka520 + bhck1752) gt 0
I	6140	HC-F4	For June, September, and December, if HI-1g (current-previous) is greater than $100K, then the sum of HC-F3a, HC-F3b, and HC-F4 should be greater than zero.	if ((mm-q1 eq 03 or mm-q1 eq 06 or mm-q1 eq 09) and (bhck4518-q1 - bhck4518-q2) gt 100) then (bhcka519 + bhcka520 + bhck1752) gt 0
Schedule HC-G — Other Liabilities				
I	6145	HC-G2	If HC-F2 (previous) is equal to zero or HC-G2 (previous) is equal to zero, then HC-F2 (current) should equal zero or HC-G2 (current) should equal zero.	(if bhck2148-q2 eq 0 or bhck3049-q2 eq 0) then (bhck2148-q1 eq 0 or bhck3049-q1 eq 0)
I	6150	HC-G3	If HC-G3 (previous) is greater than zero, then HC-G3 (current) should be greater than zero.	if bhckb557-q2 gt 0 then bhckb557-q1 gt 0

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Schedule HC-H — Interest Sensitivity				
Q	6180	HC-H1	HC-H1 should be greater than zero.	bhck3197 gt 0
Q	6190	HC-H2	HC-H2 should be less than or equal to the sum of HC-13a2 and HC-13b2.	bhck3296 le (bhdm6636 + bhfn6636)
Schedule HC-I — Insurance-Related Underwriting Activities (Including Reinsurance)				
Q	6194	HC-I(I)5	HC-I(I)5 should be less than or equal to HC-I(I)2.	bhckc245 le bhckc244
Q	6196	HC-I(II)6	HC-I(II)6 should be less than or equal to HC-I(II)3.	bhckc249 le bhckc248
Q	6199	HC-I(II)7	If HC-I(I)6 and HC-I(II)7 are not equal to zero, then the sum of HC-I(I)6 and HC-I(II)7 should be less than HI-13.	if ((bhckc246 + bhckc250)) ne 0) then (bhckc246 + bhckc250) lt bhck4340
Schedule HC-K — Quarterly Averages				
Q	6206	HC-K1	If the sum of HI-1d1, HI-1d2 and HI-1d3 is greater than $30K, then the sum of HI-1d1, HI-1d2 and HI-1d3 divided by HC-K1 should be less than 9%.	if (mm-q1 eq 03) and (bhckb488 + bhckb489 + bhck4060) gt 30 then ((bhckb488 + bhckb489 + bhck4060) / bhck3515) * 100 * 4 lt 9
I	6206	HC-K1	If the sum of HI-1d1, HI-1d2 and HI-1d3 is greater than $30K, then the sum of HI-1d1, HI-1d2 and HI-1d3 divided by HC-K1 should be less than 9%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and ((bhckb488-q1 + bhckb489-q1 + bhck4060-q1) gt 30 then (((bhckb488-q1 + bhckb489-q1 + bhck4060-q1) - (bhckb488-q2 + bhckb489-q2 + bhck4060-q2) / bhck3515-q1) * 100 * 4 lt 9
Q	6208	HC-K1	If HC-K1 is greater than $4M, then the sum of HI-1d1, HI-1d2 and HI-1d3 divided by HC-K1 should be greater than 2%.	if (mm-q1 eq 03) and bhck3515 gt 4000 then ((bhckb488 + bhckb489 + bhck4060) / bhck3515) * 100 * 4 gt 2
I	6208	HC-K1	If HC-K1 is greater than $4M, then the sum of HI-1d1, HI-1d2 and HI-1d3 divided by HC-K1 should be greater than 2%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3515-q1 gt 4000 then ((((bhckb488-q1 + bhckb489-q1 + bhck4060-q1) - (bhckb488-q2 + bhckb489-q2 + bhck4060-q2)) / bhck3515-q1) * 100 * 4 gt 2
Q	6210	HC-K2	If HI-1f is greater than $50K, then HI-1f divided by HC-K2 should be less than 4%.	if (mm-q1 eq 03) and bhck4020 gt 50 then (bhck4020 / bhck3365) *100 * 4 lt 4
I	6210	HC-K2	If HI-1f is greater than $50K, then HI-1f divided by HC-K2 should be less than 4%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck4020-q1 gt 50 then ((bhck4020-q1 - bhck4020-q2)) / bhck3365-q1) *100 * 4 lt 4
Q	6212	HC-K2	If HC-K2 is greater than $4M, then HI-1f divided by HC-K2 should be greater than 0.5%.	if (mm-q1 eq 03) and bhck3365 gt 4000 then (bhck4020 / bhck3365) * 100 * 4 gt 0.5
I	6212	HC-K2	If HC-K2 is greater than $4M, then HI-1f divided by HC-K2 should be greater than 0.5%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3365-q1 gt 4000 then ((bhck4020-q1 - bhck4020-q2) / bhck3365-q1) *100 * 4 gt 0.5
Q	6216	HC-K3	If the sum of HI-1a1, HI-1a2 and HI-1b is greater than $100K then the sum of HI-1a1, HI-1a2 and HI-1b divided by HC-K3 should be less than 14%.	if (mm-q1 eq 03) and (bhck4010 + bhck4059 + bhck4065) gt 100 then ((bhck4010 + bhck4059 + bhck4065) / bhck3516) * 100 *4 lt 14
I	6216	HC-K3	If the sum of HI-1a1, HI-1a2 and HI-1b is greater than $100K then the sum of HI-1a1, HI-1a2 and HI-1b divided by HC-K3 should be less than 14%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck4010-q1 + bhck4059-q1 + bhck4065-q1) gt 100 then (((bhck4010-q1 + bhck4059-q1 + bhck4065-q1) - (bhck4010-q2 + bhck4059-q2 + bhck4065-q2)) / bhck3516-q1) *100 * 4 lt 14
Q	6218	HC-K3	If HC-K3 is greater than $4M, then the sum of HI-1a1, HI-1a2 and HI-1b divided by HC-K3 should be greater than 5%.	if (mm-q1 eq 03) and bhck3516 gt 4000 then ((bhck4010 + bhck4059 + bhck4065) / bhck3516) * 100 * 4 gt 5
I	6218	HC-K3	If HC-K3 is greater than $4M, then the sum of HI-1a1, HI-1a2 and HI-1b divided by HC-K3 should be greater than 5%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3516-q1 gt 4000 then (((bhck4010-q1 + bhck4059-q1 + bhck4065-q1) - (bhck4010-q2 + bhck4059-q2 + bhck4065-q2)) / bhck3516-q1) * 100 * 4 gt 5

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Q	6220	HC-K3	If HC-C12A is greater than zero, then HC-K3 should be greater than zero.	if bhck2122 gt 0 then bhck3516 gt 0
Q	6224	HC-K4a	If HI-1e is greater than $30K, then HI-1e divided by HC-K4a should be less than 7%.	if (mm-q1 eq 03) and bhck4069 gt 30 then (bhck4069 / bhck3401) * 100 * 4 lt 7
I	6224	HC-K4a	If HI-1e is greater than $30K, then HI-1e divided by HC-K4a should be less than 7%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck4069-q1 gt 30 then ((bhck4069-q1 - bhck4069-q2) / bhck3401-q1) * 100 * 4 lt 7
Q	6227	HC-K4a	If HC-K4a is greater than $4M, then HI-1e divided by HC-K4a should be greater than 1 %.	if (mm-q1 eq 03) and bhck3401 gt 4000 then (bhck4069 / bhck3401) * 100 * 4 gt 1
I	6227	HC-K4a	If HC-K4a is greater than $4M, then HI-1e divided by HC-K4a should be greater than 1 %.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3401-q1 gt 4000 then ((bhck4069-q1 - bhck4069-q2) / bhck3401-q1) * 100 * 4 gt 1
Q	6229	HC-K4a	If HC-K4a is greater than $1M, then HC-K4a should not equal HC-5.	if bhck3401 gt 1000 then bhck3401 ne bhck3545
Q	6230	HC-K4b	If the sum of HC-1b1, HC-1b2, HC-8 and HC-9 is greater than zero, then HC-K4b should be greater than zero.	if (bhck0395 + bhck0397 + bhck2130 + bhck2155) gt 0 then bhckb985 gt 0
Q	6240	HC-K5	HC-K5 should not equal HC-12.	bhck3368 ne bhck2170
I	6245	HC-K5	If HI-A9 equals zero, then HC-K5 divided by HC-12 (current plus previous divided by 2) should be in the range of 75-125%.	if bhck4356 eq 0 then ((bhck3368 / ((bhck2170-q1 + bhck2170-q2) / 2)) * 100) ge 75 and ((bhck3368 / ((bhck2170-q1 + bhck2170-q2) / 2)) * 100) le 125
Q	6250	HC-K5	The sum of HC-K1 through HC-K4b should be less than or equal to HC-K5.	(bhck3515 + bhck3365 + bhck3516 + bhck3401 + bhckB985) le bhck3368
Q	6251	HC-K6	If the sum of HI-2a1a, HI-2a1b, and HI-2a1c is greater than $50K then the sum of HI-2a1a, HI-2a1b, and HI-2a1c divided by HC-K6 should be less than 6%.	if (mm-q1 eq 03) and (bhcka517 + bhcka518 + bhck6761) gt 50 then ((bhcka517 + bhcka518 + bhck6761) / bhck3517) * 100 * 4 lt 6
I	6251	HC-K6	If the sum of HI-2a1a, HI-2a1b, and HI-2a1c is greater than $50K then the sum of HI-2a1a, HI-2a1b, and HI-2a1c divided by HC-K6 should be less than 6%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhcka517-q1 + bhcka518-q1 + bhck6761-q1) gt 50 then (((bhcka517-q1 + bhcka518-q1 + bhck6761-q1) - (bhcka517-q2 + bhcka518-q2 + bhck6761-q2)) / bhck3517-q1) * 100 * 4 lt 6
Q	6253	HC-K6	If HC-K6 is greater than $3M then the sum of HI-2a1a, HI-2a1b and HI-2a1c divided by HC-K6 should be greater than 1%.	if (mm-q1 eq 03) and bhck3517 gt 3000 then ((bhcka517 + bhcka518 + bhck6761) / bhck3517) * 100 * 4 gt 1
I	6253	HC-K6	If HC-K6 is greater than $3M then the sum of HI-2a1a, HI-2a1b and HI-2a1c divided by HC-K6 should be greater than 1%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3517-q1 gt 3000 then (((bhcka517-q1 + bhcka518-q1 + bhck6761-q1) - (bhcka517-q2 + bhcka518-q2 + bhck6761-q2)) / bhck3517-q1) * 100 * 4 gt 1
Q	6256	HC-K6	If HC-K6 is greater than $1M, then HC-K6 should not equal HC-13a2.	if bhck3517 gt 1000 then bhck3517 ne bhdm6636
Q	6271	HC-K7	If HI-2a2 is greater than $20K, then HI-2a2 divided by HC-K7 should be less than 6%.	if (mm-q1 eq 03) and bhck4172 gt 20 then (bhck4172 / bhck3404) * 100 * 4 lt 6
I	6271	HC-K7	If HI-2a2 is greater than $20K, then HI-2a2 divided by HC-K7 should be less than 6%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck4172-q1 gt 20 then ((bhck4172-q1 - bhck4172-q2) / bhck3404-q1) * 100 * 4 lt 6
Q	6273	HC-K7	If HC-K7 is greater than $2M, then HI-2a2 divided by HC-K7 should be greater than 1 %.	if (mm-q1 eq 03) and bhck3404 gt 2000 then (bhck4172 / bhck3404) * 100 * 4 gt 1
I	6273	HC-K7	If HC-K7 is greater than $2M, then HI-2a2 divided by HC-K7 should be greater than 1 %.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3404-q1 gt 2000 then ((bhck4172-q1 - bhck4172-q2) / bhck3404-q1) * 100 * 4 gt 1
Q	6275	HC-K7	If HC-K7 is greater than $1M, then HC-K7 should not equal HC-13b2.	if bhck3404 gt 1000 then bhck3404 ne bhfn6636
Q	6281	HC-K8	If HI-2b is greater than $50K, then HI-2b divided by HC-K8 should be less than 4 %.	if (mm-q1 eq 03) and bhck4180 gt 50 then (bhck4180 / bhck3353) * 100 * 4 lt 4
I	6281	HC-K8	If HI-2b is greater than $50K, then HI-2b divided by HC-K8 should be less than 4 %.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck4180-q1 gt 50 then ((bhck4180-q1 - bhck4180-q2) / bhck3353-q1) * 100 * 4 lt 4

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Q	6283	HC-K8	If HC-K8 is greater than $4M, then HI-2b divided by HC-K8 should be greater than 0.5%.	if (mm-q1 eq 03) and (bhck3353 gt 4000) then (bhck4180 / bhck3353) * 100 * 4 gt .5
I	6283	HC-K8	If HC-K8 is greater than $4M, then HI-2b divided by HC-K8 should be greater than 0.5%.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck3353-q1 gt 4000) then ((bhck4180-q1 - bhck4180-q2) / bhck3353-q1) * 100 * 4 gt .5
Q	6288	HC-K9	If HC-15 equals zero and HI-2c is greater than $100K, then HI-2c divided by HC-K9 should be less than 9 %.	if (mm-q1 eq 03) and bhck3548 eq 0 and bhck4185 gt 100 then (bhck4185 / bhck2635) * 100 * 4 lt 9
I	6288	HC-K9	If HC-15 equals zero and HI-2c is greater than $100K, then HI-2c divided by HC-K9 should be less than 9 %.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3548-q1 eq 0 and bhck4185-q1 gt 100 then ((bhck4185-q1 - bhck4185-q2) / bhck2635-q1) * 100 * 4 lt 9
Q	6290	HC-K9	If HC-15 equals zero and HC-K9 is greater than $4M, then HI-2c divided by HC-K9 should be greater than 1.5 %.	if (mm-q1 eq 03) and bhck3548 eq 0 and bhck2635 gt 4000 then (bhck4185 / bhck2635) * 100 * 4 gt 1.5
I	6290	HC-K9	If HC-15 equals zero and HC-K9 is greater than $4M, then HI-2c divided by HC-K9 should be greater than 1.5 %.	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and bhck3548-q1 eq 0 and bhck2635-q1 gt 4000 then ((bhck4185-q1 - bhck4185-q2) / bhck2635-q1) * 100 * 4 gt 1.5
Q	6293	HC-K11	The sum of HC-K6 through HC-K11 should be less than or equal to HC-K5.	(bhck3517 + bhck3404 + bhck3353 + bhck2635 + bhck3519) le bhck3368
I	6295	HC-K11	HC-K11 divided by HC-28 (current plus previous divided by 2) should be in the range of 75 - 125%.	((bhck3519 /((bhck3210-q1+bhck3210-q2) / 2))*100) ge 75 and ((bhck3519 / ((bhck3210-q1+bhck3210-q2)/2))*100) le 125
Schedule HC-L — Derivatives and Off-Balance Sheet Items Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
Q	6297	HC-L1a	If HC-C1c1B equals zero, then HC-L1a should be less than $500K.	if bhdm1797 eq 0 then bhck3814 lt 500
Q	6299	HC-L1c2	If HC-L1c2 is greater than $1M, then HC-CM2 should be greater than zero.	if bhck6550 gt 1000 then bhck2746 gt 0
I	6300	HC-L1d	If HC-L1d (previous) equals zero, then HC-L1d (current) should equal zero.	if bhck3817-q2 eq 0 then bhck3817-q1 eq 0
I	6302	HC-L1e	If the sum of HC-L1a (previous) through HC-L1e (previous) divided by HC-12 (previous) is less than 50 percent, then the sum of HC-L1a (current) through HC-L1e (current) divided by HC-12 (current) should be less than 50 percent.	if ((bhck3814-q2 + bhck3815-q2 + bhck3816-q2 + bhck6550-q2 + bhck3817-q2 + bhck3818-q2)/bhck2170-q2)*100 lt 50 then ((bhck3814-q1 + bhck3815-q1 + bhck3816-q1 + bhck6550-q1 + bhck3817-q1 + bhck3818-q1)/bhck2170-q1)*100 lt 50
I	6303	HC-L1e	If the sum of HC-L1a (previous) through HC-L1e (previous) divided by HC-12 (previous) is greater than or equal to 50 percent, then the sum of HC-L1a (current) through HC-L1e (current) divided by HC-12 (current) should be greater than or equal to 50 percent.	if ((bhck3814-q2 + bhck3815-q2 + bhck3816-q2 + bhck6550-q2 + bhck3817-q2 + bhck3818-q2)/bhck2170-q2)*100 ge 50 then ((bhck3814-q1 + bhck3815-q1 + bhck3816-q1 + bhck6550-q1 + bhck3817-q1 + bhck3818-q1)/bhck2170-q1)*100 ge 50
Q	6305	HC-L2	HC-L2 divided by HC-12 should not exceed tolerance of 25%	(bhck6566 / bhck2170) *100 le 25
Q	6306	HC-L2	If HC-L2 is greater than zero, then HC-L2a should not equal HC-L2.	if bhck6566 gt 0 then bhck3820 ne bhck6566
Q	6308	HC-L3	HC-L3 divided by HC-12 should not exceed tolerance of 25%	(bhck6570 / bhck2170) *100 le 25
Q	6309	HC-L3	If HC-L3 is greater than zero, then HC-L3a should not equal HC-L3.	if bhck6570 gt 0 then bhck3822 ne bhck6570
Q	6311	HC-L4	HC-L4 divided by HC-12 should not exceed tolerance of 25%	(bhck3411/bhck2170) *100 le 25

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I	6313	HC-L6	If the sum of HC-BM1 (previous) and HC-L6 (previous) is less than or equal to the sum of HC-2a (previous) and HC-2b (previous), then the sum of HC-BM1 (current) and HC-L6 (current) should be less than or equal to the sum of HC-2a (current) and HC-2b (current).	if (bhck0416-q2 + bhck3433-q2) le (bhck1754-q2 + bhck1773-q2) then (bhck0416-q1 + bhck3433-q1) le (bhck1754-q1 + bhck1773-q1)
Q	6315	HC-L7a2	If HC-L7a is greater than zero, then the sum of HC-L7a1 and HC-L7a2 should be greater than zero and less than 10 percent of HC-L7a.	if bhcka534 gt 0, then (bhckc219 + bhckc220) gt 0 and (bhckc219 + bhckc220) lt (bhcka534 *0.10)
I	6316	HC-L7b	If HC-L7a (previous) is greater than HC-L7b (previous), then HC-L7a (current) should be greater than HC-L7b (current).	if bhcka534-q2 gt bhcka535-q2 then bhcka534-q1 gt bhcka535-q1
I	6317	HC-L7b	If HC-L7b (previous) is greater than HC-L7a (previous), then HC-L7b (current) should be greater than HC-L7a (current).	if bhcka535-q2 gt bhcka534-q2 then bhcka535-q1 gt bhcka534-q1
Q	6318	HC-L7b2	If HC-L7b is greater than zero, then the sum of HC-L7b1 and HC-L7b2 should be greater than zero and less than 10 percent of HC-L7b.	if bhcka535 gt 0, then (bhckc221 + bhckc222) gt 0 and (bhckc221 + bhckc222) lt (bhcka535 * 0.1)
I	6319	HC-L8	If HC-L8 (previous) is greater than zero, then HC-L8 (current) should be greater than zero.	if bhck8765-q2 gt 0 then bhck8765-q1 gt 0
Q	6320	HC-L9	HC-L9 divided by HC-12 should not exceed tolerance of 10%	(bhck3430/bhck2170) *100 le 10
I	6326	HC-L9a	If the sum of HC-L9a (previous) through HC-L9g (previous) is greater than zero, and 25 percent of HC-28 (current) exceeds $5M, then the sum of HC-L9a (current) through HC-L9g (current) should be greater than zero.	if (bhck3432-q2 + bhck3434-q2 + bhck3435-q2 + bhck6561-q2 + bhck6562-q2 + bhck6568-q2 + bhck6586-q2) gt 0 and (bhck3210-q1 * .25) gt 5000 then (bhck3432-q1 + bhck3434-q1 + bhck3435-q1 + bhck6561-q1 + bhck6562-q1 + bhck6568-q1 + bhck6586-q1) gt 0
Q	6360	HC-L12D	If the sum of HC-D11a, HC-D11b and HC-D14 is greater than zero, then the sum of HC-L12 (Columns A through D) should be greater than zero.	if ((bhck3543 + bhfn3543 + bhck3547) gt 0) then ((bhcka126 + bhcka127 + bhck8723 + bhck8724) gt 0)
Q	6375	HC-L13D	If the sum of HC-L13A, HC-L13B, HC-L13C andHC-L13D is greater than $1M, then the sum of HI-Mem10a through HI-Mem10c should not equal zero.	if (bhck8725 + bhck8726 + bhck8727 + bhck8728) gt 1000, then (bhck8761 + bhck8762 + bhck8763) ne 0
Q	6380	HC-L14a2A	If HC-L12A is greater than zero, then the sum of HC-L14a1A and HC-L14a2A should be greater than zero and less than 10 percent of HC-L12A.	if bhcka126 gt 0, then (bhck8733 + bhck8737) gt 0 and (bhck8733 + bhck8737) lt (bhcka126 * .1)
Q	6385	HC-L14b2A	If HC-L13A is greater than zero, then the sum of HC-L14b1A and HC-L14b2A should be greater than zero and less than 10 percent of HC-L13A.	if bhck8725 gt 0, then (bhck8741 + bhck8745) gt 0 and (bhck8741 + bhck8745) lt (bhck8725 * .1)
Q	6395	HC-L14a2B	If HC-L12B is greater than zero, then the sum of HC-L14a1B and HC-L14a2B should be greater than zero and less than 10 percent of HC-L12B.	if bhcka127 gt 0, then (bhck8734 + bhck8738) gt 0 and (bhck8734 + bhck8738) lt (bhcka127 * .1)
Q	6405	HC-L14b2B	If HC-L13B is greater than zero, then the sum of HC-L14b1B and HC-L14b2B should be greater than zero and less than 10 percent of HC-L13B.	if bhck8726 gt 0, then (bhck8742 + bhck8746) gt 0 and (bhck8742 + bhck8746) lt (bhck8726 * .1)
Q	6410	HC-L14a2C	If HC-L12C is greater than zero, then the sum of HC-L14a1C and HC-L14a2C should be greater than zero and less than 15 percent of HC-L12C.	if bhck8723 gt 0, then (bhck8735 + bhck8739) gt 0 and (bhck8735 + bhck8739) lt (bhck8723 * .15)
Q	6420	HC-L14b2C	If HC-L13C is greater than zero, then the sum of HC-L14b1C and HC-L14b2C should be greater than zero and less than 15 percent of HC-L13C.	if bhck8727 gt 0, then (bhck8743 + bhck8747) gt 0 and (bhck8743 + bhck8747) lt (bhck8727 * .15)

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Q	6425	HC-L14a2D	If HC-L12D is greater than zero, then the sum of HC-L14a1D and HC-L14a2D should be greater than zero and less than 20 percent of HC-L12D.	if bhck8724 gt 0, then (bhck8736 + bhck8740) gt 0 and (bhck8736 + bhck8740) lt (bhck8724 * .2)
Q	6430	HC-L14b2D	If HC-L13D is greater than zero, then the sum of HC-L14b1D and HC-L14b2D should be greater than zero and less than 20 percent of HC-L13D.	if bhck8728 gt 0, then (bhck8744 + bhck8748) gt 0 and (bhck8744 + bhck8748) lt (bhck8728 * .2)
Schedule HC-M — Memoranda				
I	6450	HC-M1	If (HC-M1 (current and previous) does not equal zero) then HC-M1 (current minus previous) divided by HC-M1 (previous) should be in the range of greater than -20% and less than 56%.	if (bhck3459-q1 ne 0 and bhck3459-q2 ne 0) then (((bhck3459-q1 - bhck3459-q2) / bhck3459-q2) * 100) gt -20 and (((bhck3459-q1 - bhck3459-q2) / bhck3459-q2) * 100) lt 56
Q	6455	HC-M1	(HC-24 multiplied by 1000) divided by HC-M1 should be less than or equal to 100.	(bhck3230 * 1000) / bhck3459 le 100
Q	6465	HC-M1	If HC-24 does not equal zero or null, then HC-M1 should be greater than zero.	if (bhck3230 ne 0 or bhck3230 ne null) then bhck3459 gt 0
Q	6480	HC-M5	If HC-M5 is greater than zero, then HC-M5 should not equal HC-3b or HC-14b.	if bhcka288 gt 0 then ((bhcka288 ne bhckb989) and (bhcka288 ne bhckb995))
Q	6490	HC-M6	If HC-8 is greater than zero, then HC-M6 should be less than or equal to the sum of HC-M13b and HC-8.	if bhck2130 gt 0 then bhck3656 le (bhck2745 + bhck2130)
Q	6500	HC-M7	HC-8 should be less than or equal to HC-M7.	bhck2130 le bhck5376
I	6501	HC-M8	For June, September, and December, if HC-M8 (previous) is equal to 1, then HC-M8 (current) should equal 1 (yes).	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhckc251-q2 eq 1)) then bhckc251-q1 eq 1
Q	6530	HC-M12a1	If HC-M12a is greater than zero, then HC-M12a1 should be greater than zero.	if bhck3164 gt 0 then bhck6438 gt 0
Q	6533	HC-M12a1	If HC-M12a1 is greater than zero, then HC-M12a should be greater than zero.	if bhck6438 gt 0 then bhck3164 gt 0
I	6540	HC-M14c	If HC-M14c (previous) is greater than zero then HC-16 (current) should be greater than zero.	if bhck2333-q2 gt 0 then bhck3190-q1 gt 0
Q	6545	HC-M15	If HC-M15 equals 1 (yes) and HI-5d is greater than $100K, then HI-Mem12a should be greater than zero.	if (bhckb569 eq 1 and bhckb490 gt 100) then bhck8431 gt 0
Q	6547	HC-M15	For March, if HI-Mem12a is greater than $10 thousand, then HC-M15 should equal 1 (yes).	if (mm-q1 eq 03 and bhck8431 gt 10) then bhckb569 eq 1
I	6549	HC-M15	For June, September and December, if HI-Mem12a (current - previous) is greater than $10 thousand, then HC-M15 should equal 1 (yes).	if ((mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhck8431-q1 - bhck8431-q2) gt 10) then bhckb569 eq 1
I	6550	HC-M15	If HC-M15 (previous) equals 1 (yes) then HC-M15 (current) should equal 1 (yes).	if (bhckb569-q2 eq 1) then(bhckb569-q1 eq 1)
I	6555	HC-M16	If HC-M16 (previous) is greater than zero, then HC-M16 (current) should be greater than zero.	if (bhckb570-q2 gt 0) then (bhckb570-q1 gt 0)

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Schedule HC-N — Past Due and Nonaccrual Loans, Leases and Other Assets Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
I	6570	HC-N1aB	If HC-N1aA (previous) is greater than zero and HC-N1aB (previous) is greater than zero and the sum of HC-N1aA (previous) and HC-N1aB (previous) is greater than $1 million and HC-C1aB (current) is greater than zero, then the sum of HC-N1aA (current) and HC-N1aB (current) should be greater than zero.	if (bhck2759-q2 gt 0) and (bhck2769-q2 gt 0) and ((bhck2759-q2 + bhck2769-q2) gt 1000) and (bhdm1415-q1 gt 0) then ((bhck2759-q1 + bhck2769-q1) gt 0)
I	6575	HC-N1bB	If HC-N1bA (previous) is greater than zero and HC-N1bB (previous) is greater than zero and the sum of HC-N1bA (previous) and HC-N1bB (previous) is greater than $1 million and HC-C1bB (current) is greater than zero, then the sum of HC-N1bA (current) and HC-N1bB (current) should be greater than zero.	if (bhck3493-q2 gt 0) and (bhck3494-q2 gt 0) and ((bhck3493-q2 + bhck3494-q2) gt 1000) and (bhdm1420-q1 gt 0) then ((bhck3493-q1 + bhck3494-q1) gt 0)
I	6580	HC-N1c1B	If HC-N1c1A (previous) is greater than zero and HC-N1c1B (previous) is greater than zero and the sum of HC-N1c1A (previous) and HC-N1c1B (previous) is greater than $1 million and HC-C1c1B (current) is greater than zero, then the sum of HC-N1c1A (current) and HC-N1c1B (current) should be greater than zero.	if (bhck5398-q2 gt 0) and (bhck5399-q2 gt 0) and ((bhck5398-q2 + bhck5399-q2) gt 1000) and (bhdm1797-q1 gt 0) then ((bhck5398-q1 + bhck5399-q1) gt 0)
I	6585	HC-N1c2aB	If HC-N1c2aA (previous) is greater than zero and HC-N1c2aB (previous) is greater than zero and the sum of HC-N1c2aA (previous) and HC-N1c2aB (previous) is greater than $1 million and HC-C1c2aB (current) is greater than zero, then the sum of HC-N1c2aA (current) and HC-N1c2aB (current) should be greater than zero.	if (bhckc236-q2 gt 0) and (bhckc237-q2 gt 0) and ((bhckc236-q2 + bhckc237-q2) gt 1000) and (bhdm5367-q1 gt 0) then ((bhckc236-q1 + bhckc237-q1) gt 0)
I	6590	HC-N1c2bB	If HC-N1c2bA (previous) is greater than zero and HC-N1c2bB (previous) is greater than zero and the sum of HC-N1c2bA (previous) and HC-N1c2bB (previous) is greater than $1 million and HC-C1c2bB (current) is greater than zero, then the sum of HC-N1c2bA (current) and HC-N1c2bB (current) should be greater than zero.	if (bhckc238-q2 gt 0) and (bhckc239-q2 gt 0) and ((bhckc238-q2 + bhckc239-q2) gt 1000) and (bhdm5368-q1 gt 0) then ((bhckc238-q1 + bhckc239-q1) gt 0)
I	6595	HC-N1dB	If HC-N1dA (previous) is greater than zero and HC-N1dB (previous) is greater than zero and the sum of HC-N1dA (previous) and HC-N1dB (previous) is greater than $1 million and HC-C1dB (current) is greater than zero, then the sum of HC-N1dA (current) and HC-N1dB (current) should be greater than zero.	if (bhck3499-q2 gt 0) and (bhck3500-q2 gt 0) and ((bhck3499-q2 + bhck3500-q2) gt 1000) and (bhdm1460-q1 gt 0) then ((bhck3499-q1 + bhck3500-q1) gt 0)
I	6600	HC-N1eB	If HC-N1eA (previous) is greater than zero and HC-N1eB (previous) is greater than zero and the sum of HC-N1eA (previous) and HC-N1eB (previous) is greater than $1 million and HC-C1eB (current) is greater than zero, then the sum of HC-N1eA (current) and HC-N1eB (current) should be greater than zero.	if (bhck3502-q2 gt 0) and (bhck3503-q2 gt 0) and ((bhck3502-q2 + bhck3503-q2) gt 1000) and (bhdm1480-q1 gt 0) then ((bhck3502-q1 + bhck3503-q1) gt 0)

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
I	6605	HC-N1fB	If HC-N1fA (previous) is greater than zero and HC-N1fB (previous) is greater than zero and the sum of HC-N1fA (previous) and HC-N1fB (previous) is greater than $1 million and (HC-C1A minus the sum of HC-C1aB through HC-C1eB) (current) is greater than zero, then the sum of HC-N1fA (current) and HC-N1fB (current) should be greater than zero.	if (bhckb572-q2 gt 0) and (bhckb573-q2 gt 0) and ((bhckb572-q2 + bhckb573-q2) gt 1000) and (bhck1410-q1 - (bhdm1415-q1 + bhdm1420-q1 + bhdm1797-q1 + bhdm5367-q1 + bhdm5368-q1 + bhdm1460-q1 + bhdm1480-q1)) gt 0) then ((bhckb572-q1 + bhckb573-q1) gt 0)
I	6610	HC-N2aB	If HC-N2aA (previous) is greater than zero and HC-N2aB (previous) is greater than zero and the sum of HC-N2aA (previous) and HC-N2aB (previous) is greater than $1 million and the sum of (HC-C2aA and HC-C2bA) (current) is greater than zero, then the sum of HC-N2aA (current) and HC-N2aB (current) should be greater than zero.	if (bhck5377-q2 gt 0) and (bhck5378-q2 gt 0) and ((bhck5377-q2 + bhck5378-q2) gt 1000) and (bhck1292-q1 + bhck1296-q1) gt 0) then ((bhck5377-q1 + bhck5378-q1) gt 0)
I	6615	HC-N2bB	If HC-N2bA (previous) is greater than zero and HC-N2bB (previous) is greater than zero and the sum of HC-N2bA (previous) and HC-N2bB (previous) is greater than $1 million and the sum of (HC-C2aA and HC-C2bA) (current) is greater than zero, then the sum of HC-N2bA (current) and HC-N2bB (current) should be greater than zero.	if (bhck5380-q2 gt 0) and (bhck5381-q2 gt 0) and ((bhck5380-q2 + bhck5381-q2) gt 1000) and (bhck1292-q1 + bhck1296-q1 gt 0) then ((bhck5380-q1 + bhck5381-q1) gt 0)
I	6620	HC-N3B	If HC-N3A (previous) is greater than zero and HC-N3B (previous) is greater than zero and the sum of HC-N3A (previous) and HC-N3B (previous) is greater than $1 million and HC-C3A (current) is greater than zero, then the sum of HC-N3A (current) and HC-N3B (current) should be greater than zero.	if (bhck1594-q2 gt 0) and (bhck1597-q2 gt 0) and ((bhck1594-q2 + bhck1597-q2) gt 1000) and (bhck1590-q1 gt 0) then ((bhck1594-q1 + bhck1597-q1) gt 0)
I	6625	HC-N4B	If HC-N4A (previous) is greater than zero and HC-N4B (previous) is greater than zero and the sum of HC-N4A (previous) and HC-N4B (previous) is greater than $1 million and HC-C4B (current) is greater than zero, then the sum of HC-N4A (current) and HC-N4B (current) should be greater than zero.	if (bhck1606-q2 gt 0) and (bhck1607-q2 gt 0) and ((bhck1606-q2 + bhck1607-q2) gt 1000) and (bhdm1766-q1 gt 0) then ((bhck1606-q1 + bhck1607-q1) gt 0)
I	6635	HC-N5aB	If HC-N5aA (previous) is greater than zero and HC-N5aB (previous) is greater than zero and the sum of HC-N5aA (previous) and HC-N5aB (previous) is greater than $1 million and HC-C6aA (current) is greater than zero, then the sum of HC-N5aA (current) and HC-N5aB (current) should be greater than zero.	if (bhckb575-q2 gt 0) and (bhckb576-q2 gt 0) and ((bhckb575-q2 + bhckb576-q2) gt 1000) and (bhckb538-q1 gt 0) then ((bhckb575-q1 + bhckb576-q1) gt 0)
I	6640	HC-N5bB	If HC-N5bA (previous) is greater than zero and HC-N5bB (previous) is greater than zero and the sum of HC-N5bA (previous) and HC-N5bB (previous) is greater than $1 million and the sum of HC-C6bA (current) and HC-C6cA (current) is greater than zero, then the sum of HC-N5bA (current) and HC-N5bB (current) should be greater than zero.	if (bhckb578-q2 gt 0) and (bhckb579-q2 gt 0) and ((bhckb578-q2 + bhckb579-q2) gt 1000) and ((bhckb539-q1 + bhck2011-q1 gt 0) then ((bhckb578-q1 + bhckb579-q1) gt 0)
I	6645	HC-N6B	If HC-N6A (previous) is greater than zero and HC-N6B (previous) is greater than zero and the sum of HC-N6A (previous) and HC-N6B (previous) is greater than $1 million and HC-C7A (current) is greater than zero, then the sum of HC-N6A (current) and HC-N6B (current) should be greater than zero.	if (bhck5389-q2 gt 0) and (bhck5390-q2 gt 0) and ((bhck5389-q2 + bhck5390-q2) gt 1000) and ((bhck2081-q1 gt 0) then ((bhck5389-q1 + bhck5390-q1) gt 0)

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
I	6647	HC-N6B	If HC-N6A (previous) is greater than zero and HC-N6B (previous) is greater than zero and the sum of HC-N6A (previous) and HC-N6B (previous) is greater than $1 million and HC-C7B (current) is greater than zero, then the sum of HC-N6A (current) and HC-N6B (current) should be greater than zero.	if (bhck5389-q2 gt 0) and (bhck5390-q2 gt 0) and ((bhck5389-q2 + bhck5390-q2) gt 1000) and ((bhdm2081-q1 gt 0) then ((bhck5389-q1 + bhck5390-q1) gt 0)
I	6650	HC-N7B	If HC-N7A (previous) is greater than zero and HC-N7B (previous) is greater than zero and the sum of HC-N7A (previous) and HC-N7B (previous) is greater than $1 million and the sum of HC-C9A (current) and HC-C9B (current) is greater than zero, then the sum of HC-N7A (current) and HC-N7B (current) should be greater than zero.	if (bhck5459-q2 gt 0) and (bhck5460-q2 gt 0) and ((bhck5459-q2 + bhck5460-q2) gt 1000) and ((bhck1635-q1 + bhdm1635-q1 gt 0) then ((bhck5459-q1 + bhck5460-q1) gt 0)
I	6652	HC-N8B	If HC-N8A (previous) is greater than zero and HC-N8B (previous) is greater than zero and the sum of HC-N8A (previous) and HC-N8B (previous) is greater than $1 million and HC-C10aA (current) is greater than zero, then the sum of HC-N8A (current) and HC-N8B (current) should be greater than zero.	if (bhck1226-q2 gt 0) and (bhck1227-q2 gt 0) and ((bhck1226-q2 + bhck1227-q2) gt 1000) and ((bhck2182-q1 gt 0) then ((bhck1226-q1 + bhck1227-q1) gt 0)
I	6655	HC-N8B	If HC-N8A (previous) is greater than zero and HC-N8B (previous) is greater than zero and the sum of HC-N8A (previous) and HC-N8B (previous) is greater than $1 million and HC-C10bA (current) is greater than zero, then the sum of HC-N8A (current) and HC-N8B (current) should be greater than zero.	if (bhck1226-q2 gt 0) and (bhck1227-q2 gt 0) and ((bhck1226-q2 + bhck1227-q2) gt 1000) and ((bhck2183-q1 gt 0) then ((bhck1226-q1 + bhck1227-q1) gt 0)
Q	6660	HC-N8C	If HC-C12B is greater than zero, then the sum of (HC-N1a through HC-N8) (columns A, B, and C) divided by HC-C12B should not exceed tolerance of 15%.	if (bhdm2122 gt 0) then ((bhck2759 + bhck3493 + bhck5398 + bhckc236 + bhckc238 + bhck3499 + bhck3502 + bhckb572 + bhck5377 + bhck5380 + bhck1594 + bhck1606 + bhckb575 + bhckb578 + bhck5389 + bhck5459 + bhck1226 + bhck2769 + bhck3494 + bhck5399 + bhckc237 + bhckc239 + bhck3500 + bhck3503 + bhckb573 + bhck5378 + bhck5381 + bhck1597 + bhck1607 + bhckb576 + bhckb579 + bhck5390 + bhck5460 + bhck1227 + bhck3492 + bhck3495 + bhck5400 + bhckc229 + bhckc230 +bhck3501 + bhck3504 + bhckb574 + bhck5379 + bhck5382 + bhck1583 + bhck1608 + bhckb577 + bhckb580 + bhck5391 + bhck5461 + bhck1228) / bhdm2122) * 100 le 15
Q	6665	HC-N9B	Sum of HC-N9A and HC-N9B, divided by the sum of HC-BM2a through HC-BM2c should not exceed tolerance of 10%.	(bhck3505 + bhck3506) / (bhck0383 + bhck0384 + bhck0387) * 100 le 10
Q	6670	HC-N11aA	If HC-N11A is greater than zero, then HC-N11aA should be greater than zero.	if bhck5612 gt 0, then bhck5615 gt 0
Q	6675	HC-N11aB	If HC-N11B is greater than zero, then HC-N11aB should be greater than zero.	if bhck5613 gt 0, then bhck5616 gt 0

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Q	6680	HC-N11aC	If HC-N11C is greater than zero, then HC-N11aC should be greater than zero.	if bhck5614 gt 0 then bhck5617 gt 0
Q	6690	HC-NM1C	Sum of HC-NM1A, HC-NM1B, and HC-NM1C divided by the sum of HC-C11A and HC-C12A minus the sum of HC-C1c1B, HC-C1c2aB, HC-C1c2bB, HC-C6aA, HC-C6bA, and HC-C6cA should not exceed tolerance of 15%.	((bhck1658 + bhck1659 + bhck1661) / ((bhck2123 + bhck2122) - (bhdm1797 + bhdm5367 + bhdm5368 + bhckb538 + bhckb539 + bhck2011))) * 100 le 15
I	6695	HC-NM1B	If HC-NM1A (previous) is greater than zero and HC-NM1B (previous) is greater than zero and the sum of HC-NM1A (previous) and HC-NM1B (previous) is greater than $1 million, then the sum of HC-NM1A (current) and HC-NM1B (current) should be greater than zero.	if (bhck1658-q2 gt 0 and bhck1659-q2 gt 0) and (bhck1658-q2 + bhck1659-q2) gt 1000 then (bhck1658-q1 + bhck1659-q1) gt 0
Q	6700	HC-NM1C	If the sum of HC-NM1A, HC-NM1B, and HC-NM1C is greater than zero, then HC-CM1 should not equal the sum of HC-NM1A, HC-NM1B and HC-NM1C.	if (bhck1658 + bhck1659 + bhck1661) gt 0 then (bhck1616 ne (bhck1658 + bhck1659 + bhck1661))
I	6702	HC-NM2B	If HC-NM2A (previous) is greater than zero and HC-NM2B (previous) is greater than zero and the sum of HC-NM2A (previous) and HC-NM2B (previous) is greater than $1 million and HC-CM2 (current) is greater than zero, then the sum of HC-NM2A (current) and HC-NM2B (current) should be greater than zero.	if (bhck6558-q2 gt 0 and bhck6559-q2 gt 0) and (bhck6558-q2 + bhck6559-q2) gt 1000 and bhck2746-q1 gt 0 then (bhck6558-q1 + bhck6559-q1) gt 0
Q	6705	HC-NM2C	If the sum of HC-NM2A, HC-NM2B, and HC-NM2C is greater than $1 million, then the sum of HC-NM2A, HC-NM2B, and HC-NM2C divided by HC-CM2 should not exceed tolerance of 50%.	if (bhck6558 + bhck6559 + bhck6560) gt 1000 then ((bhck6558 + bhck6559 + bhck6560) / bhck2746) * 100 le 50
Q	6720	HC-NM5C	If the sum of HC-NM5A, HC-NM5B, and HC-NM5C is greater than $1 million, then the sum of HC-NM5A, HC-NM5B, and HC-NM5C divided by HC-4a should not exceed tolerance of 50%.	if (bhckc240 + bhckc241 + bhckc226) gt 1000 then ((bhckc240 + bhckc241 + bhckc226) / bhck5369) * 100 le 50
I	6725	HC-NM5B	If HC-NM5A (previous) is greater than zero and HC-NM5B (previous) is greater than zero and the sum of HC-NM5A (previous) and HC-NM5B (previous) is greater than $1 million and HC-4a (current) is greater than zero, then the sum of HC-NM5A (current) and HC-NM5B (current) should be greater than zero.	if (bhckc240-q2 gt 0 and bhckc241-q2 gt 0) and (bhckc240-q2 + bhckc241-q2) gt 1000 and (bhck5369-q1 gt 0) then (bhckc240-q1 + bhckc241-q1) gt 0
I	6730	HC-NM6B	If HC-NM6A (previous) is greater than zero and HC-NM6B (previous) is greater than zero and the sum of HC-NM6A (previous) and HC-NM6B (previous) is greater than $1 million, then the sum of HC-NM6A (current) and HC-NM6B (current) should be greater than zero.	if (bhck3529-q2 gt 0 and bhck3530-q2 gt 0) and (bhck3529-q2 + bhck3530-q2) gt 1000 then (bhck3529-q1 + bhck3530-q1) gt 0
Q	6735	HC-NM6B	Sum of HC-NM6A and HC-NM6B should be less than or equal to 15% of the sum of HC-L14a1 and HC-L14b1 (columns A through D).	(bhck3529 + bhck3530) le ((bhck8733 + bhck8734 + bhck8735 + bhck8736 + bhck8741 + bhck8742 + bhck8743 + bhck8744) * 0.15))
Q	6740*	HC-NM7	HC-NM7 should be less than or equal to HC-N10C.	bhckc410 le bhck5526

*Effective December 31, 2003.

Edit Type	FRS EDCK	Target Item	Edit Test	Edit Test in the Form of Boolean Algebra
Schedule HC-R — Regulatory Capital Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A) This schedule is to be submitted on a consolidated basis only by the top-tier bank holding company when the total consolidated assets of the				
Q	6750	HC-R2	If the absolute value of HC-B8D minus HC-B8C is greater than $50K, then HC-R2 should not equal zero.	if (bhct1773 - bhck1772) gt 50 or (bhct1773 - bhct1772) * -1 gt 50 then bhck8434 ne 0
Q	6755	HC-R2	If HI-Mem13 equals 0 (no) and the absolute value of HC-B8D minus HC-B8C is greater than $250K, then the absolute value of HC-B8D minus HC-B8C should not equal the absolute value of HC-R2.	if bhcka530 eq 0 and (((bhct1773 - bhck1772) gt 250) or ((bhck1772 - bhct1773) gt 250)) then (((bhct1773 - bhck1772) and (bhck1772 - bhct1773)) ne ((bhck8434) * -1 or bhck8434))
Q	6761	HC-R2	If the absolute value of [HC-R2 plus (HC-B8C minus HC-B8D)] is greater than $100k then the sum of HC-F2 and HC-G2 should be greater than zero.	if (((bhck8434 + bhck1772 - bhct1773) gt 100) or ((bhck8434 + bhck1772 - bhct1773) lt -100)) then ((bhck2148 + bhckb557) gt 0)
Q	6765	HC-R3	If HC-B7C minus HC-B7D is greater than $100K, then HC-R3 divided by the sum of HC-B7C minus HC-B7D should be greater than or equal to 55%.	if (bhcka510 - bhcka511 gt 100) then (bhcka221/(bhcka510 - bhcka511))*100 ge 55
Q	6780	HC-R7	If HC-R7 minus the sum of HC-10a and HC-M12c is less than -$100k or greater than $100k, then HC-R7 divided by the sum of HC-10a and HC-M12c should be in the range of 85-105%.	if (bhckb590 - (bhck3163 + bhck5507) lt -100) or (bhckb590 - (bhck3163 + bhck5507) gt 100) then (bhckb590 / (bhck3163 + bhck5507) * 100 ge 85 and (bhckb590 / (bhck3163 + bhck5507) * 100 le 105
Q	6785	HC-R9b	HC-R9b should be less than or equal to HC-F2 (+200k).	bhck5610 le (bhck2148 + 200)
Q	6790	HC-R11	HC-R11 should be greater than zero.	bhck8274 gt 0
Q	6800	HC-R12	If HC-19 is greater than zero, then HC-R12 should be greater than zero and less than or equal to HC-19.	if bhck4062 gt 0 then bhck5306 gt 0 and bhck5306 le bhck4062
Q	6810	HC-R12	If HC-22 equals zero, then the sum of HC-R12 and HC-R16 should be less than or equal to HC-19.	if bhck3000 eq 0 then (bhck5306 + bhckb594) le bhck4062
I	6815	HC-R12	If HC-R12 (current minus previous) is greater than $10k then HC-R12 (current minus previous) should be less than or equal to HC-19 (current minus previous).	if (bhck5306-q1 - bhck5306-q2 gt 10) then (bhck5306-q1 - bhck5306-q2) le (bhck4062-q1 - bhck4062-q2)
Q	6817	HC-R14	HC-R14 should be less than or equal to 1.25% of HC-R59 (+10k).	bhck5310 le (bhckb704 * .0125) + 10
Q	6820	HC-R16	Sum of HC-R6 and HC-R16 should be less than or equal to HC-22 (+10k).	(bhckb589 + bhckb594) le (bhck3000 + 10)
Q	6830	HC-R19	HC-R19 should be less than or equal to HC-19.	bhck1395 le bhck4062
I	6845	HC-R19	If HC-R19 (previous) is equal to zero, then HC-R19 (current) should equal zero.	if bhck1395-q2 eq 0 then bhck1395-q1 eq 0
I	6850	HC-R20	HC-R20 (previous minus current) should be less than or equal to $100k.	(bhckb595-q2 - bhckb595-q1) le 100
Q	6880	HC-R31	HC-R31 should equal HC-R11 divided by HC-R27 (+/-.1%).	(bhck7204 le ((bhck8274 / bhcka224) * 100) + .1) and (bhck7204 ge ((bhck8274 / bhcka224) * 100) - .1)
Q	6885	HC-R32	HC-R32 should equal HC-R11 divided by HC-R62 (+/-.1%).	(bhck7206 le ((bhck8274 / bhcka223) * 100) + .1) and (bhck7206 ge ((bhck8274 / bhcka223) * 100) - .1)
Q	6890	HC-R33	HC-R33 should equal HC-R21 divided by HC-R62 (+/-.1%).	(bhck7205 le ((bhck3792 / bhcka223) * 100) + .1) and (bhck7205 ge ((bhck3792 / bhcka223) * 100) - .1)
Q	6900	HC-R36B	If HC-B7D is greater than HC-B7C, then the sum of HC-R15 plus HC-R36B should equal HC-B8D minus HC-B8C (+/-100).	if (bhcka511 gt bhcka510) then (((bhck2221 + bhce1773) le ((bhct1773 - bhck1772) + 100)) and ((bhck2221 + bhce1773) ge ((bhct1773 + bhck1772) - 100)))

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Q	6910	HC-R39B	The sum of HC-R35B, HC-R38B and HC-R39B should be less than or equal to $100k.	(bhce1754 + bhce5369 + bhceb528) le 100
Q	6920	HC-R42B	If the sum of HC-R7, HC-R9a, and HC-R9b does not equal zero, then HC-R42B should not equal zero.	if (bhckb590 + bhckb591 + bhck5610) ne 0 then bhceb639 ne 0
Q	6925	HC-R44A	HC-R44A should be greater than or equal to HC-L2 (minus $10k) and less than or equal to (HC-L2 times 2 plus $10k).	bhckb546 ge (bhck6566 - 10) and bhckb546 le ((bhck6566*2) + 10)
Q	6930	HC-R44B	HC-R44B should be less than or equal to HC-R44A.	bhceb546 le bhckb546
Q	6950	HC-R51A	If the sum HC-S1A through HC-S1G plus HC-S11A through HC-S11G is greater than zero, then the sum of HC-R50A and HC-R51A should be greater than or equal to zero.	if (bhckb705 + bhckb706 + bhckb707 + bhckb708 + bhckb709 + bhckb710 + bhckb711 + bhckb790 + bhckb791 + bhckb792 + bhckb793 + bhckb794 + bhckb795 + bhckb796) gt 0 then (bhckb541 + bhckb675) ge 0
Q	6955	HC-R51A	If the sum of HC-S1A through HC-S1G plus HC-S11A through HC-S11G equals zero, then the sum of HC-R50A and HC-R51A should equal zero.	if (bhckb705 + bhckb706 + bhckb707 + bhckb708 + bhckb709 + bhckb710 + bhckb711 + bhckb790 + bhckb791 + bhckb792 + bhckb793 + bhckb794 + bhckb795 + bhckb796) eq 0 then (bhckb541 + bhckb675) eq 0
I	6963	HC-R53A	If HC-12(current) is greater than $1billion and HC-R53A (previous) is greater than $1million and the sum of HC-L1a through HC-L1e(current) is greater than $500K, then HC-R53A (current) divided by HC-R53A(previous) should be greater than or equal to 50%.	if bhck2170-q1 gt 1000000 and bhck6572-q2 gt 1000 and (bhck3814-q1 + bhck3815-q1 + bhck3816-q1 + bhck6550-q1 + bhck3817-q1 + bhck3818-q1) gt 500 then (bhck6572-q1 / bhck6572-q2) * 100 ge 50
I	6965	HC-R53A	If HC-R53A (previous) is greater than zero, and sum of HC-L1a through HC-L1e (current) is greater than zero, then HC-R53A (current) should be greater than zero.	if bhck6572-q2 gt 0 and (bhck3814-q1 + bhck3815-q1 + bhck3816-q1 + bhck6550-q1 + bhck3817-q1 + bhck3818-q1) gt 0 then bhck6572-q1 gt 0
Q	6970	HC-R53A	HC-R53A should be less than or equal to the sum of HC-L1a through HC-L1e (+ $10K).	bhck6572 le (bhck3814 + bhck3815 + bhck3816 + bhck6550 + bhck3817 + bhck3818) + 10
I	6975	HC-R53E	If HC-R53E (previous) is greater than zero and HC-R53E (previous) is not equal to HC-R53B (previous) and HC-R53E (current) is greater than zero, then HC-R53E (current) should not equal HC-R53B (current).	if ((bhc56572-q2 gt 0) and (bhc56572-q2 ne bhce6572-q2) and (bhc56572-q1 gt 0)) then bhc56572-q1 ne bhce6572-q1
I	6980	HC-R58	If the sum of HC-5 (previous) and HC-15 (previous) is greater than or equal to 10% of HC-12 (previous), or if the sum is greater than or equal to $1 billion, then HC-R58 (currrent) should be greater than zero.	if (bhck3545-q2 + bhck3548-q2) ge (bhck2170-q2 * .1) then bhck1651-q1 gt 0 if (bhck3545-q2 + bhck3548-q2) ge 1000000 then bhck1651-q1 gt 0
I	6990	HC-R58	If the sum of HC-5 (previous) and HC-15 (previous) is less than $1 billion and less than 10% of HC-12 (previous), then HC-R58 (current) should equal zero.	if ((bhck3545-q2 + bhck3548-q2) lt 1000000 and (bhck3545-q2 + bhck3548-q2) lt (bhck2170-q2 * .1)) then bhck1651-q1 eq 0
Q	7000	HC-R58	If HC-R19 is greater than zero, then HC-R58 should be greater than zero.	if bhck1395 gt 0 then bhck1651 gt 0
Q	7030	HC-R60	Sum of HC-4c and HC-G3 minus HI-B(II)Mem1 should equal the sum of HC-R14 and HC-R60F	(bhck3123 + bhckb557 - bhckc435) eq (bhck5310 + bhcka222)
Q	7060	HC-RM1	HC-RM1 should be less than or equal to the sum of HC-L14a1 and HC-L14b1 (Columns A through D).	bhck8764 le (bhck8733 + bhck8734 + bhck8735 + bhck8736 + bhck8741 + bhck8742 + bhck8743 + bhck8744)
Q	7065	HC-RM2aC	The sum of HC-RM2aA, HC-RM2aB and HC-RM2aC should be less than or equal to the sum of HC-L11bA, HC-L11c2A, HC-L11d2A and HC-L11eA.	(bhck3809 + bhck8766 + bhck8767) le (bhck8697 + bhck8705 + bhck8713 + bhck3450)

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Q	7067	HC-RM2aC	If the sum of HC-L11bA, HC-L11c2A, HC-L11d2A and HC-L11eA is greater than zero then the sum of HC-RM2aA, HC-RM2aB and HC-RM2aC should be greater than zero.	if (bhck8697 + bhck8705 + bhck8713 + bhck3450) gt 0 then (bhck3809 + bhck8766 + bhck8767) gt 0
Q	7070	HC-RM2bC	Sum of HC-RM2bA, HC-RM2bB and HC-RM2bC should be less than or equal to the sum of HC-L11bB, HC-L11c2B, HC-L11d2B and HC-L11eB.	(bhck3812 + bhck8769 + bhck8770) le (bhck8698 + bhck8706 + bhck8714 + bhck3826)
Q	7073	HC-RM2bC	If the sum of HC-L11bB, HC-L11c2B, HC-L11d2B and HC-L11eB is greater than zero, then the sum of HC-RM2bA, HC-RM2bB and HC-RM2bC should be greater than zero.	if (bhck8698 + bhck8706 + bhck8714 + bhck3826) gt 0 then (bhck3812 + bhck8769 + bhck8770) gt 0
Q	7075	HC-RM2eC	Sum of HC-RM2cA, HC-RM2cB, HC-RM2cC, HC-RM2dA, HC-RM2dB, HC-RM2dC, HC-RM2eA, HC-RM2eB and HC-RM2eC should be less than or equal to the sum of HC-L11bD, HC-L11c2D, HC-L11d2D and HC-L11eD.	(bhck8771 + bhck8772 + bhck8773 + bhck8774 + bhck8775 + bhck8776 + bhck8777 + bhck8778 + bhck8779) le (bhck8700 + bhck8708 + bhck8716 + bhck8720)
Q	7077	HC-RM2eC	If the sum of HC-L11bD, HC-L11c2D, HC-L11d2D and HC-L11eD is greater than zero, then the sum of HC-RM2cA, HC-RM2cB, HC-RM2cC, HC-RM2dA, HC RM2dB, HC-RM2dC, HC-RM2eA, HC-RM2eB and HC-RM2eC should be greater than zero.	if (bhck8700 + bhck8708 + bhck8716 + bhck8720) gt 0 then (bhck8771 + bhck8772 + bhck8773 + bhck8774 + bhck8775 + bhck8776 + bhck8777 + bhck8778 + bhck8779) gt 0
Q	7091	HC-RM2fC	If the sum of HC-L11bC, HC-L11c2C, HC-L11d2C and HC-L11eC is greater than zero, then sum of HC-RM2fA, HC-RM2fB and HC-RM2fC should be greater than zero.	if (bhck8699 + bhck8707 + bhck8715 + bhck8719) gt 0 then (bhcka000 + bhcka001 + bhcka002) gt 0
Q	7095	HC-RM2fC	The sum of HC-RM2fA, HC-RM2fB and HC-RM2fC should be less than or equal to the sum of HC-L11bC, HC-L11c2C, HC-L11d2C and HC-L11eC.	(bhcka000 + bhcka001 + bhcka002) le (bhck8699 + bhck8707 + bhck8715 + bhck8719)
Q	7100	HC-RM3b	HC-RM3b should be less than or equal to HC-22.	bhcka507 le bhck3000
Q	7120	HC-RM4	HC-RM4 should be less than or equal to the absolute value of HC-27.	bhck2771 le bhcka130 or bhck2771 le (bhcka130) * -1
Q	7135	HC-RM5a	Sum of HC-RM3a1, HC-RM3a2, and HC-RM5a should be less than or equal to HC-23.	(bhck5479 + bhck5990 + bhck5483) le bhck3283
Q	7145	HC-RM5b	If the sum of HC-RM5a and HC-RM5b does not equal zero, then HC-27 should not equal zero.	if (bhck5483 + bhck5484) ne 0 then bhcka130 ne 0
Q	7147	HC-RM5b	If HC-27 does not equal zero, then the sum of HC-RM5a and HC-RM5b should not equal zero.	if (bhcka130 ne 0) then (bhck5483 + bhck5484) ne 0
Q	7150	HC-RM5b	Sum of HC-RM5a and HC-RM5b should be less than or equal to the absolute value of HC-27.	(bhck5483 + bhck5484) le bhcka130 or (bhck5483 + bhck5484) le (bhcka130) * -1

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Q	7160	HC-R2 thru HC-R21, HC-R26 thru HC-R34A, HC-R34C, HC-R34D, HC-R34F, HC-R35B thru HC-R35F, HC-R36B thru HC-R36F, HC-37A, HC-37C, HC-R37D, HC-R37F, HC-R38B thru HC-R38F, HC-R39B thru HC-R39F, HC-R40B, HC-R41B thru HC-R42F, HC-R43B thru HC-R44F, HC-R45B thru HC-R45F, HC-R46B thru HC-R47D, HC-R47F, HC-R48B thru HC-R50B, HC-R50F thru HC-R53F, HC-R54B thru HC-R54E, HC-R55C thru HC-R55F, HC-R57D thru HC-RM5b	If HC-12 is less than $150 million and HC-R11 is equal to null, then all data items on Schedule HC-R should equal null.	if bhck2170 lt 150000 and bhck8274 eq null then (bhck8434 + bhcka221 + bhck4336 + bhckb588 + bhckb589 + bhckb590 + bhckc227 + bhckb591 + bhck5610 + bhckb592 + bhck8274 + bhck5306 + bhckb593 + bhck5310 + bhck2221 + bhckb594 + bhck5311 + bhck8275 + bhck1395 + bhckb595 + bhck3792 + bhckb596 + bhcka224 + bhck7204 + bhck7206 + bhck7205 + bhck0010 + bhc00010 + bhc20010 + bhc90010 + bhce1754 + bhc01754 + bhc21754 + bhc51754 + bhc91754 + bhce1773 + bhc01773 + bhc21773 + bhc51773 + bhc91773 + bhckc225 + bhc0c225 + bhc2c225 + bhc9c225 + bhce5369 + bhc05369 + bhc25369 + bhc55369 + bhc95369 + bhceb528 + bhc0b528 + bhc2b528 + bhc5b528 + bhc9b528 + bhce3123 + bhce3545 + bhc03545 + bhc23545 + bhc53545 + bhc93545 + bhckb639 + bhceb639 + bhc0b639 + bhc2b639 + bhc5b639 + bhc9b639 + bhce2170 + bhc02170 + bhc22170 + bhc52170 + bhc92170 + bhckb546 + bhceb546 + bhc0b546 + bhc2b546 + bhc5b546 + bhc9b546 + bhce6570 + bhc06570 + bhc26570 + bhc56570 + bhc96570 + bhce3411 + bhc03411 + bhc23411 + bhc53411 + bhc93411 + bhck3429 + bhce3429 + bhc03429 + bhc23429 + bhc93429 + bhce3433 + bhc03433 + bhc23433 + bhc53433 + bhc93433 + bhcka250 + bhcea250 + bhc0a250 + bhc2a250 + bhc5a250 + bhc9a250 + bhckb541 + bhceb541 + bhc9b541 + bhckb675 + bhceb675 + bhc0b675 + bhc2b675 + bhc5b675 + bhc9b675 + bhckb681 + bhceb681 + bhc0b681 + bhc2b681 + bhc5b681 + bhc9b681 + bhck6572 + bhce6572 + bhc06572 + bhc26572 + bhc56572 + bhc96572 + bhcea167 + bhc0a167 + bhc2a167 + bhc5a167 + bhckb696 + bhckb697 + bhckb698 + bhckb699 + bhckb701 + bhckb702 + bhckb703 + bhck1651 + bhckb704 + bhcka222 + bhck3128 + bhcka223 + bhck8764 + bhck3809 + bhck8766 + bhck8767 + bhck3812 + bhck8769 + bhck8770 + bhck8771 + bhck8772 + bhck8773 + bhck8774 + bhck8775 + bhck8776 + bhck8777 + bhck8778 + bhck8779 + bhcka000 + bhcka001 + bhcka002 + bhck5479 + bhck5990 + bhcka507 + bhck2771 + bhck5483 + bhck5484) eq null

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Q	7161	HC-R1, HC-R22 thru HC-R25, HC-R35A, HC-R36A, HC-R38A, HC-R39A, HC-R40A, HC-R41A, HC-R43A, HC-R45A, HC-R46A, HC-R48A	If HC-12 is less than $150 million and HC-R11 is equal to null, then all data items on Schedule HC-R should equal null.	if (bhck2170 lt 150000 and bhck8274 eq null) then (bhcx3210 + bhct3368 + bhctb590 + bhctb591 + bhct5610 + bhcx1754 + bhcx1773 + bhct5369 + bhctb528 + bhcx3123 + bhcx3545 + bhct2170 + bhct6570 + bhct3411 + bhct3433) eq null
Schedule HC-S — Servicing, Securitization and Asset Sale Activities Note: Capital letters indicate columns (i.e., 1A = Item 1, Column A)				
I	7250	HC-S1A through HC-S1G	If HC-S1 (columns A through G) (previous) is greater than zero, then HC-S1 (columns A through G) (current) should be greater than zero.	if bhckb705-q2 gt 0 then bhckb705-q1 gt 0
				if bhckb706-q2 gt 0 then bhckb706-q1 gt 0
				if bhckb707-q2 gt 0 then bhckb707-q1 gt 0
				if bhckb708-q2 gt 0 then bhckb708-q1 gt 0
				if bhckb709-q2 gt 0 then bhckb709-q1 gt 0
				if bhckb710-q2 gt 0 then bhckb710-q1 gt 0
				if bhckb711-q2 gt 0 then bhckb711-q1 gt 0
I	7255	HC-S2aA thru HC-S2aG	If HC-S2a (columns A through G) (previous) is greater than zero, then HC-S2a (columns A through G) (current) should be greater than zero.	if bhckb712-q2 gt 0 then bhckb712-q1 gt 0
				if bhckb713-q2 gt 0 then bhckb713-q1 gt 0
				if bhckb714-q2 gt 0 then bhckb714-q1 gt 0
				if bhckb715-q2 gt 0 then bhckb715-q1 gt 0
				if bhckb716-q2 gt 0 then bhckb716-q1 gt 0
				if bhckb717-q2 gt 0 then bhckb717-q1 gt 0
				f bhckb718-q2 gt 0 then bhckb718-q1 gt 0
I	7260	HC-S2bA thru HC-S2bG	If HC-S2b (columns A through G) (previous) is greater than zero, then HC-S2b (columns A through G) (current) should be greater than zero.	if bhckc393-q2 gt 0 then bhckc393-q1 gt 0
				if bhckc394-q2 gt 0 then bhckc394-q1 gt 0
				if bhckc395-q2 gt 0 then bhckc395-q1 gt 0
				if bhckc396-q2 gt 0 then bhckc396-q1 gt 0
				if bhckc397-q2 gt 0 then bhckc397-q1 gt 0
				if bhckc398-q2 gt 0 then bhckc398-q1 gt 0
				if bhckc399-q2 gt 0 then bhckc399-q1 gt 0
I	7262	HC-S2cA thru HC-S2cG	If HC-S2c (columns A through G) (previous) is greater than zero, then HC-S2c (columns A through G) (current) should be greater than zero.	if bhckc400-q2 gt 0 then bhckc400-q1 gt 0
				if bhckc401-q2 gt 0 then bhckc401-q1 gt 0
				if bhckc402-q2 gt 0 then bhckc402-q1 gt 0
				if bhckc403-q2 gt 0 then bhckc403-q1 gt 0
				if bhckc404-q2 gt 0 then bhckc404-q1 gt 0
				if bhckc405-q2 gt 0 then bhckc405-q1 gt 0

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				if bhckc406-q2 gt 0 then bhckc406-q1 gt 0

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I	7265	HC-S3A thru HC-S3G	If HC-S3 (columns A through G) (previous) is greater than zero, then HC-S3 (columns A through G) (current) should be greater than zero.	if bhckb726-q2 gt 0 then bhckb726-q1 gt 0
				if bhckb727-q2 gt 0 then bhckb727-q1 gt 0
				if bhckb728-q2 gt 0 then bhckb728-q1 gt 0
				if bhckb729-q2 gt 0 then bhckb729-q1 gt 0
				if bhckb730-q2 gt 0 then bhckb730-q1 gt 0
				if bhckb731-q2 gt 0 then bhckb731-q1 gt 0
				if bhckb732-q2 gt 0 then bhckb732-q1 gt 0
I	7270	HC-S5aA thru HC-S5aG	For June, September, and December, if HC-S1 (columns A through G) (current) is greater than or equal to HC-S1 (columns A through G) (previous), then HC-S5a (columns A through G) (current) should be greater than or equal to HC-S5a (columns A through G) (previous -2).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhckb705-q1 ge bhckb705-q2 and bhckb706-q1 ge bhckb706-q2 and bhckb707-q1 ge bhckb707-q2 and bhckb708-q1 ge bhckb708-q2 and bhckb709-q1 ge bhckb709-q2 and bhckb710-q1 ge bhckb710-q2 and bhckb711-q1 ge bhckb711-q2) then (bhckb747-q1 ge bhckb747-q2 - 2 and bhckb748-q1 ge bhckb748-q2 - 2 and bhckb749-q1 ge bhckb749-q2 - 2 and bhckb750-q1 ge bhckb750-q2 - 2 and bhckb751-q1 ge bhckb751-q2 - 2 and bhckb752-q1 ge bhckb752-q2 - 2 and bhckb753-q1 ge bhckb753-q2 - 2)
I	7275	HC-S5bA thru HC-S5bG	For June, September, and December, if HC-S1 (columns A through G) (current) is greater than or equal to HC-S1 (columns A through G) (previous), then HC-S5b (columns A through G) (current) should be greater than or equal to HC-S5b (columns A through G) (previous -2).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhckb705-q1 ge bhckb705-q2 and bhckb706-q1 ge bhckb706-q2 and bhckb707-q1 ge bhckb707-q2 and bhckb708-q1 ge bhckb708-q2 and bhckb709-q1 ge bhckb709-q2 and bhckb710-q1 ge bhckb710-q2 and bhckb711-q1 ge bhckb711-q2) then (bhckb754-q1 ge bhckb754-q2 - 2 and bhckb755-q1 ge bhckb755-q2 - 2 and bhckb756-q1 ge bhckb756-q2 - 2 and bhckb757-q1 ge bhckb757-q2 - 2 and bhckb758-q1 ge bhckb758-q2 - 2 and bhckb759-q1 ge bhckb759-q2 - 2 and bhckb760-q1 ge bhckb760-q2 - 2)
Q	7280	HC-S6aB	HC-S6aB should be less than or equal to the sum of HC-5, HC-B5bA and HC-B5bD.	bhckb761 le (bhck3545 + bhckb842 + bhckb845)
Q	7285	HC-S6aC	HC-S6aC should be less than or equal to the sum of HC-5, HC-B5aA and HC-B5aD.	bhckb762 le (bhck3545 + bhckb838 + bhckb841)
Q	7290	HC-S6aF	HC-S6aF should be less than or equal to the sum of HC-5, HC-B5eA and HC-B5eD.	bhckb763 le (bhck3545 + bhckb854 + bhckb857)
Q	7295	HC-S6bB	Sum of HC-S6aB and HC-S6bB should be less than or equal to HC-S1B.	(bhckb761 + bhckb500) le bhckb706
Q	7301	HC-S6bC	Sum of HC-S6aC and HC-S6bC should be less than or equal to HC-S1C.	(bhckb762 + bhckb501) le bhckb707
Q	7305	HC-S6bF	Sum of HC-S6aF and HC-S6bF should be less than or equal to HC-S1F.	(bhckb763 + bhckb502) le bhckb710
Q	7311	HC-S6bB	HC-S6bB should be less than or equal to HC-C1c1B.	bhckb500 le bhdm1797
Q	7315	HC-S6bC	HC-S6bC should be less than or equal to HC-C6aA.	bhckb501 le bhckb538
Q	7320	HC-S6bF	HC-S6bF should be less than or equal to the sum of HC-C4aA and HC-C4bA.	bhckb502 le (bhck1763 + bhck1764)

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I	7340	HC-S8aB, HC-S8aC, HC-S8aF, HC-S8bB, HC-S8bC, HC-S8bF	For June, September, December, if HC-S6a (columns B, C and F) (current) is greater than or equal to HC-S6a (columns B, C and F) (previous), then HC-S8a and HC-S8b (columns B, C, and F) (current) should be greater than or equal to HC-S8a and HC-S8b (columns B, C and F) (previous).	if (mm-q1 eq 06 or mm-q1 eq 09 or mm-q1 eq 12) and (bhckb761-q1 ge bhckb761-q2 and bhckb762-q1 ge bhckb762-q2 and bhckb763-q1 ge bhckb763-q2) then bhckb770-q1 ge bhckb770-q2 and bhckb771-q1 ge bhckb771-q2 and bhckb772-q1 ge bhckb772-q2 and bhckb773-q1 ge bhckb773-q2 and bhckb774-q1 ge bhckb774-q2 and bhckb775-q1 ge bhckb775-q2
I	7351	HC-S9A thru HC-S9G	If HC-S9 (columns A through G) (previous) is greater than zero, then HC-S9 (columns A through G) (current) should be greater than zero.	if bhckb776-q2 gt 0 then bhckb776-q1 gt 0
				if bhckb777-q2 gt 0 then bhckb777-q1 gt 0
				if bhckb778-q2 gt 0 then bhckb778-q1 gt 0
				if bhckb779-q2 gt 0 then bhckb779-q1 gt 0
				if bhckb780-q2 gt 0 then bhckb780-q1 gt 0
				if bhckb781-q2 gt 0 then bhckb781-q1 gt 0
				if bhckb782-q2 gt 0 then bhckb782-q1 gt 0
I	7355	HC-S10A through HC-S10G	If HC-S10 (columns A through G) (previous) is greater than zero, then HC-S10 (columns A through G) (current) should be greater than zero.	if bhckb783-q2 gt 0 then bhckb783-q1 gt 0
				if bhckb784-q2 gt 0 then bhckb784-q1 gt 0
				if bhckb785-q2 gt 0 then bhckb785-q1 gt 0
				if bhckb786-q2 gt 0 then bhckb786-q1 gt 0
				if bhckb787-q2 gt 0 then bhckb787-q1 gt 0
				if bhckb788-q2 gt 0 then bhckb788-q1 gt 0
				if bhckb789-q2 gt 0 then bhckb789-q1 gt 0
I	7361	HC-S11A through HC-S11G	If HC-S11 (columns A through G) (previous) is greater than zero, then HC-S11 (columns A through G) (current) should be greater than zero.	if bhckb790-q2 gt 0 then bhckb790-q1 gt 0
				if bhckb791-q2 gt 0 then bhckb791-q1 gt 0
				if bhckb792-q2 gt 0 then bhckb792-q1 gt 0
				if bhckb793-q2 gt 0 then bhckb793-q1 gt 0
				if bhckb794-q2 gt 0 then bhckb794-q1 gt 0
				if bhckb795-q2 gt 0 then bhckb795-q1 gt 0
				if bhckb796-q2 gt 0 then bhckb796-q1 gt 0
I	7375	HC-SM1a	If HC-SM1a (previous) is greater than zero, then HC-SM1a (current) should be greater than zero.	if bhcka249-q2 gt 0 then bhcka249-q1 gt 0
Q	7381	HC-SM1a	If HC-SM1a is greater than zero, then HC-SM1b should be greater than zero.	if bhcka249 gt 0 then bhcta250 gt 0
Q	7382	HC-SM1a	If HC-SM1b is greater than zero, then HC-SM1a should be greater than zero.	if bhcta250 gt 0 then bhcka249 gt 0
Q	7385	HC-SM2a	If HC-S11A is greater than HC-SM2a, then the sum of HC-S2aA, HC-S2bA, HC-S2cA and HC-S9A should be greater than zero.	if (bhckb790 gt bhckb804) then (bhckb712 + bhckc393 + bhckc400 + bhckb776) gt 0
Q	7390	HC-SM2c	If the sum of HC-SM2a, HC-SM2b and HC-SM2c is greater than $10 million, then HI-5f should not equal zero.	if (bhckb804 + bhckb805 + bhcka591) gt 10000 then bhckb492 ne 0
I	7400	HC-SM2c	If the sum of (HC-SM2a through HC-SM2c) (previous) is greater than zero, then the sum of (HC-SM2a through HC-SM2c) (current) should be greater than zero.	if (bhckb804-q2 + bhckb805-q2 + bhcka591-q2) gt 0 then (bhckb804-q1 + bhckb805-q1 + bhcka591-q1) gt 0
Q	7405	HC-SM2c	If HI-5f is greater than $250 thousand , then the sum of HC-SM2a through HC-SM2c should be greater than zero.	if bhckb492 gt 250 then (bhckb804 + bhckb805 + bhcka591) gt 0

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I	7410	HC-SM3a2	If the sum of HC-SM3a1 (previous) and HC-SM3a2 (previous) is greater than zero, then the sum of HC-SM3a1 (current) and HC-SM3a2 (current) should be greater than zero.	if (bhckb806-q2 + bhckb807-q2) gt 0 then (bhckb806-q1 + bhckb807-q1) gt 0
I	7420	HC-SM3b2	If the sum of HC-SM3b1 (previous) and HC-SM3b2 (previous) is greater than zero, then the sum of HC-SM3b1 (current) and HC-SM3b2 (current) should be greater than zero.	if (bhckb808-q2 + bhckb809-q2) gt 0 then (bhckb808-q1 + bhckb809-q1) gt 0
Q	7430	HC-SM4	If the sum of HC-C6aA and HC-S1C is greater than $500mil or the sum of HC-C6aA and HC-S1C divided by the sum of HC-C12A and HC-S1C is greater than 50% and the sum of HC-C12A and HC-S1C divided by the sum of HC-12 and HC-S1C is greater than 50%, then HC-SM4 should be greater than zero.	if (((bhckb538 + bhckb707) gt 500000) or ((((bhckb538 + bhckb707)/(bhck2122 + bhckb707))*100 gt 50) and (((bhck2122 + bhckb707)/(bhck2170 + bhckb707))*100 gt 50))) then bhckc407 gt 0