

SUPPLEMENTAL INSTRUCTIONS

June 2011 Call Report Forms

Sample Call Report forms for June 2011 are available on both the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's Web site (<http://www.fdic.gov/callreports>). An instruction book update for June 2011 is expected to be available on these Web sites by July 1, 2011. Call Report forms, including the cover (signature) page, and instructional materials can be printed and downloaded from the FFIEC's and the FDIC's Web sites. In addition, banks that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the person responsible for preparing Call Reports at your bank has been notified about the electronic availability of the June 2011 report forms and instruction book update as well as these Supplemental Instructions.

Submission of Completed Reports

Each bank's Call Report data must be submitted to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (<https://cdr.ffiec.gov/cdr/>), using one of the two methods described in the banking agencies' cover letter for the June 30, 2011, report date. For technical assistance with submissions to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

Banks are required to maintain in their files a signed and attested hard-copy record of the Call Report data file submitted to the CDR. The appearance of this hard-copy record of the submitted data file need not match exactly the appearance of the sample report forms on the FFIEC's Web site, but the hard-copy record should show at least the caption of each Call Report item and the reported amount. A copy of the cover page printed from Call Report software or from the FFIEC's Web site should be used to fulfill the signature and attestation requirement. The signed cover page should be attached to the hard-copy record of the Call Report data file that must be placed in the bank's files.

Currently, Call Report preparation software products marketed by Axiom Software Laboratories, Inc.; DBI Financial Systems, Inc.; Fed Reporter, Inc.; FinArch US, Inc.; FIS Compliance Solutions; FiServ, Inc.; FRSGlobal; Jack Henry & Associates, Inc.; and SOFGEN Americas, Inc., meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. The addresses and telephone numbers of these vendors are listed at the end of these Supplemental Instructions.

Assessment-Related Call Report Revisions for June 30, 2011

On February 7, 2011, the FDIC adopted a final rule that redefines the deposit insurance assessment base for all insured depository institutions as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, an institution's assessment base will no longer be derived from its domestic deposits. Instead, the assessment base is defined as average consolidated total assets minus average tangible equity. Tangible equity capital is defined as Tier 1 capital for deposit insurance assessment purposes. The final rule also creates a depository institution debt adjustment to assessment rates.

For all large institutions, generally those with at least \$10 billion in total assets, the final rule revises the risk-based assessment system. Under this revised system, Uniform Financial Institutions Rating System ratings and certain financial measures are combined into two scorecards, one for most large institutions and another for highly complex institutions. Each scorecard assesses risk measures to produce a performance score and a loss severity score that will be combined and converted to an initial assessment rate.

The final rule amending the FDIC's deposit insurance assessment regulations took effect April 1, 2011. For further information, see FDIC Financial Institution Letter FIL-8-2011 dated February 9, 2011, which can be accessed at <http://www.fdic.gov/news/news/financial/2011/fil11008.html>.

To provide the data needed to implement the redefined assessment base and the revised large institution assessment system, the agencies have revised Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, this quarter. The changes to Schedule RC-O include the deletion of existing items 4, 5, and 6 for the total daily averages of deposit liabilities before exclusions, allowable exclusions, and foreign deposits and the addition of new items as follows:

- Average consolidated total assets, generally as defined for Schedule RC-K, Quarterly Averages, and calculated using a daily averaging method. Banks with less than \$1 billion in assets (other than newly insured banks) may report using a weekly averaging method unless they opt to report daily averages on a permanent basis. Most banks will be able to carry the average total assets amount that they report in Schedule RC-K, item 9, to the new Schedule RC-O item.
- Average tangible equity capital, generally Tier 1 capital as defined for Schedule RC-R, Regulatory Capital, and calculated as a monthly average. Banks with less than \$1 billion in assets (other than newly insured banks) may report the quarter-end amount of Tier 1 capital unless they opt to report monthly averages on a permanent basis. Most banks will be able to carry the Tier 1 capital amount that they report in Schedule RC-R, item 11, to the new Schedule RC-O item.
- For qualifying banker's banks and qualifying custodial banks, as defined in the final rule, assessment base deductions for certain low-risk assets and deduction limits derived from certain balance sheet amounts calculated on a daily or weekly average basis.
- The amount of the reporting bank's holdings of long-term unsecured debt issued by other insured depository institutions. In general, unsecured debt would be considered long-term if it has a remaining maturity of at least one year.
- For large and highly complex institutions, other real estate owned and certain categories of loans wholly or partially guaranteed by the U.S. Government (excluding other real estate and loans covered by FDIC loss-sharing agreements, which are reported elsewhere in the Call Report), unfunded real estate construction and development loans, and nonbrokered time deposits of more than \$250,000.
- For both large and highly complex institutions, "nontraditional mortgage loans," "subprime consumer loans," and "leveraged loans," all as defined for assessment purposes only in the FDIC's regulations, as well as criticized and classified items, all of which would be accorded confidential treatment.
- For highly complex institutions only, the top 20 counterparty exposures and the largest counterparty exposure, both of which would be accorded confidential treatment.

The Call Report instruction book update for June 2011 includes revised instructions for Schedule RC-O, including transition guidance for the new items to be collected from large and highly complex institutions for "subprime consumer loans" and "leveraged loans" as defined for assessment purposes only.

Accounting for Loan Participations

Amendments to ASC Topic 860, Transfers and Servicing, resulting from Accounting Standards Update No. 2009-16 (formerly FASB Statement No. 166, "Accounting for Transfers of Financial Assets") modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (January 1, 2010, for banks with a calendar year fiscal year), including advances under lines of credit that are transferred on or after the effective date even if the line of credit agreements were entered into before the effective date. Banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 are not affected by this new accounting standard.

The Glossary entry for "Transfers of Financial Assets" in the Call Report instruction book incorporates the provisions of amended ASC Topic 860 and addresses related reporting issues, including a discussion of the reporting treatment of loan participations in accordance with amended ASC Topic 860. In particular, the

Glossary entry discusses the reporting of transfers of loans guaranteed by the Small Business Administration (SBA). It describes the SBA's longstanding requirement obligating the transferor of the guaranteed portion of an SBA loan at a premium to refund the premium to the transferee if the loan is repaid within 90 days of the transfer. The Glossary entry notes that this premium refund obligation is a form of recourse, which causes the transferred guaranteed portion of the loan to not meet the definition of a "participating interest" for this 90-day period during which the transfer must be accounted for as a secured borrowing. Thereafter, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan then meet the definition of a "participating interest," the transfer of the guaranteed portion can be accounted for as a sale if all of the conditions for sale accounting in amended ASC Topic 860 are met.

Banks should note that the SBA eliminated its premium refund requirement for transfers of guaranteed portions of SBA loans at a premium effective for loan transfers settled on or after February 15, 2011. The elimination of this obligation removes the key factor that had been preventing the guaranteed and unguaranteed portions of an SBA loan from meeting the definition of a "participating interest" in a transfer of the guaranteed portion at a premium. With the elimination of this obligation from transfers at a premium on or after February 15, 2011, the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan should now normally meet the definition of a "participating interest" on the transfer date. Assuming that is the case and if all of the conditions for sale accounting set forth in ASC Topic 860 are met, the transfer of the guaranteed portion of an SBA loan on or after February 15, 2011, would now qualify as a sale on the transfer date, with immediate recognition of any gain or loss on the sale in earnings.

Troubled Debt Restructurings and Current Market Interest Rates

Many institutions are restructuring or modifying the terms of loans to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

Banks should note that, effective as of the March 31, 2011, report date, the Call Report items in which loans that are TDRs were reported in prior quarters – Memorandum item 1 in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, or Memorandum item 1 in Schedule RC-C, part I, Loans and Leases, depending on whether a loan is or is not in compliance with its modified terms – were revised to include breakdowns of these TDRs by loan category. In addition, consumer loans that have undergone TDRs, which were previously exempt from being reported in the Memorandum items for TDRs, must now be reported in these items.

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The creditor's concession may include a restructuring of the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, such as a modification of terms to reduce or defer cash payments required of the debtor in the near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

The stated interest rate charged the borrower after a loan restructuring may be greater than or equal to interest rates available in the marketplace for similar types of loans to nontroubled borrowers at the time of the restructuring. Some institutions have concluded that these restructurings are not TDRs, which may not be the case. In reaching this conclusion, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. An interest rate on a modified loan greater than or equal to those available in the marketplace for similar credits to nontroubled borrowers does not in and of itself preclude a modification from being designated as a TDR. Rather, when evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances

is necessary to determine whether the bank has made a concession to the borrower with respect to the market interest rate or has made some other type of concession that could trigger TDR accounting and disclosure (for example, terms or conditions outside of the bank's policies or common market practices). If TDR accounting and disclosure is appropriate, the bank must determine how the modified or restructured loan should be reported in the Call Report.

Generally, a restructured loan yields a current market interest rate if the restructuring agreement specifies an interest rate greater than or equal to the rate that the institution was willing to accept at the time of the restructuring for a new loan with comparable risk. A restructured loan does not yield a market interest rate simply because the interest rate charged under the restructuring agreement has not been reduced. In addition, when a modification results in an increase (either temporary or permanent) in the contractual interest rate, the increased interest rate cannot be presumed to be an interest rate that is at or above market. Therefore, in determining whether a loan has been modified at a market interest rate, an institution should analyze the borrower's current financial condition and compare the rate on the modified loan to rates the institution would charge customers with similar financial characteristics on similar types of loans. This determination requires the use of judgment and should include an analysis of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

Likewise, a change in the interest rate on a modified or restructured loan does not necessarily mean that the modification is a TDR. For example, a creditor may lower the interest rate to maintain a relationship with a debtor that can readily obtain funds from other sources. To be a TDR, the borrower must also be experiencing financial difficulties. The evaluation of whether a borrower is experiencing financial difficulties is based upon individual facts and circumstances and requires the use of judgment when determining if a modification of the borrower's loan should be accounted for and reported as a TDR.

An institution that restructures a loan to a borrower experiencing financial difficulties at a rate below a market interest rate has granted a concession to the borrower that results in the restructured loan being a TDR. (As noted above, other types of concessions could also result in a TDR.) In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, the loan must be reported in the appropriate loan category in Schedule RC-C, part I, items 1 through 9, and in the appropriate loan category in:

- Schedule RC-C, part I, Memorandum item 1, if it is in compliance with its modified terms, or
- Schedule RC-N, Memorandum item 1, if it is not in compliance with its modified terms.

However, a loan that is a TDR (for example, because of a modification that includes a reduction in principal) that yields a market interest rate at the time of restructuring and is in compliance with its modified terms need not continue to be reported as a TDR in Schedule RC-C, part I, Memorandum item 1, in calendar years after the year in which the restructuring took place. To be considered in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.

A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), and the Glossary entry for "Loan Impairment."

For further information, see the Glossary entry for "Troubled Debt Restructurings" and the instructions for Schedules RC-C, part I, and RC-N.

Troubled Debt Restructurings and Accounting Standards Update No. 2011-02

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring," to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also intended to reduce diversity in practice in identifying

and reporting TDRs. This ASU is effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application will be applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public banks, the ASU will take effect July 1, 2011, but the retrospective application will begin as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic banks, the ASU will take effect January 1, 2012.) Early adoption of the ASU is permitted for both public and nonpublic entities, with nonpublic entities that adopt early subject to a retrospective identification requirement.

Banks are expected to continue to follow the accounting and reporting guidance on TDRs in the preceding section of these Supplemental Instructions and in the Call Report Instruction book. To the extent the guidance in the ASU differs from a bank's existing accounting policies and practices for identifying TDRs, the bank will be expected to apply the ASU for Call Report purposes in accordance with the standard's effective date and transition provisions, which are outlined above. To the extent that a bank's existing accounting policies and practices are consistent with guidance in the ASU, the bank should continue to follow its existing policies and practices.

ASU 2011-02 reiterates that the two conditions mentioned in the preceding section on "Troubled Debt Restructurings and Current Market Interest Rates" must exist in order for a loan modification to be deemed a TDR: (1) a bank must grant a concession to the borrower as part of the modification and (2) the borrower must be experiencing financial difficulties. The ASU explains that a bank may determine that a borrower is experiencing financial difficulties if it is probable that the borrower will default on any of its debts in the foreseeable future. The borrower does not have to be in default at the time of the modification. Other possible factors that should be considered in evaluating whether a borrower is experiencing financial difficulties is if the borrower has declared (or is in the process of declaring) bankruptcy, the creditor does not expect the borrower's cash flows to be sufficient to service its debt under the existing terms, or there is substantial doubt about an entity's ability to continue as a going concern.

Another important aspect of the ASU is that it prohibits financial institutions from using the effective interest rate test included in the TDR guidance for borrowers in ASC Subtopic 470-60, Debt – Troubled Debt Restructurings by Debtors, when determining whether the creditor has granted a concession as part of a loan modification. However, as explained in ASU 2011-02, if a borrower does not have access to funds at a market rate of interest for similar debt, the rate on the modified loan is considered to be a below-market rate and may be an indicator that the bank has granted a concession to the borrower.

Furthermore, the ASU provides new guidance regarding insignificant delays in payment as part of loan modification. If, after analysis of all facts and circumstances, a creditor determines that a delay in payment is insignificant, the creditor has not granted a concession to the borrower. This determination requires judgment and should consider many factors, including, but not limited to, the amount of the delayed payments in relation to the loan's unpaid principal or collateral value, the frequency of payments due on the loan, the original contractual maturity, and the original expected duration of the loan.

For additional information, banks should refer to ASU 2011-02, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Reporting Term Deposits

The Term Deposit Facility (TDF) is a program through which the Federal Reserve Banks offer interest-bearing term deposits to eligible institutions. A term deposit is a deposit with a specific maturity date. Term deposits offered through the TDF should be treated as balances due from a Federal Reserve Bank for Call Report purposes. Accordingly, term deposits should be reported in Schedule RC, Balance Sheet, item 1.b, "Interest-bearing balances," and in Schedule RC-A, Cash and Balances Due From Depository Institutions, item 4, "Balances due from Federal Reserve Banks," on the FFIEC 031 and FFIEC 041 reporting forms. The

earnings on these term deposits should be reported in Schedule RI, Income Statement, item 1.c, “Interest income on balances due from depository institutions.”

Reporting Purchased Subordinated Securities in Schedule RC-S

In item 9 of Schedule RC-S, Servicing, Securitization, and Asset Sale Activities, the agencies collect data on the maximum amount of banks’ credit exposures arising from credit enhancements they have provided to other institutions’ securitization structures, including those used in structured finance programs (other than asset-backed commercial paper programs, which are covered in Memorandum item 3 of the schedule). The types of credit enhancements to be reported in item 9 include purchased subordinated securities. Examples of purchased subordinated securities include, but are not limited to, the mezzanine and subordinate tranches of private-label mortgage-backed securities and collateralized debt obligations. A so-called senior tranche of a securitization or structured finance program is not a subordinated security provided it cannot absorb credit losses prior to another designated senior tranche.

Banks should ensure that they report in Schedule RC-S, item 9, the carrying value of their holdings of purchased subordinated securities issued in connection with other institutions’ securitization and structured finance transactions (other than asset-backed commercial paper programs). Holdings of purchased subordinated securities that serve as credit enhancements for asset-backed commercial paper programs should be reported in Memorandum item 3.a of Schedule RC-S.

Prepaid Deposit Insurance Assessments

In November 2009, the FDIC adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay an FDIC-determined estimate of their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution’s regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also was paid on December 30, 2009. The original full amount of each institution’s prepaid assessment was included on its Quarterly Certified Statement Invoice for the third quarter 2009 Insurance Period, which was available on *FDICconnect*, the FDIC’s e-business portal, as of December 15, 2009.

Each bank should record the estimated expense for its regular quarterly risk-based assessment for each calendar quarter through a charge to expense during that quarter and a corresponding credit to its prepaid assessments asset (or to an accrued expense payable if it has no prepaid assessments asset). As a result of the interaction between the prepaid assessments and the regular quarterly assessments, the remaining amount of the prepaid assessments asset that a bank should report as a prepaid expense in its June 30, 2011, Call Report normally should be:

- The remaining balance of “Prepaid Assessment Credits” shown on the Summary Statement of Assessment Credits page of the bank’s Quarterly Certified Statement Invoice for the January 1 through March 31, 2011, Insurance Period, which was available on *FDICconnect* as of June 15, 2011;
- Less the estimated amount of the bank’s regular quarterly assessment for the second quarter of 2011 (which should have been accrued as a charge to expense during the second quarter of 2011). The quarterly assessment for the second quarter of 2011 should be estimated based on the provisions of the FDIC’s February 2011 final rule that redefined the deposit insurance assessment base for all insured institutions and revised the assessment system for large institutions, as discussed in the section on “Assessment-Related Call Report Revisions for June 30, 2011” above.

This prepaid expense asset should be reported in Schedule RC-F, item 6, “All other assets,” and, if it is greater than \$25,000 and exceeds 25 percent of the amount reported in item 6, it also should be reported in Schedule RC-F, item 6.f, “Prepaid deposit insurance assessments.” The year-to-date deposit insurance assessment expense for 2011 should be reported in Schedule RI, item 7.d, “Other noninterest expense.” When completing Schedule RC-R, Regulatory Capital, a bank may assign a zero-percent risk weight to the amount of its prepaid deposit insurance assessments asset in item 42 of this schedule.

For further information on the FDIC's prepaid assessments final rule, banks should refer to FDIC Financial Institution Letter (FIL) 63-2009 at <http://www.fdic.gov/news/news/financial/2009/fil09063.html>. For further guidance on reporting regular quarterly deposit insurance assessments, banks should refer to the Call Report Supplemental Instructions for September 30, 2009, at http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf.

Consolidated Variable Interest Entities

The assets and liabilities of a bank's consolidated variable interest entities (VIEs), if any, should be reported on the Call Report balance sheet (Schedule RC) in the balance sheet category appropriate to the asset or liability. Similarly, the interest and noninterest income and expenses of consolidated VIEs, including provisions for loan and lease losses, should be reported on the Call Report income statement (Schedule RI) in the category appropriate to the income or expense. In addition, banks must report data on the assets and liabilities of their consolidated VIEs in Call Report Schedule RC-V, Variable Interest Entities. In Schedule RC-V, a bank must report separately by balance sheet category (a) the assets of its consolidated VIEs that can be used only to settle obligations of the consolidated VIE and (b) the liabilities of its consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary. A bank must also report the total amounts of all other assets and all other liabilities of its consolidated VIEs that do not meet these conditions. For further information, please refer to the instructions for Schedule RC-V in the Call Report instruction book.

Accounting Standards Codification™

In June 2009, the FASB issued Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles" (FAS 168), to establish the FASB Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The FASB Codification reorganizes existing U.S. accounting and reporting standards issued by the FASB and other related private-sector standard setters, and all guidance contained in the FASB Codification carries an equal level of authority. All previously existing accounting standards documents are superseded as described in FAS 168. All other accounting literature not included in the FASB Codification is nonauthoritative. The FASB Codification can be accessed at <http://asc.fasb.org/>.

The FASB Codification is effective for interim and annual periods ending after September 15, 2009. The agencies have incorporated the FASB Codification references throughout the entire Call Report instruction book while retaining references to the pre-Codification standards. In addition, the agencies have published on the FFIEC's Web site a list of all pre-Codification references to authoritative accounting literature found in the Call Report instruction book (as updated in March 2010) and the corresponding FASB Codification references. This reference guide can be accessed at http://www.ffiec.gov/pdf/ffiec_forms/CodificationIntroduction_201006.pdf.

Other-Than-Temporary Impairment

When the fair value of an investment in an individual available-for-sale or held-to-maturity security is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a bank must apply the applicable accounting guidance as discussed in the Glossary entry for "Securities Activities."

For regulatory capital purposes, any other-than-temporary impairment losses on both held-to-maturity and available-for-sale debt securities related to factors other than credit loss that are reported, net of applicable taxes, in Schedule RC, item 26.b, "Accumulated other comprehensive income," should be included in Schedule RC-R, item 2, together with the net unrealized gains (losses) on available-for-sale securities that are reported in item 2. Furthermore, when determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the reported amount of its deferred tax assets for any deferred tax assets arising from other-than-temporary impairment losses reported, net of applicable taxes, in Schedule RC, item 26.b in accumulated other comprehensive income. A bank must follow a consistent approach over time with respect to this adjustment to the reported amount of deferred tax assets.

In addition, when risk-weighting a held-to-maturity debt security for which an other-than-temporary impairment loss related to factors other than credit loss was previously recognized in other comprehensive income, include the carrying value of the debt security in column A of Schedule RC-R, item 35. Then, include the pre-tax amount of this impairment loss that has not yet been accreted from accumulated other comprehensive income to the carrying value of the security as a negative number in column B of Schedule RC-R, item 35, and include the amortized cost of the security in the appropriate risk-weight category column of item 35 (provided the security is not a purchased subordinated security that is not eligible for the ratings-based approach). For a security on which an other-than-temporary impairment loss has been recognized, amortized cost is the security's previous amortized cost as of the date of the most recently recognized other-than-temporary impairment loss less the amount of impairment loss recognized in earnings adjusted for subsequent accretion of interest income and payments received on the security.

Treasury Department's Capital Purchase Program

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 (<http://www.treasury.gov/press-center/press-releases/Pages/hp1207.aspx>). The CPP was designed to encourage U.S. financial institutions to build capital to buttress the financial strength of the banking system, increase the flow of financing to U.S. businesses and consumers, and support the U.S. economy.

For banks (other than those that are Subchapter S or mutual institutions) that are not subsidiaries of holding companies that are approved for participation in the CPP, the Treasury Department purchased noncumulative perpetual preferred stock and warrants to purchase common stock or noncumulative perpetual preferred stock, depending on whether the bank's common stock is "publicly traded." For such banks that are not publicly traded, the Treasury Department's intent was to immediately exercise the warrants for noncumulative perpetual preferred stock ("warrant preferred stock"). The noncumulative perpetual preferred stock issued to the Treasury Department, including warrant preferred stock, should be reported on the Call Report balance sheet (Schedule RC) in item 23, "Perpetual preferred stock and related surplus." For regulatory capital purposes, the noncumulative perpetual preferred stock issued to the Treasury Department qualifies as a component of Tier 1 capital and should be included in the amount reported for "Total equity capital" in item 1 of Schedule RC-R, Regulatory Capital.

Warrants issued by a publicly traded bank should be included in equity capital on the Call Report balance sheet (Schedule RC) provided the bank has sufficient authorized but unissued shares of the common stock to allow exercise of the warrants and any other necessary shareholder approvals have been obtained. If the bank does not have required shareholder approval, including shareholder approval for sufficient authorized but unissued shares of the common stock subject to the warrants that may be required for settlement, the warrants may be included in equity capital on the Call Report balance sheet provided that the bank takes the necessary action to secure sufficient approvals prior to the end of the fiscal quarter in which the warrants are issued. The amount assigned to warrants classified as equity capital should be included in Schedule RC, item 25, "Surplus." Warrants that are not eligible to be classified as equity capital should be reported on the Call Report balance sheet in item 20, "Other liabilities," and in Schedule RC-G, item 4, "All other liabilities" (where the warrants should be itemized and described if their amount is greater than \$25,000 and exceeds 25 percent of item 4).

For banks that have elected to be taxed under Subchapter S or are organized in mutual form, the full amount of all subordinated debt securities issued to the Treasury Department under the CPP should be reported in Schedule RC, item 19, "Subordinated notes and debentures." For regulatory capital purposes, report in Schedule RC-R, item 12, "Qualifying subordinated debt and redeemable preferred stock," the portion of such subordinated debt securities that qualify for inclusion in Tier 2 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority.

Reporting Defined Benefit Postretirement Plans

ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (FAS 158)) requires a bank that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a bank initially applied former FAS 158, the postretirement plan amounts recognized on the bank’s balance sheet before applying former FAS 158 must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a bank must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans’ net periodic benefit cost. For further information on accounting for defined benefit postretirement plans, banks should refer to ASC Topic 715, Compensation-Retirement Benefits (formerly FAS 158; FASB Statement No. 87, “Employers’ Accounting for Pensions”; and FASB Statement No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions”).

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, banks should reverse the effects on AOCI of ASC Subtopic 715-20 for regulatory capital purposes, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize the effect on AOCI of the application of ASC Subtopic 715-20 on regulatory capital. Banks should exclude from regulatory capital any amounts recorded in AOCI resulting from the initial and subsequent application of both the funded status and measurement date provisions of ASC Subtopic 715-20. For Call Report purposes, these excluded amounts should be reported in item 4 of Schedule RC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule RC, item 26.b) for defined benefit postretirement plans under ASC Subtopic 715-20 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule RC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule RC-R.

In addition, when determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets or liabilities associated with any amounts recorded in AOCI resulting from the application of ASC Subtopic 715-20 that are excluded from regulatory capital (and reported in Schedule RC-R, item 4) in accordance with the preceding guidance. A bank must follow a consistent approach over time with respect to such adjustments.

For purposes of reporting and measuring the denominators for the risk-based and leverage ratios, banks should also adjust their assets for any amounts recorded in AOCI affecting assets resulting from the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to assets in item 42 of Schedule RC-R, column B, and should also be reported in item 26 of Schedule RC-R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be recorded as a negative amount in item 42, column B, of Schedule RC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting it as a negative number in item 26 of Schedule RC-R. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b as an increase to AOCI and is included in item 42, column A, of Schedule RC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting the amount as a positive number in item 26 of Schedule RC-R. In addition, the adjustments for purposes of calculating risk-

based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

Amending Previously Submitted Report Data

Should your bank find that it needs to revise previously submitted Call Report data, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies' cover letter for the June 30, 2011, report date. For technical assistance with the submission of amendments to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

Other Reporting Matters

For the following topics, banks should continue to follow the guidance in the specified Call Report Supplemental Instructions:

- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Tobacco Transition Payment (Buyout) Program – Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf)
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)

Call Report Software Vendors

For information on available Call Report preparation software products, banks should contact:

Axiom Software Laboratories, Inc.
67 Wall Street, 17th Floor
New York, New York 10005
Telephone: (212) 248-4188
www.axiomsl.com

DBI Financial Systems, Inc.
P.O. Box 14027
Bradenton, Florida 34280
Telephone: (800) 774-3279
www.e-dbi.com

Fed Reporter, Inc.
28118 Agoura Road, Suite 202
Agoura Hills, California 91301
Telephone: (888) 972-3772
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FinArch US, Inc.
Burlington Center, 4th Floor
35 Corporate Drive
Burlington, Massachusetts 01803
Telephone: (781) 685-4600
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16855 West Bernardo Drive,
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