

CALL REPORT

INSTRUCTION BOOK UPDATE

SEPTEMBER 2005

FILING INSTRUCTIONS

NOTE: The pages listed in the column below headed “Remove Pages” are no longer needed in the *Instructions for Preparation of Reports of Condition and Income* and should be removed and discarded. The pages listed in the column headed “Insert Pages” are included in this instruction book update and should be filed promptly in your instruction book.

Remove Pages

i – v (3-03 and 3-04)
1 – 14 (3-01, 6-02, 3-03, and 3-05)

Insert Pages

i – v (9-05)
1 – 14 (9-05)

Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)

CONTENTS

GENERAL INSTRUCTIONS

Who Must Report on What Forms	1
Close of Business	1
Frequency of Reporting	2
Differences in Detail of Reports	2
Shifts in Reporting Status	3
Organization of the Instruction Books	4
Preparation of the Reports	5
Signatures	5
Officer Declaration	5
Director Attestation	5
Submission of the Reports	6
Submission Date	7
Amended Reports	7
Retention of Reports	8
Scope of the "Consolidated Bank" Required to be Reported in the Submitted Reports	8
Exclusions from the Coverage of the Consolidated Report	9
Rules of Consolidation	9
Reporting by Type of Office	10
Publication Requirements for the Report of Condition	10
Release of Individual Bank Reports	11
Applicability of Generally Accepted Accounting Principles to Regulatory Reporting Requirements	11
Accrual Basis Reporting	12
Miscellaneous General Instructions	12
Rounding	12
Negative Entries	12
Verification	13
Transactions Occurring Near the End of a Reporting Period	13
Separate Branch Reports	14

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME

Schedule RI – Income Statement	RI-1
Schedule RI-A – Changes in Equity Capital	RI-A-1
Schedule RI-B – Charge-offs and Recoveries and Changes in Allowance for Loan and Lease Losses	
Part I. Charge-offs and Recoveries on Loans and Leases	RI-B-1
Part II. Changes in Allowance for Loan and Lease Losses	RI-B-6
Schedule RI-D – Income from International Operations (FFIEC 031 only)	RI-D-1
Schedule RI-E – Explanations	RI-E-1

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

Schedule RC – Balance Sheet	RC-1
Schedule RC-A – Cash and Balances Due from Depository Institutions	RC-A-1
Schedule RC-B – Securities	RC-B-1
Schedule RC-C – Loans and Lease Financing Receivables	
Part I. Loans and Leases	RC-C-1
Part II. Loans to Small Businesses and Small Farms	RC-C-30
Schedule RC-D – Trading Assets and Liabilities	RC-D-1
Schedule RC-E – Deposit Liabilities	RC-E-1
Schedule RC-F – Other Assets	RC-F-1
Schedule RC-G – Other Liabilities	RC-G-1
Schedule RC-H – Selected Balance Sheet Items for Domestic Offices (FFIEC 031 only)	RC-H-1
Schedule RC-I – Assets and Liabilities of IBFs (FFIEC 031 only)	RC-I-1
Schedule RC-K – Quarterly Averages	RC-K-1
Schedule RC-L – Derivatives and Off-Balance Sheet Items	RC-L-1
Schedule RC-M – Memoranda	RC-M-1
Schedule RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets	RC-N-1
Schedule RC-O – Other Data for Deposit Insurance and FICO Assessments	RC-O-1
Schedule RC-R – Regulatory Capital	RC-R-1
Schedule RC-S – Servicing, Securitization, and Asset Sale Activities	RC-S-1
Schedule RC-T – Fiduciary and Related Services	RC-T-1
Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income	RC-X-1

GLOSSARY

Accounting Changes	A-1
Accrued Interest Receivable Related to Credit Card Securitizations	A-2a
Acquisition, Development, or Construction (ADC) Arrangements	A-2b
Allowance for Loan and Lease Losses	A-3
Bankers Acceptances	A-4
Bank-Owned Life Insurance	A-7
Banks, U.S. and Foreign	A-8
Borrowings and Deposits in Foreign Offices	A-9
Brokered Deposits	A-10
Broker's Security Draft	A-11
Business Combinations	A-11
Capitalization of Interest Costs	A-14
Cash Management Arrangements	A-14
Commercial Paper	A-14a
Commodity or Bill-of-Lading Draft	A-14a
Coupon Stripping, Treasury Receipts, and STRIPS	A-14b
Custody Account	A-14b
Dealer Reserve Account	A-14b
Deferred Compensation Agreements	A-15
Depository Institutions in the U.S.	A-16a
Deposits	A-17
Derivative Contracts	A-25
Dividends	A-32
Domestic Office	A-32
Domicile	A-32
Due Bills	A-33
Edge and Agreement Corporation	A-33
Equity-Indexed Certificates of Deposit	A-33
Equity Method of Accounting	A-34a
Extinguishments of Liabilities	A-34a
Extraordinary Items	A-34a
Fails	A-34b
Federal Funds Transactions	A-34b
Federally-Sponsored Lending Agency	A-35
Foreclosed Assets	A-35
Foreign Currency Transactions and Translation	A-38

GLOSSARY (cont.)

Foreign Debt Exchange Transactions	A-39
Foreign Governments and Official Institutions	A-40
Foreign Office	A-40
Hypothecated Deposit	A-41
Income Taxes	A-41
Internal-Use Computer Software	A-48
International Banking Facility (IBF)	A-49
Lease Accounting	A-51
Letter of Credit	A-53
Loan	A-54
Loan Fees	A-55
Loan Impairment	A-57
Loan Secured by Real Estate	A-58
Loss Contingencies	A-58
Mandatory Convertible Debt	A-59
Market Value of Securities	A-59
Nonaccrual of Interest	A-59
Offsetting	A-62a
Overdraft	A-63
Pass-through Reserve Balances	A-64
Placements and Takings	A-65
Preferred Stock	A-65
Premiums and Discounts	A-65
Purchased Impaired Loans and Debt Securities	A-66
Reciprocal Balances	A-66a
Repurchase/Resale Agreements	A-66a
Sales of Assets for Risk-Based Capital Purposes	A-68
Securities Activities	A-72
Securities Borrowing/Lending Transactions	A-73
Servicing Assets and Liabilities	A-74
Shell Branches	A-75
Short Position	A-75
Start-Up Activities	A-75
Subordinated Notes and Debentures	A-76
Subsidiaries	A-76

GLOSSARY (cont.)

Suspense Accounts	A-77
Syndications	A-78
Trade Date and Settlement Date Accounting	A-78
Trading Account	A-78
Transfers of Financial Assets	A-79
Treasury Stock	A-83
Troubled Debt Restructurings	A-83
Trust Preferred Securities	A-84
U.S. Territories and Possessions	A-85
Valuation Allowance	A-85
When-Issued Securities Transactions	A-85

INDEX

GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-T constitute the Report of Condition and its supporting schedules. Schedules RI, RI-A, RI-B, RI-D, and RI-E constitute the Report of Income and its supporting schedules. The Reports of Condition and Income are commonly referred to as the Call Report.

WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, and insured state nonmember bank is required to file a consolidated Call Report normally as of the close of business on the last calendar day of each calendar quarter, i.e., the report date. The specific reporting requirements depend upon the size of the bank and whether it has any "foreign" offices. Banks must file the appropriate forms as described below:

(1) **BANKS WITH FOREIGN OFFICES:** Banks of any size that have any "foreign" offices (as defined below) must file quarterly the *Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices* (FFIEC 031). For purposes of these reports, all of the following constitute "foreign" offices:

- (a) An International Banking Facility (IBF);
- (b) A branch or consolidated subsidiary in a foreign country; and
- (c) A majority-owned Edge or Agreement subsidiary.

In addition, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary in Puerto Rico or a U.S. territory or possession is a "foreign" office. However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a "domestic" office.

(2) **BANKS WITHOUT FOREIGN OFFICES:** Banks of *any* size that have only domestic offices must file quarterly the *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only* (FFIEC 041). For banks chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary in one of the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a "domestic" office.

Close of Business

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Call Report (e.g., adjustments of accruals, posting of items held in suspense on the report date to their proper accounts, and other quarter-end adjusting entries) should be reported in the Call Report as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

With respect to deposits received by the reporting bank after the cut-off time for posting them to individual customer accounts for a report date (i.e., so-called "next day deposits" or "late deposits"), but which are nevertheless posted in any manner to the reporting bank's general ledger accounts for that report date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in (1) Schedule RC, Balance Sheet, item 13, "Deposits," and Schedule RC-E,

Deposit Liabilities, or (2) Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, item 2, "Unposted credits." The use of memorandum accounts outside the reporting bank's general ledger system for control over "next day" or "late deposits" received on the report date will not cause such deposits to be reportable in Schedules RC and RC-E or Schedule RC-O.

Frequency of Reporting

The reports are required to be submitted quarterly by all banks. However, some schedules are required on a less frequent basis, as follows:

- (1) For all banks, Schedule RC-C, part II, Loans to Small Businesses and Small Farms, is to be filed *only* as of the June 30 report date.
- (2) Banks with total fiduciary assets greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete the applicable items of Schedule RC-T quarterly. All other banks with fiduciary powers must complete the applicable items of Schedule RC-T annually as of the December 31 report date.

In addition, the following items are to be completed annually rather than quarterly:

- (1) Schedule RC, Memorandum item 1, on the level of external auditing work performed for the bank is to be reported as of the March 31 report date;
- (2) Schedule RC-O, Memorandum item 1.a.(2), "Number of deposit accounts of \$100,000 or less" (in domestic offices), is to be reported as of the June 30 report date; and
- (3) Schedule RC-E, Memorandum item 1.e, "Preferred deposits," is to be reported as of the December 31 report date.

Differences in Detail of Reports

The amount of detail required to be reported varies between the two versions of the report forms, with the report forms for banks with foreign offices (FFIEC 031) having more detail than the report forms for banks with domestic offices only (FFIEC 041). Furthermore, as discussed below under Shifts in Reporting Status, the amount of detail varies within the FFIEC 041 report form, primarily based on the size of the bank. In general, the FFIEC 041 report form requires the least amount of detail from banks with less than \$100 million in total assets.

Differences in the level of detail within both the FFIEC 031 and 041 report forms are as follows:

- (1) Banks reporting average trading assets of \$2 million or more for any quarter of the preceding calendar year must complete Schedule RC-D, Trading Assets and Liabilities, and provide a breakdown of their trading revenue by risk exposure in Schedule RI, Memorandum item 8, "Trading revenue;"
- (2) Banks with financial subsidiaries must complete certain additional items in Schedule RC-R, Regulatory Capital;
- (3) Banks servicing more than \$10 million in financial assets other than 1-4 family residential mortgages must report the volume of such servicing in Schedule RC-S, Memorandum item 2.c; and

- (4) Banks with total fiduciary assets greater than \$100 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on their fiduciary and related services income and on fiduciary settlements and losses in Schedule RC-T.

In addition, within the FFIEC 031 report form, banks whose international operations account for more than 10 percent of total revenues, total assets, or net income must complete Schedule RI-D, Income from International Operations.

Shifts in Reporting Status

All shifts in reporting status within the FFIEC 041 report form (except as noted below) are to begin with the March Call Report. Such a shift will take place only if the reporting bank's total assets (or, in one case, loans) as reflected in the Report of Condition for June of the previous calendar year equal or exceed the following criteria:

- (1) *When total assets exceed \$100 million*, a bank must begin to complete:
 - Schedule RI, Memorandum items 9.a through 9.c, which provide detail on the "Impact on income of derivatives held for purposes other than trading;"
 - Schedule RC-K, items 7 and 13, for the quarterly averages of "Trading assets" and "Other borrowed money;" and
 - Schedule RC-L, item 5, "Participations in acceptances conveyed to others by the reporting bank."
- (2) *When loans to finance agricultural production and other loans to farmers exceed 5 percent of total loans, net of unearned income*, at a bank with less than \$300 million in total assets, the bank must begin to report the following information for these agricultural loans: interest and fee income, quarterly average, past due and nonaccrual loans, and charge-offs and recoveries.
- (3) *When total assets exceed \$300 million*, a bank must begin to complete:
 - Certain items providing additional detail on the composition of the loan and lease portfolio in Schedule RC-C, part I, Loans and Leases; past due and nonaccrual loans and leases in Schedule RC-N; and loan and lease charge-offs and recoveries in Schedule RI-B, part I;
 - Schedule RC-A, Cash and Balances Due From Depository Institutions;
 - Schedule RC-N, Memorandum item 6, on past due derivative contracts; and
 - Schedule RI, Memorandum item 10, "Credit losses on derivatives."

Once a bank surpasses the \$100 million or \$300 million total asset threshold or the agricultural loan percentage threshold and begins to report the additional required information described above, it *must* continue to report the additional information in subsequent years without regard to whether it later falls below the total asset or loan percentage threshold.

Other shifts in reporting status occur when:

- (1) A bank with domestic offices only establishes or acquires any "foreign" office. The bank must begin filing the FFIEC 031 report form (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of *all* its "foreign" offices must continue filing the FFIEC 031 report form through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.

- (2) A bank is involved in a business combination (poolings of interests, purchase acquisitions, or reorganizations) or branch acquisition. Beginning with the first quarterly report date following the effective date of a business combination involving a bank and one or more other depository institutions, the resulting bank, regardless of its size prior to the business combination, must (a) file the FFIEC 031 report form if it acquires any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form if its total assets or agricultural loans after the consummation of the transaction surpass the \$100 million or \$300 million total asset threshold or the agricultural loan percentage.

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured bank, it must (a) file the FFIEC 031 report form if it has any "foreign" office, or (b) report the additional required information described above on the FFIEC 041 report form based on its total assets and agricultural loans at the time it becomes an FDIC-insured bank.

ORGANIZATION OF THE INSTRUCTION BOOKS

This instruction book covers both the FFIEC 031 and 041 report forms. It is divided into the following sections:

- (1) The General Instructions describe overall reporting requirements.
- (2) The Line Item Instructions for each schedule of the Report of Income.
- (3) The Line Item Instructions for each schedule of the Report of Condition.

The instructions and definitions in sections (2) and (3) are not necessarily self-contained; reference to more detailed treatments in the Glossary may be needed.

- (4) The Glossary presents, in alphabetical order, definitions and discussions of accounting issues 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. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting or reporting.

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.

Banks may obtain additional copies of the instruction books from their appropriate federal bank supervisory agency -- the Federal Reserve Banks, the Office of the Comptroller of the Currency (OCC), or the FDIC. The instructions are also available on the Internet on the FFIEC's Web site (www.ffiec.gov) and on the FDIC's Web site (www.fdic.gov).

PREPARATION OF THE REPORTS

Banks are required to prepare and file the Call Report in accordance with these instructions. All reports shall be prepared in a consistent manner.

The bank's financial records shall be maintained in such a manner and scope so as to ensure that the Call Report can be prepared and filed in accordance with these instructions and reflect a fair presentation of the bank's financial condition and results of operations.

Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the bank's primary federal bank supervisory agency (i.e., the Federal Reserve Banks, the OCC, or the FDIC). Such inquiries will be referred for resolution to the Reports Task Force of the Federal Financial Institutions Examination Council (FFIEC). Regardless of whether a bank requests an interpretation of a matter appearing in these instructions, when a bank's primary federal bank supervisory agency's interpretation of the instructions differs from the bank's interpretation, the supervisory agency may require the bank to prepare its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

SIGNATURES

Either the cover (signature) page of the agency-supplied sample set of report forms, a photocopy of this cover page, or a copy of the cover page printed from the bank's report preparation software or from the FFIEC's or the FDIC's Web site should be used to fulfill the signature and attestation requirement.

Officer Declaration

A duly authorized officer of the bank shall sign a declaration on the cover (signature) page concerning the preparation of the Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

Director Attestation

National and state member banks -- The correctness of the Report of Condition shall be attested to by at least three directors of the reporting bank, other than the officer signing the officer declaration, as indicated on the cover (signature) page.

State nonmember banks -- The correctness of the Report of Condition shall be attested to by at least two directors of the reporting bank, other than the officer signing the officer declaration, as indicated on the cover (signature) page.

SUBMISSION OF THE REPORTS

Each bank must file its Call Report in one of the following two ways:

- A bank may use computer software to prepare its report and then submit the report directly to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (<https://cdr.ffiec.gov/cdr/>).
- The institution may complete its reports in paper form and arrange with a software vendor or another party to convert its paper reports into the electronic format that can be processed by the CDR. The software vendor or other party then must electronically submit the data file containing the bank's Call Report to the CDR.

The filing of a Call Report in paper form directly with the FDIC (for national and FDIC-supervised banks) or with the appropriate Federal Reserve District Bank (for state member banks) is not an acceptable method of submission.

Regardless of the method a bank uses to file its Call Report, the bank remains responsible for the accuracy of the data in its Call Report. Banks are required to submit a Call Report by the submission date (as defined below) that passes FFIEC-published validation criteria (validity edits and quality edits) or that contains explanations for any quality edits that are not passed. These validation criteria are published in advance of each quarter end. Specific "Guidelines for Resolving Edits" are available on the FFIEC's Web site (www.ffiec.gov/find/documents/resolvingedits.pdf).

In order to submit their completed reports to the CDR, banks (or third parties with whom they have made submission arrangements) must use software that meets the technical specifications for producing files that are able to be processed by the CDR. (These technical specifications are available on the FFIEC's web site.) Vendors whose software has been successfully tested with regard to this ability are listed in each quarter's Financial Institution Letter for the Call Report. Alternatively, banks may develop their own reporting software and test directly with the CDR.

Submitted reports that are unable to be processed by the CDR, or that have not been adequately validated by the bank, will be rejected and will require correction and resubmission. In either case, if such resubmission is received by the CDR after the submission date for the report (as defined below), the submitting bank may be subject to the penalties prescribed for late submission.

Each bank is responsible for ensuring that the data reported each quarter reflects fully and accurately the item reporting requirements for that report date, including any changes that may be made from time to time. This responsibility cannot be transferred or delegated to software vendors, servicers, or others outside the reporting bank.

A bank filing its Call Report with the CDR electronically or under the paper-based alternative must maintain in its files a signed and attested record of its completed report each quarter. This record should be either a computer printout showing at least the caption of each item in the Call Report and the reported amount, a computer-generated facsimile of the report form, or a copy of the printed report form. The signed cover page, as discussed under "Signatures" above, should be attached to the printout, computer-generated facsimile, or copy of the form that the bank places in its files.

State banks should refer to their appropriate state bank supervisory authority for information concerning state requirements for submitting copies of the Call Report filed with federal bank supervisory authorities.

Submission Date

The term "submission date" is defined as the date by which a bank's completed Call Report must be received in electronic form by the CDR. Except as indicated below, the CDR must receive the data file for a bank's Call Report, with all corrections made and all explanations provided consistent with the "Guidelines for Resolving Edits" (www.ffiec.gov/find/documents/resolvingedits.pdf), no more than 30 calendar days after the report date. For example, the March 31 report must be received by April 30 and the June 30 report by July 30.

Any bank contracting with a third party to convert its reports to the electronic format for the CDR must ensure that it delivers its hard-copy reports to the third party in sufficient time for (1) the third party to enter the data into the appropriate format; (2) the bank to research and resolve any identified edit exceptions; and (3) the third party to electronically transmit the original submission and any necessary resubmissions to the CDR by the submission deadline. Early submission is strongly encouraged so that the bank has ample time to research and resolve any edit exceptions identified through the submission process. No extensions of time for submitting reports are granted.

Any bank that has more than one foreign office, other than a "shell" branch or an IBF, may take an additional limited period of time to submit its Call Report. The CDR must receive the data file for such a bank's Call Report no more than 40 calendar days after the report date. The filing deadline for such a bank will be reduced to 35 calendar days effective June 30, 2006. Eligible banks are urged to use the additional time only if absolutely necessary and to make every effort to report as soon as possible, preferably within the 30-day submission period.

Amended Reports

A bank's primary federal bank supervisory authority may require the filing of an amended Call Report if reports as previously submitted contain significant errors, as determined by the supervisory authority, in how the reporting bank classified or categorized items in the reports, i.e., on what line of the report an item has been reported.

When dealing with the recognition and measurement of events and transactions in the Call Report, amended reports may be required if a bank's primary federal bank supervisory authority determines that the reports as previously submitted contain errors that are material for the reporting bank. Materiality is a qualitative characteristic of accounting information which is defined in Financial Accounting Standards Board (FASB) Concepts Statement No. 2 as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

To review the procedures for amending Call Report data for report dates prior to September 30, 2005, refer to the "Prior-Period Data Corrections" section of the "Guidelines for Resolving Edits" on the FFIEC's Web site (www.ffiec.gov/find/documents/resolvingedits.pdf).

RETENTION OF REPORTS

In general, a bank should maintain in its files a signed and attested record of its completed Call Report, including any amended reports, and the related workpapers and supporting documentation¹ for five years after the report date, unless any applicable state requirements mandate a longer retention period. This five-year time period is consistent with the time period specified in Section 7(b)(5) of the Federal Deposit Insurance Act, which provides that each insured depository institution shall maintain all records necessary for the FDIC to verify the correctness of its deposit insurance assessments for no more than five years from the date of filing any certified statement, except when there is a dispute between the insured depository institution and the FDIC over the amount of any assessment, in which case the depository institution shall retain the records until the final determination of the issue.

SCOPE OF THE "CONSOLIDATED BANK" REQUIRED TO BE REPORTED IN THE SUBMITTED REPORTS

In their Call Reports submitted to the federal bank supervisory agencies, banks and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with U.S. generally accepted accounting principles (GAAP). All majority-owned subsidiaries shall be consolidated unless the subsidiary is not "significant" or is covered by one of the exceptions listed in the "Exclusions from the Coverage of the Consolidated Report" section below. (See the Glossary entry for "subsidiaries" for the definition of "significant subsidiary.") Accordingly, the Call Report shall consolidate the operations of:

- (1) The bank's head office;
- (2) All branches of the bank, domestic and foreign;
- (3) Any IBF established by the bank;
- (4) All majority-owned Edge and Agreement subsidiaries, including their IBFs, their foreign and domestic branches, and their significant subsidiaries;
- (5) All majority-owned foreign banks held directly by the reporting bank pursuant to Section 25 of the Federal Reserve Act;
- (6) All other majority-owned subsidiaries that are "significant," including domestic subsidiaries that are commercial banks, savings banks, or savings and loan associations that must file separate Call Reports (or separate reports of a comparable nature) with any state or federal financial institutions supervisory authority; and
- (7) All nonsignificant majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis in both the Report of Condition and the Report of Income.

Each bank shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence according to the equity method of accounting. The equity method of accounting is described in Schedule RC-M, item 4. (Refer to the Glossary entry for "subsidiaries" for the definitions of the terms subsidiary, associated company, and corporate joint venture.)

¹ Supporting documentation may include, but is not limited to, overdraft reports, trust department records, records of Oakar deposits sold or purchased, and records of other material adjustments to deposits.

Exclusions from the Coverage of the Consolidated Report

Subsidiaries where control does not rest with the parent -- If control of a majority-owned subsidiary does not rest with the parent bank because of legal or other reasons (e.g., the subsidiary is in bankruptcy), the subsidiary is not to be consolidated for purposes of the report. Thus, the bank's investment in such a subsidiary is 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 RC, item 8) and other transactions of the bank with such a subsidiary 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 FASB Statement No. 94 and Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 92.

Trust accounts -- For purposes of the Call Report, the reporting bank's trust department is not to be consolidated into the reporting bank's balance sheet or income statement. However, information concerning the bank's trust activities must be reported in Schedule RC-T, Fiduciary and Related Services. Assets held in or administered by the bank's trust department and the income earned on such assets are excluded from all of the other schedules of the Call Report except when trust funds are deposited by the trust department of the reporting bank in the commercial or some other department of the reporting bank.

When such trust funds are deposited in the bank, they are to be reported as deposit liabilities in Schedule RC-E in the deposit category appropriate to the beneficiary. Interest paid by the bank on such deposits is to be reported as part of the reporting bank's interest expense.

However, there are two exceptions:

- (1) *Uninvested trust funds (cash)* held in the bank's trust department, which are *not* included on the balance sheet of the reporting bank, *must* be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments; and
- (2) The *fees* earned by the trust department for its fiduciary activities and the *operating expenses* of the trust department are to be reported in the bank's income statement (Schedule RI) on a gross basis as if part of the consolidated bank.

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) are *not* to be reflected on any basis in the balance sheet of the Report of Condition unless cash funds held by the bank in safekeeping for customers are commingled with the general assets of the reporting bank. In such cases, the commingled funds would be reported in the Report of Condition as deposit liabilities of the bank.

RULES OF CONSOLIDATION

For purposes of these reports, all offices (i.e., branches, subsidiaries, and IBFs) that are within the scope of the consolidated bank as defined above are to be reported on a consolidated basis. Unless the 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 are to be *eliminated* in the consolidation and must be *excluded* from the Call Report. (For example, eliminate in the consolidation (1) loans made by the bank to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank 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 and its consolidated subsidiary.)

Subsidiaries of subsidiaries -- For a subsidiary of a bank which 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 exercises significant influence, and associated companies according to the equity method of accounting.

Minority interests -- A minority interest arises when the reporting bank 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. Report minority interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 22, "Minority interest in consolidated subsidiaries," of the Report of Condition. Report income (or loss) associated with such minority interests in Schedule RI, item 5.l, "Other noninterest income," of the Report of Income.

Intrabank transactions -- (For banks with foreign offices.) While all intrabank transactions are to be excluded from the Call Report, one intrabank relationship that is eliminated in consolidation is required to be identified and reported in the Report of Condition. Specifically, Schedule RC-H, Selected Balance Sheet Items for Domestic Offices, requires the reporting of the net amount of "due from" or "due to" balances between the domestic offices and the foreign offices of the consolidated bank.

Deposit insurance and FICO assessments -- For domestic offices of the reporting bank and for insured branches in Puerto Rico and U.S. territories and possessions, all deposits of subsidiaries that are consolidated and, therefore, eliminated from reported deposits (Schedule RC, item 13.a or 13.b, as appropriate) must be reported in Schedule RC-O, item 4.a or 4.b, as appropriate. Similarly, the interest accrued and unpaid on these deposits, which is eliminated in consolidation from reported other liabilities (Schedule RC, item 20), must be reported in Schedule RC-O, item 4.c.

Cutoff dates for consolidation -- All *branches* must be consolidated as of the report date. For purposes of consolidation, the date of the financial statements of a *subsidiary* should, to the extent practicable, match the report date of the parent bank, but in no case differ by more than 93 days from the report date.

REPORTING BY TYPE OF OFFICE (For banks with foreign offices)

Some information in the Call Report is to be reported by type of office (e.g., for domestic offices, for foreign offices, or for IBFs) as well as for the consolidated bank. 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, and shall exclude all transactions between offices of the consolidated bank as defined above.

PUBLICATION REQUIREMENTS FOR THE REPORT OF CONDITION

There are no federal requirements for a bank to publish the balance sheet of the Report of Condition in a newspaper. However, state-chartered banks should consult with their state banking authorities concerning the applicability of any state publication requirements.

RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the Call Report submitted by each reporting bank, including the optional narrative statement at the end of the Report of Condition, are available to the public from the federal bank supervisory agencies with the exception of the sections of Schedule RC-T, Fiduciary and Related Services, on fiduciary and related services income (items 12 through 23) and fiduciary settlements, surcharges, and losses (Memorandum item 4). In addition, data reported in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, in column A, "Past due 30 through 89 days and still accruing," and in all of Memorandum item 1, "Restructured loans and leases included in Schedule RC-N above," will not be publicly disclosed on an individual bank basis for periods prior to March 31, 2001.

APPLICABILITY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

For recognition and measurement purposes, the regulatory reporting requirements applicable to the Call Report shall conform to U.S. generally accepted accounting principles. Nevertheless, because the Call Report is a bank-level report, each bank (together with its consolidated subsidiaries) is considered an "accounting entity" for regulatory reporting purposes and normally must prepare its Call Report on a separate entity basis. Furthermore, when reporting events and transactions not covered in principle by Call Report instructions or authoritative GAAP standards, banks are encouraged to discuss the event or transaction with their primary federal bank supervisory agency.

Regardless of whether a bank discusses a reporting issue with its supervisory agency, when a bank's supervisory agency's interpretation of how GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the bank's interpretation, the supervisory agency may require the bank to reflect the event(s) or transaction(s) in its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

The Call Report instructions contain certain specific reporting guidance that falls within the range of acceptable practice under GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of GAAP may be issued. Current Call Report instructions providing such specific reporting guidance include the nonaccrual rules in the Glossary entry for "Nonaccrual Status," the treatment of impaired collateral dependent loans in the Glossary entry for "Loan Impairment," the Glossary entry for the "Allowance for Loan and Lease Losses" which references the 1993 Interagency Policy Statement on this subject, the separate entity method of accounting for income taxes of bank subsidiaries of holding companies in the Glossary entry for "Income Taxes," the push down accounting rules in the Glossary entry for "Business Combinations," and the treatment of property dividends in the Glossary entry for "Dividends."

There may be areas in which a bank 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 as a comprehensive statement on bank accounting.

ACCRUAL BASIS REPORTING

All banks, regardless of size, shall prepare all schedules of the Call Report on an accrual basis. However, banks may report particular accounts on a cash basis, except for the four listed below, if the results would not materially differ from those obtained using an accrual basis.

All banks *must* report the following on an accrual basis:

- (1) Income from installment loans;
- (2) Amortization of premiums paid on held-to-maturity and available-for-sale securities (see the Glossary entry for "premiums and discounts");
- (3) Income taxes (see the Glossary entry for "income taxes"); and
- (4) Depreciation on premises and fixed assets.

All banks shall establish and maintain an adequate allowance for loan and lease losses. Accounting for loan and lease losses is discussed in more detail in the Glossary entry for "allowance for loan and lease losses."

No interest or discount shall be accrued on any asset which must be carried in nonaccrual status. Refer to the Glossary entry for "nonaccrual status" for further information.

MISCELLANEOUS GENERAL INSTRUCTIONS

Rounding

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

Rounding may result in details not adding to their stated totals. The only permissible differences between totals and the sums of their components are those attributable to the mechanics of rounding.

On the Report of Condition, Schedule RC, item 12, "Total assets," and Schedule RC, item 29, "Total liabilities, minority interest, and equity capital," which must be equal, must be derived from unrounded numbers and then rounded in order to ensure that these two items are equal as reported.

Negative Entries

Except for the items listed below, negative entries are not appropriate on the Report of Condition and shall 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. The Report of Condition items for which negative entries may be made, if appropriate, are:

- (1) Schedule RC:
 - item 8, "Investments in unconsolidated subsidiaries and associated companies,"
 - item 26.a, "Retained earnings,"

- item 26.b, "Accumulated other comprehensive income,"
 - item 27, "Other equity capital components," and
 - item 28, "Total equity capital."
- (2) Schedule RC-C, items 10, 10.a, and 10.b, on "Lease financing receivables (net of unearned income)."
- (3) Schedule RC-M, items 4.a, 4.b, and 4.c, on "Investments in unconsolidated subsidiaries and associated companies."
- (4) Schedule RC-R:
- item 1, "Total equity capital,"
 - item 2, "Net unrealized gains (losses) on available-for-sale securities,"
 - item 4, "Accumulated net gains (losses) on cash flow hedges,"
 - item 8, "Subtotal,"
 - item 10, "Other additions to (deductions from) Tier 1 capital,"
 - item 11, "Tier 1 capital,"
 - item 21, "Total risk-based capital," and
 - column B, "Items Not Subject to Risk-Weighting," for the 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 Report of Income, negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

Verification

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.

Banks should retain workpapers and other records used in the preparation of these reports.

Transactions Occurring Near the End of a Reporting Period

Transactions between banks occurring near the end of a reporting period may not be reported by the parties to the transaction in such a manner as to cause the asset (or liability) either to disappear entirely from the Reports of Condition submitted for that report date or to appear on both of the submitted reports, regardless of the time zones in which the banks are located, the time zone in which the transaction took place, or the actual zone clock times at the effective moment of the transaction.

In the case of a transaction occurring in different reporting periods for the parties because of time zone differences, the parties may decide between themselves on the reporting period in which they will all, consistently, report the transaction as having occurred, so that in any given reporting period, the asset (or liability) transferred will appear somewhere and without duplication in the reports submitted by the parties to the transaction.

If, in such cases, the parties do not agree on the reporting period in which the transaction is to be treated as having occurred on the reports of all parties, i.e., if they do not agree on which party will reflect the asset (or liability) on its reports for these purposes, the transaction will be deemed to have occurred prior to midnight in the time zone of the buyer (or transferee) and must be reported accordingly by all parties to the transaction.

If, in fact, the parties, in their submitted reports, treat the transaction as having occurred in different reporting periods, the parties will be required to amend their submitted reports on the basis of the standard set forth in the preceding paragraph.

SEPARATE BRANCH REPORTS

Each U.S. bank shall submit for each of its branches located in a foreign country, Puerto Rico, or a U.S. territory or possession (including trust territories) a Foreign Branch Report of Condition (FFIEC 030) once a year as of the end of December. However, a branch must report quarterly if it has either \$2 billion in total assets or \$5 billion in commitments to purchase foreign currencies and U.S. dollar exchange.