

CALL REPORT
INSTRUCTION BOOK UPDATE
MARCH 2012

FILING INSTRUCTIONS

NOTE: This instruction book update is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income* 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

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5 – 6 (6-09)
9 – 14 (6-09, 3-11, 6-11)
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RC-E-10a – RC-E-10b (3-11)
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RC-R-11 – RC-R-14 (3-02, 3-07)
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Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)

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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. For purposes of these General Instructions, the FASB Accounting Standards Codification is referred to as "ASC."

Unless the context indicates otherwise, the term "bank" in the Call Report instructions refers to both banks and savings associations.

WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, insured state nonmember bank, and savings association 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 Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, item 1, and may also be reported in Schedule RC, Balance Sheet, item 13, "Deposits," and Schedule RC-E, Deposit Liabilities. However, 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 does not in and of itself make such deposits reportable in Schedule RC-O and Schedules RC and RC-E.

Frequency of Reporting

The reports are required to be submitted quarterly by all banks. However, for banks with fiduciary powers, the reporting frequency for Schedule RC-T, Fiduciary and Related Services, depends on their total fiduciary assets and their gross fiduciary and related services income. 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, and Memorandum item 2, on the bank's fiscal year-end date, are to be reported as of the March 31 report date;
- (2) Schedule RC-E, Memorandum item 1.e, "Preferred deposits," is to be reported as of the December 31 report date; and
- (3) Schedule RC-C, Memorandum items 15.a.(1) through 15.c.(2), and Schedule RC-L, items 1.a.(1) and (2), on reverse mortgages are 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 also varies within both report forms, 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 that had closed-end loans with negative amortization features secured by 1-4 family residential properties with a carrying amount (before any loan loss allowances) that exceeded the lesser of \$100 million or 5 percent of total loans and leases, net of unearned income, in domestic offices as of the previous December 31 report date must report certain information about these loans in Schedule RC-C, part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12.

- (2) Banks that had construction, land development, and other land loans (in domestic offices) that exceeded 100 percent of total risk-based capital as of the previous December 31 report date must report certain information about such loans with interest reserves in Schedule RC-C, part I, Memorandum item 13.
- (3) Banks reporting average trading assets of \$2 million or more for any of the four preceding quarters must complete Schedule RC-D, Trading Assets and Liabilities, items 1 through 15 and Memorandum items 1 through 4. In addition, banks reporting average trading assets of \$1 billion or more for any of the four preceding quarters must complete Memorandum items 5 through 10 of Schedule RC-D.
- (4) Banks reporting average trading assets of \$2 million or more for any quarter of the preceding calendar year must provide a breakdown of their trading revenue by risk exposure in Schedule RI, Memorandum items 8.a through 8.e. In addition, banks with \$100 billion or more in total assets that are required to complete Memorandum items 8.a through 8.e must report the impact on trading revenue of certain changes in creditworthiness in Schedule RI, Memorandum items 8.f and 8.g.

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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.

The instruction book is available on the Internet on the FFIEC's Web site (www.ffiec.gov/ffiec_report_forms.htm) and on the FDIC's Web site (www.fdic.gov/regulations/resources/call/index.html).

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 any 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.

Chief Financial Officer Declaration

The chief financial officer of the bank (or the individual performing an equivalent function) shall sign a declaration on the cover (signature) page attesting to the correctness of the Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

Director Attestation

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

State nonmember banks – The correctness of the Reports of Condition and Income shall be attested to by at least two directors of the reporting bank, other than the officer signing the chief financial 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.

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.¹ Thus, the bank's investment in such a subsidiary is not eliminated in consolidation but will be reflected in the report in the balance sheet item for "Investments in unconsolidated subsidiaries and associated companies" (Schedule RC, item 8) or "Direct and indirect investments in real estate ventures" (Schedule RC, item 9), as appropriate. Other transactions of the bank with such a subsidiary will be reflected in the appropriate items of the report in the same manner as transactions with unrelated outside parties. Additional guidance on this topic is provided in accounting standards, including ASC Subtopic 810-10, Consolidation – Overall (formerly FASB Statement No. 94, "Consolidation of All Majority-Owned Subsidiaries").

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, VIEs, 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

¹ In contrast, by definition, control of a VIE is deemed to rest with the parent if the parent or its consolidated subsidiary has a controlling financial interest in the VIE and, thus, is the primary beneficiary, in which case the VIE must be consolidated for purposes of the Call Report.

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.)

Exception: For purposes of reporting the total assets of captive insurance and reinsurance subsidiaries in Schedule RC-M, Memoranda, items 14.a and 14.b, only, banks should measure the subsidiaries' total assets before eliminating intercompany transactions between the consolidated subsidiary and other offices or subsidiaries of the consolidated bank. Otherwise, captive insurance and reinsurance subsidiaries should be reported on a consolidated basis as described in the preceding paragraph.

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.

Noncontrolling (minority) interests – A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. Report noncontrolling interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 27.b, "Noncontrolling (minority) interests in consolidated subsidiaries," of the Report of Condition. Report the portion of consolidated net income reported in Schedule RI, item 12, that is attributable to noncontrolling interests in consolidated subsidiaries of the bank in Schedule RI, item 13, 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 – When one FDIC-insured institution owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 and Memorandum items 1 through 5 of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an "unconsolidated single FDIC certificate number basis." In contrast, when an FDIC-insured institution consolidates entities other than FDIC-insured institutions for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1 through 5 of Schedule RC-O on a consolidated basis with respect to these other entities. However, all deposits of subsidiaries (except an insured depository institution subsidiary) that are consolidated and, therefore, eliminated from reported deposits on the balance sheet (Schedule RC, item 13.a or 13.b, as appropriate) must be reported in Schedule RC-O, items 1 through 3 and Memorandum items 1 and 2, as appropriate. Similarly, the interest accrued and unpaid on these deposits, which is eliminated in consolidation from reported other liabilities on the balance sheet (Schedule RC, item 20), also must be reported in these Schedule RC-O items.

"Large institutions" and "highly complex institutions," including those that own another FDIC-insured institution as a subsidiary, should complete Memorandum items 6 through 15 of Schedule RC-O, as appropriate, on a fully consolidated basis.

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 any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," for report dates beginning June 30, 2009; Schedule RC-F, item 6.f, "Prepaid deposit insurance assessments," for report dates beginning December 31, 2009; and Schedule RC-O, Memorandum items 6 through 9, 14, and 15, for certain assessment-related data for report dates beginning June 30, 2011. In addition, information reported in Schedule RC-T, Fiduciary and Related Services, on the components of fiduciary and related services income (but not "Total gross fiduciary and related services income") and on fiduciary settlements, surcharges, and losses (Memorandum item 4), will not be publicly disclosed on an individual bank basis for periods prior to March 31, 2009. 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 2006 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."

Certain provisions of AICPA Statement of Position (SOP) No. 92-3, "Accounting for Foreclosed Assets," have been incorporated into the Glossary entry for "Foreclosed Assets," which banks must follow for Call Report purposes, even though SOP 92-3 was rescinded subsequent to the issuance of ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). The application of these provisions of SOP 92-3 represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in Section 37(a) of the Federal Deposit Insurance Act.

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 allowance for loan and lease losses at a level that is appropriate to cover estimated credit losses associated with its held-for-investment loan and lease portfolio. Accounting for loan and lease losses is discussed in more detail in the Glossary entries for "allowance for loan and lease losses" and "loan impairment."

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 and equity capital," which must be equal, must be derived.

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 9, "Direct and indirect investments in real estate ventures,"
- item 26.a, "Retained earnings,"
- item 26.b, "Accumulated other comprehensive income,"
- item 26.c, "Other equity capital components,"
- item 27.a, "Total bank equity capital," 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)," and Memorandum item 13.b, on "Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter."

(3) Schedule RC-P, items 5.a and 5.b, on "Noninterest income for the quarter from the sale, securitization, and servicing of 1-4 family residential mortgage loans."

(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 7.b, "LESS: Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness,"
- item 8, "Subtotal,"
- item 10, "Other additions to (deductions from) Tier 1 capital,"
- item 11, "Tier 1 capital,"
- item 21, "Total risk-based capital,"
- item 26, "Other additions to (deductions from) assets for leverage capital purposes," 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 with one or more branch offices located in a foreign country, Puerto Rico, or a U.S. territory or possession is required to submit a Foreign Branch Report of Condition (FFIEC 030) or an Abbreviated Foreign Branch Report of Condition (FFIEC 030S) for each foreign branch (except a foreign branch with total assets of less than \$50 million, which is exempt) once a year as of December 31. However, a branch must report quarterly on the FFIEC 030 report if it has either \$2 billion in total assets or \$5 billion in commitments to purchase foreign currencies and U.S. dollar exchange as of the end of a calendar quarter. A foreign branch that does not meet either of the criteria to file quarterly, but has total assets in excess of \$250 million, must file the FFIEC 030 report on an annual basis. A foreign branch that does not meet the criteria to file the FFIEC 030 report, but has total assets of \$50 million or more (but less than or equal to \$250 million), must file the abbreviated FFIEC 030S report on an annual basis.

Part I. (cont.)**Item No. Caption and Instructions**

- 2** **Loans to depository institutions and acceptances of other banks.** Report in columns A and B, as appropriate, loans to depository institutions and acceptances of other banks (as defined for Schedule RC-C, part I, item 2) charged-off and recovered.

NOTE: Items 2.a, 2.b, and 3 are applicable only to banks filing the FFIEC 031 report form.

- 2.a** **To U.S. banks and other U.S. depository institutions.** Report in columns A and B, as appropriate, loans to and acceptances of U.S. banks and other U.S. depository institutions (as defined for Schedule RC-C, part 1, items 2.a.(2), 2.b, and 2.c.(1), column A) charged-off and recovered.
- 2.b** **To foreign banks.** Report in columns A and B, as appropriate, loans to and acceptances of foreign banks (as defined for Schedule RC-C, part I, items 2.a.(1) and 2.c.(2), column A) charged-off and recovered.
- 3** **Loans to finance agricultural production and other loans to farmers.** Report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column A) charged-off and recovered.
- 4** **Commercial and industrial loans.** Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule RC-C, part I, item 4) charged-off and recovered.

NOTE: Items 4.a and 4.b are applicable only to banks filing the FFIEC 031 report form.

- 4.a** **To U.S. addressees (domicile).** Report in columns A and B, as appropriate, commercial and industrial loans to U.S. addressees (as defined for Schedule RC-C, part I, item 4.a, column A) charged-off and recovered.
- 4.b** **To non-U.S. addressees.** Report in columns A and B, as appropriate, commercial and industrial loans to U.S. addressees (as defined for Schedule RC-C, part I, item 4.b, column A) charged-off and recovered.
- 5** **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) charged-off and recovered.
- 5.a** **Credit cards.** Report in columns A and B, as appropriate, all extensions of credit under credit cards (as defined for Schedule RC-C, part I, items 6.a) charged-off and recovered.
- 5.b** **Automobile loans.** Report in columns A and B, as appropriate, all loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (as defined for Schedule RC-C, part I, item 6.c) charged-off and recovered.

Part I. (cont.)**Item No. Caption and Instructions**

- 5.c** **Other (includes revolving credit plans other than credit cards and other consumer loans).** Report in columns A and B, as appropriate, all other extensions of credit to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, items 6.b and 6.d) charged-off and recovered.
- 6** **Loans to foreign governments and official institutions.** Report in columns A and B, as appropriate, loans to foreign governments and official institutions (as defined for Schedule RC-C, part I, item 7) charged-off and recovered.
- 7** **All other loans.** On the FFIEC 041, report in columns A and B, as appropriate, loans to finance agricultural production and other loans to farmers, obligations (other than securities and leases) of states and political subdivisions in the U.S., and loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, part I, items 3, 8, and 9) charged-off and recovered. On the FFIEC 031, report in columns A and B, as appropriate, obligations (other than securities and leases) of states and political subdivisions in the U.S. and loans to nondepository financial institutions and other loans (as defined for Schedule RC-C, part I, items 8 and 9) charged-off and recovered.
- 8** **Lease financing receivables.** Report in columns A and B, as appropriate, all lease financing receivables (as defined for Schedule RC-C, part I, item 10) charged-off and recovered.

NOTE: Items 8.a and 8.b are applicable only to banks filing the FFIEC 031 report form.

- 8.a** **Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, all leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 10.a, column A) charged-off and recovered.
- 8.b** **All other leases.** Report in columns A and B, as appropriate, all other leases (as defined for Schedule RC-C, part I, item 10.b, column A) charged-off and recovered.
- 9** **Total.** Report in columns A and B the sum of item 1 through 8. The amount reported in column A must equal Schedule RI-B, part II, item 3, "Charge-offs," below. The amount reported in column B must equal Schedule RI-B, part II, item 2, "Recoveries," below.

Memoranda**Item No. Caption and Instructions**

- 1.c** The dollar amounts used as the basis for reporting fully insured brokered deposits in Memorandum items 1.c.(1) and 1.c.(2) reflect the deposit insurance limits in effect on the report date. At present, these limits are \$250,000 for "retirement deposit accounts" and \$250,000 for other deposit accounts, which takes into account the temporary increase in deposit insurance for other deposit accounts that is in effect through December 31, 2012.
- 1.c.(1)** **Brokered deposits of less than \$100,000.** Report in this item brokered deposits with balances of less than \$100,000. Also report in this item time deposits issued to deposit brokers in the form of certificates of deposit of \$100,000 or more that have been participated out by the broker in shares with balances of less than \$100,000.
- For brokered deposits that represent retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) eligible for \$250,000 in deposit insurance coverage, report such brokered deposits in this item only if their balances are less than \$100,000.
- 1.c.(2)** **Brokered deposits of \$100,000 through \$250,000 and certain brokered retirement deposit accounts.** Report in this item those brokered deposits (including brokered retirement deposit accounts) with balances of \$100,000 through \$250,000. Also report in this item time deposits issued to deposit brokers in the form of certificates of deposit of more than \$250,000 that have been participated out by the broker in shares with balances of \$100,000 through \$250,000.
- For brokered deposits that represent retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) eligible for \$250,000 in deposit insurance coverage, report such brokered deposits in this item only if their balances are \$100,000 through \$250,000 or if they have been issued by the bank in denominations of more than \$250,000 and have been participated out by the broker in shares of \$100,000 through exactly \$250,000.
- 1.d** **Maturity data for brokered deposits.** Report in the appropriate subitem the indicated maturity data for brokered deposits (as defined in the Glossary entry for "brokered deposits").
- 1.d.(1)** **Brokered deposits of less than \$100,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of less than \$100,000 reported in Schedule RC-E, Memorandum item 1.c.(1), above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of less than \$100,000 that were reported in Schedule RC-E, Memorandum item 1.c.(1), above.
- 1.d.(2)** **Brokered deposits of \$100,000 through \$250,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of \$100,000 through \$250,000 reported in Schedule RC-E, Memorandum item 1.c.(2) above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of \$100,000 through \$250,000 that were reported in Schedule RC-E, Memorandum item 1.c.(2) above.

Memoranda**Item No. Caption and Instructions****1.d.(3) Brokered deposits of more than \$250,000 with a remaining maturity of one year or less.**

Report in this item those brokered time deposits with balances of more than \$250,000 reported in Schedule RC-E, Memorandum item 1.b above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of more than \$250,000 that were reported in Schedule RC-E, Memorandum item 1.b above.

1.e Preferred deposits. (This item is to be reported for the December 31 report only.)

Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule RC-E, item 3, columns A and C above, which are secured or collateralized as required under state law. Exclude deposits of the U.S. Government which are secured or collateralized as required under federal law. Also exclude deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S. The amount reported in this memorandum item must be less than the sum of Schedule RC-E, item 3, column A, and item 3, column C, above.

State law may require a bank to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the bank has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has \$450,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits (\$200,000 in this example). The bank has pledged securities with a value of \$300,000 to secure these deposits. Only the \$200,000 uninsured amount of the political subdivision's \$450,000 in deposits, given the currently applicable \$250,000 deposit insurance limit, would be considered "preferred deposits."

In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has \$1,600,000 in public deposits under the program from four political subdivisions and \$700,000 of this amount is uninsured, given the currently applicable \$250,000 deposit insurance limit. The bank's most recent calculation indicates that it must pledge securities with a value of at least \$77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of \$80,000. The bank should report the \$700,000 in uninsured public deposits as "preferred deposits."

Item No. Caption and Instructions

12.d
(cont.) Commitments to lend that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) are considered options for purposes of Schedule RC-L, item 12. All other commitments to lend should be reported in Schedule RC-L, item 1.

12.d.(1) **Written options.** Report in this item the aggregate par value of the financial instruments or commodities that the reporting bank has, for compensation (such as a fee or premium), obligated itself to either purchase or sell under OTC option contracts that are outstanding as of the report date. Also report an aggregate notional amount for written caps, floors, and swaptions and for the written portion of collars and corridors.

Column A, Written OTC Interest Rate Options: Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional principal amount for interest rate caps and floors that the reporting bank sells. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule RC-L, item 12.d.(1), column A, and for the purchased portion of the contract in Schedule RC-L, item 12.d.(2), column A.

Column B, Written OTC Foreign Exchange Options: A written currency option contract conveys the obligation to exchange two different currencies at a specified exchange rate. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank has, for compensation, obligated itself to either purchase or sell under OTC option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Written OTC Equity Derivative Options: Report the contract amount for those OTC option contracts where the reporting bank has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written OTC Commodity and Other OTC Options: Report the contract amount for those OTC option contracts where the reporting bank has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, OTC option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

12.d.(2) **Purchased options.** Report in this item the aggregate par value of the financial instruments or commodities that the reporting bank has, for a fee or premium, purchased the right to either purchase or sell under OTC option contracts that are outstanding as of the report date. Also report an aggregate notional amount for purchased caps, floors, and swaptions and for the purchased portion of collars and corridors.

Column A, Purchased OTC Interest Rate Options: Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional principal amount for interest rate caps and floors that the reporting bank purchases. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule RC-L, item 12.d.(1), column A, and for the purchased portion of the contract in Schedule RC-L, item 12.d.(2), column A.

Item No. Caption and Instructions

12.d.(2) *Column B, Purchased OTC Foreign Exchange Options:* Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank has, for a fee, purchased the right to either purchase or sell under option contracts whose predominant risk characteristic is foreign exchange risk.

(cont.)

Column C, Purchased OTC Equity Derivative Options: Report the contract amount of those OTC option contracts where the reporting bank has, for a fee, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased OTC Commodity and Other OTC Options: Report the contract amount for those option contracts where the reporting bank has, for a fee, purchased the right to purchase or sell a commodity or product. Include any other purchased OTC option that is not reportable as an interest rate, foreign exchange or equity derivative contract in column A, B, or C.

12.e **Swaps.** Swaps are transactions in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swap contracts should be reported as swaps. The notional amount of a swap is the underlying principal amount upon which the exchange of interest, foreign exchange or other income or expense is based. The notional amount to be reported for a swap contract with a multiplier component is the contract's effective notional amount. In those cases where the reporting bank is acting as an intermediary, both sides of the transaction are to be reported.

For purposes of these reports, a swap that has an embedded early termination option that may be exercised either at a specified date or dates before the maturity date of the swap or during a specified period, which may be until the maturity date of the swap, should be reported as a swap and not as an option contract.

Column A, Interest Rate Swaps: Report the notional amount of all outstanding interest rate and basis swaps whose predominant risk characteristic is interest rate risk.

Column B, Foreign Exchange Swaps: Report the notional principal amount (stated in U.S. dollars) of all outstanding cross-currency interest rate swaps. A cross-currency interest rate swap is a transaction in which two parties agree to exchange principal amounts of different currencies, usually at the prevailing spot rate, at the inception of an agreement that lasts for a certain number of years. At defined intervals over the life of the swap, the counterparties exchange payments in the different currencies based on specified rates of interest. When the agreement matures, the principal amounts will be re-exchanged at the same spot rate. The notional amount of a cross-currency interest rate swap is generally the underlying principal amount upon which the exchange is based.

Column C, Equity Swaps: Report the notional amount of all outstanding equity or equity index swaps.

Column D, Commodity and Other Swaps: Report the notional principal amount of all other swap agreements that are not reportable as either interest rate, foreign exchange, or equity derivative contracts in column A, B, or C. The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (or exchanges of principal) in the contract.

Item No. Caption and Instructions

13.a.(1)(e)(2) Loans secured by other nonfarm nonresidential properties. Report the amount of loans secured by other nonfarm nonresidential properties included in Schedule RC-C, part I, item 1.e.(2), column B, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

NOTE: Item 13.a.(2) is not applicable to banks filing the FFIEC 041 report form.

13.a.(2) Loans to finance agricultural production and other loans to farmers. Report the amount of loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

13.a.(3) Commercial and industrial loans. Report the amount of commercial and industrial loans included in Schedule RC-C, part I, item 4, column B on the FFIEC 041, and in Schedule RC-C, part I, items 4.a and 4.b, column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

13.a.(4) Loans to individuals for household, family, and other personal expenditures:

13.a.(4)(a) Credit cards. Report the amount of extensions of credit arising from credit cards included in Schedule RC-C, part I, item 6.a, column B on the FFIEC 041 and column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

13.a.(4)(b) Automobile loans. Report the amount of automobile loans included in Schedule RC-C, part I, item 6.c, column B on the FFIEC 041 and column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

13.a.(4)(c) Other. Report the amount of extensions of credit arising from other revolving credit plans and other consumer loans included in Schedule RC-C, part I, items 6.b and 6.d, column B on the FFIEC 041 and column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

13.a.(5) All other loans and all leases. Report the amount of loans that cannot properly be reported in Schedule RC-C, part I, Memorandum items 13.a.(1) through 13.a.(4), above acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. Include in this item covered loans in the following categories:

- (1) Loans to depository institutions and acceptances of other banks included in Schedule RC-C, part I, item 2, column B on the FFIEC 041 and in Schedule RC-C, part I, items 2.a.(1) through 2.c.(2), column A on the FFIEC 031;
- (2) On the FFIEC 041 only, loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column B;
- (3) Loans to foreign governments and official institutions included in Schedule RC-C, part I, item 7, column B on the FFIEC 041 and column A on the FFIEC 031;

Item No. **Caption and Instructions**

- 13.a.(5)** (cont.) (4) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, part I, item 8, column B on the FFIEC 041 and column A on the FFIEC 031;
- (5) Loans to nondepository financial institutions and other loans included in Schedule RC-C, part I, items 9.a and 9.b, column B on the FFIEC 041, and in Schedule RC-C, part I, item 9, column A on the FFIEC 031; and
- (6) On the FFIEC 031 only, loans secured by real estate in foreign offices included in Schedule RC-C, part I, item 1, column A.

Also include all lease financing receivables included in Schedule RC-C, part I, item 10, column B on the FFIEC 041, and in Schedule RC-C, part I, items 10.a and 10.b, column A on the FFIEC 031, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

Report in Schedule RC-M, items 13.a.(5)(a) through 13.a.(5)(d) on the FFIEC 041 (items 13.a.(5)(a) through 13.a.(5)(e) on the FFIEC 031), each category of loans and leases within "All other loans and all leases" covered by loss-sharing agreements with the FDIC, and the dollar amount of covered assets in such category, that exceeds 10 percent of total loans and leases covered by loss-sharing agreements with the FDIC (i.e., 10 percent of the sum of Schedule RC-M, items 13.a.(1) through 13.a.(5)). Preprinted captions have been provided in items 13.a.(5)(a) through 13.a.(5)(d) on the FFIEC 041 (items 13.a.(5)(a) through 13.a.(5)(e) on the FFIEC 031) for reporting the amount of covered loans and leases for the following loan and lease categories if the amount for a loan or lease category exceeds the 10 percent reporting threshold: Loans to depository institutions and acceptances of other banks, Loans to foreign governments and official institutions, Other loans (i.e., Obligations (other than securities and leases) of states and political subdivisions in the U.S., Loans to nondepository financial institutions and other loans, and, on the FFIEC 041, Loans to finance agricultural production and other loans to farmers); Loans secured by real estate in foreign offices (on the FFIEC 031), and Lease financing receivables.

On the FFIEC 041, for:

- Banks with \$300 million or more in total assets and
- Banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers (Schedule RC-C, part I, item 3) exceeding five percent of total loans,

a preprinted caption has been provided in item 13.a.(5)(c)(1) for reporting the amount of "Loans to finance agricultural production and other loans to farmers" covered by loss-sharing agreements with the FDIC if the amount of such loans included in Schedule RC-M, item 13.a.(5)(c), "All other loans and all leases," exceeds 10 percent of total loans and leases covered by loss-sharing agreements with the FDIC (i.e., 10 percent of the sum of Schedule RC-M, items 13.a.(1) through 13.a.(5)).

- 13.b** **Other real estate owned.** Report in the appropriate subitem the carrying amount of other real estate owned (included in Schedule RC, item 7) acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

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- 15** **Qualified Thrift Lender (QTL) test.** Items 15.a and 15.b are to be completed by all savings associations and by those state savings banks and cooperative banks that have applied and have been permitted, under Section 10(l) of the Home Owners' Loan Act (HOLA) (12 U.S.C. 1467a(l)), to be deemed a savings association for purposes of holding company regulation.

The QTL test has been in place since it was enacted as part of the Competitive Equality Banking Act of 1987. To be a QTL, a savings association (or a state savings or cooperative bank that has elected to be treated as a QTL) must either meet the HOLA QTL test (12 U.S.C. 1467a(m)) or the Internal Revenue Service (IRS) Domestic Building and Loan Association (DBLA) test (26 CFR 301.7701-13A). Under the HOLA QTL test, an institution must hold "Qualified Thrift Investments" equal to at least 65 percent of its portfolio assets. To be a QTL under the IRS DBLA test, an institution must meet a "business operations test" and a "60 percent of assets test." An institution may use either test to qualify and may switch from one test to the other. However, the institution must meet the time requirements of the respective test, which is:

- Nine out of the last 12 months for the HOLA QTL test, and
- The taxable year (which may be either a calendar or fiscal year) for the IRS DBLA test.

A savings association (or a state savings or cooperative bank that has elected to be treated as a QTL) that fails to meet the QTL requirements is subject to certain restrictions, including limits on activities, branching, and dividends.

- 15.a** **Does the institution use the Home Owners' Loan Act (HOLA) QTL test or the Internal Revenue Service Domestic Building and Loan Association (IRS DBLA) test to determine its QTL compliance?** Indicate the test that the reporting institution uses to determine its compliance with the QTL requirements. For the HOLA QTL test, enter the number "1"; for the IRS DBLA test, enter the number "2."
- 15.b** **Has the institution been in compliance with the HOLA QTL test as of each month end during the quarter or the IRS DBLA test for its most recent taxable year, as applicable?** Indicate whether the reporting institution has been in compliance with the HOLA QTL test as of each month end during the quarter ending with the report date or the IRS DBLA test for its most recent taxable year, as applicable. Place an "X" in the box marked "Yes" if the institution has been in compliance with the applicable test for the specified period. Otherwise, place an "X" in the box marked "No."

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- 2.b** **To foreign banks.** Report in the appropriate column the amount of all loans to and acceptances of foreign banks included in Schedule RC-C, part I, items 2.a.(1) and 2.c.(2), column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 3** **Loans to finance agricultural production and other loans to farmers.** Report in the appropriate column the amount of all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 4** **Commercial and industrial loans.** Report on the FFIEC 041 in the appropriate column and on the FFIEC 031 in the appropriate subitem and column the amount of all commercial and industrial loans included in Schedule RC-C, part I, item 4, that are past due 30 days or more or are in nonaccrual status as of the report date.

NOTE: Items 4.a and 4.b are not applicable to banks filing the FFIEC 041 report form.

- 4.a** **To U.S. addressees (domicile).** Report in the appropriate column the amount of all commercial and industrial loans to U.S. addressees included in Schedule RC-C, part I, item 4.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 4.b** **To non-U.S. addressees (domicile).** Report in the appropriate column the amount of all commercial and industrial loans to non-U.S. addressees included in Schedule RC-C, part I, item 4.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 5** **Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem and column the amount of all loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) included in Schedule RC-C, part I, item 6, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 5.a** **Credit cards.** Report in the appropriate column the amount of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule RC-C, part I, item 6.a, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 5.b** **Automobile loans.** Report in the appropriate column the amount of loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use included in Schedule RC-C, part I, item 6.c, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 5.c** **Other.** Report in the appropriate column the amount of all other loans to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, items 6.b and 6.d, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 6** **Loans to foreign governments and official institutions.** Report in the appropriate column the amount of all loans to foreign governments and official institutions included in Schedule RC-C, part I, item 7, that are past due 30 days or more or are in nonaccrual status as of the report date.

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- 7 All other loans.** Report in the appropriate column the amount of all:
- obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-C, part I, item 8;
 - loans to nondepository financial institutions and other loans included in Schedule RC-C, part I, item 9; and
 - on the FFIEC 041 only, all loans to finance agricultural production and other loans to farmers included in Schedule RC-C, part I, item 3,
- that are past due 30 days or more or are in nonaccrual status as of the report date.
- 8 Lease financing receivables (net of unearned income).** Report on the FFIEC 041 in the appropriate column and on the FFIEC 031 in the appropriate subitem and column the amount of all lease financing receivables (net of unearned income) included in Schedule RC-C, part I, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.

NOTE: Items 8.a and 8.b are not applicable to banks filing the FFIEC 041 report form.

- 8.a Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases (net of unearned income) to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 8.b All other leases.** Report in the appropriate column the amount of all other leases (net of unearned income) included in Schedule RC-C, part I, item 10.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.
- 9 Debt securities and other assets.** Report in the appropriate column all assets other than loans and leases reportable in Schedule RC-C that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Also include operating lease payments receivable that have been recorded as assets in Schedule RC, item 11, when the operating lease is past due 30 days or more or in nonaccrual status.
- Exclude other real estate owned reportable in Schedule RC, item 7, and other repossessed assets reportable in Schedule RC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.
- 10 Loans and leases reported in items 1 through 8 above that are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-sharing agreements with the FDIC.** Report in the appropriate column the aggregate recorded investment in all loans and leases reported in Schedule RC-N, items 1 through 8, above for which repayment of principal is wholly or partially guaranteed or insured by the U.S. Government, including its agencies and its government-sponsored agencies, but excluding loans and leases covered by loss-sharing agreements with the FDIC, which are reported in Schedule RC-N, item 11, below. Examples include loans guaranteed by the Small Business Administration and the Federal Housing Administration. Amounts need not be reported in this item and in items 10.a and 10.b below if they are considered immaterial.

Item No. Caption and Instructions

NOTE: Item 11.b is not applicable to banks filing the FFIEC 041 report form.

- 11.b Loans to finance agricultural production and other loans to farmers.** Report in the appropriate column the amount of all covered loans to finance agricultural production and other loans to farmers reported in Schedule RC-M, item 13.a.(2), that are included in Schedule RC-N, item 3, above because they are past due 30 days or more or are in nonaccrual status as of the report date.
- 11.c Commercial and industrial loans.** Report in the appropriate column the amount of all covered commercial and industrial loans reported in Schedule RC-M, item 13.a.(3), that are included in Schedule RC-N, item 4, above because they are past due 30 days or more or are in nonaccrual status as of the report date.
- 11.d Loans to individuals for household, family, and other personal expenditures:**
- 11.d.(1) Credit cards.** Report in the appropriate column the amount of all covered extensions of credit arising from credit cards reported in Schedule RC-M, item 13.a.(4)(a), that are included in Schedule RC-N, item 6.a, above because they are past due 30 days or more or are in nonaccrual status as of the report date.
- 11.d.(2) Automobile loans.** Report in the appropriate column the amount of all covered automobile loans reported in Schedule RC-M, item 13.a.(4)(b), that are included in Schedule RC-N, item 6.c, above because they are past due 30 days or more or are in nonaccrual status as of the report date.
- 11.d.(3) Other.** Report in the appropriate column the amount of all covered extensions of credit arising from other revolving credit plans and all other covered consumer loans reported in Schedule RC-M, item 13.a.(4)(c), that are included in Schedule RC-N, items 6.b and 6.d, above because they are past due 30 days or more or are in nonaccrual status as of the report date.
- 11.e All other loans and all leases.** Report in the appropriate column the amount of covered loans and leases reported in Schedule RC-M, item 13.a.(5), "All other loans and all leases," that are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item covered loans in the following categories that are past due 30 days or more or are in nonaccrual status as of the report date:
- (1) Loans to depository institutions and acceptances of other banks included in Schedule RC-N, item 2;
 - (2) On the FFIEC 041, loans to finance agricultural production and other loans to farmers included in Schedule RC-N, item 7;
 - (3) Loans to foreign governments and official institutions included in Schedule RC-N, item 6;
 - (4) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule RC-N, item 7;
 - (5) Loans to nondepository financial institutions and other loans included in Schedule RC-N, item 7; and
 - (6) On the FFIEC 031, loans secured by real estate in foreign offices included in Schedule RC-N, item 1.f.

Also include in the appropriate column all covered lease financing receivables included in Schedule RC-N, item 8, above that are past due 30 days or more or are in nonaccrual status as of the report date.

Item No. **Caption and Instructions**

11.e
(cont.) For each category of loans and leases within “All other loans and all leases” for which the reporting bank reported the amount of covered loans or leases in Schedule RC-M, items 13.a.(5)(a) through 13.a.(5)(d) on the FFIEC 041 (items 13.a.(5)(a) through 13.a.(5)(e) on the FFIEC 031), report in the appropriate column in Schedule RC-N, items 11.e.(1) through 11.e.(4) on the FFIEC 041 (items 11.e.(1) through 11.e.(5) on the FFIEC 031) the amount of covered loans or leases in that category that are past due 30 days or more or are in nonaccrual status as of the report date.

11.f **Portion of covered loans and leases included in items 11.a through 11.e above that is protected by FDIC loss-sharing agreements.** Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule RC-N, items 11.a.(1)(a) through 11.e, above beyond the amount that has already been reflected in the measurement of the reporting bank’s indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule RC-N, items 11.a.(1)(a) through 11.e, multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the “book value” of a covered asset on the failed institution’s books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting bank reports the covered asset on Schedule RC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting bank’s loss-sharing indemnification asset, which is reported in Schedule RC-F, item 6, “All other assets.”

SCHEDULE RC-O – OTHER DATA FOR DEPOSIT INSURANCE AND FICO ASSESSMENTS

General Instructions

Each FDIC-insured depository institution must complete items 1 and 2, 4 through 11, Memorandum items 1 and 5, and, if applicable, item 3 and Memorandum items 2 and 3 each quarter. Each “large institution” and each “highly complex institution,” which generally are FDIC-insured depository institutions with \$10 billion or more in total assets, must complete Memorandum items 6 through 12 and 13.a each quarter. In addition, each “large institution” must complete Memorandum items 13.b through 13.g and each “highly complex institution” must complete Memorandum items 14 and 15 each quarter. The terms “large institution” and “highly complex institution” are more fully described in the General Instructions preceding Memorandum item 6.

Each separately chartered depository institution that is insured by the FDIC has a unique FDIC certificate number. When one FDIC-insured institution owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 and Memorandum items 1 through 5 of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an “unconsolidated single FDIC certificate number basis.” Thus, each FDIC-insured institution should report only its own amounts in items 1 through 11 and Memorandum items 1 through 5 of Schedule RC-O under its own FDIC certificate number without eliminating the parent and subsidiary institutions’ intercompany balances. In contrast, when an FDIC-insured institution has entities other than FDIC-insured institutions that must be consolidated for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1 through 5 of Schedule RC-O on a consolidated basis with respect to these other entities.

“Large institutions” and “highly complex institutions,” including those that own another FDIC-insured institution as a subsidiary, should complete Memorandum items 6 through 15, as appropriate, on a fully consolidated basis.

Item Instructions

Item No. Caption and Instructions

- | | |
|---|---|
| 1 | <p><u>Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.</u> Report on an unconsolidated single FDIC certificate number basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. An institution’s gross total deposit liabilities are the combination of:</p> <ul style="list-style-type: none"> • All deposits in “domestic offices” reported in Schedule RC, item 13.a; • All deposits in “foreign offices” reported in Schedule RC, item 13.b, on the FFIEC 031 report; • Interest accrued and unpaid on deposits in “domestic offices” reported in Schedule RC-G, item 1.a; • Interest accrued and unpaid on deposits in “foreign offices” included in Schedule RC-G, item 1.b; • Uninvested trust funds held in the institution’s own trust department; • Deposits of consolidated subsidiaries (except any consolidated subsidiary that is an FDIC-insured institution) and the interest accrued and unpaid on such deposits; • The amount by which demand deposits reported in Schedule RC, item 13, have been reduced from the netting of the reporting institution’s reciprocal demand balances with |
|---|---|

Item No. **Caption and Instructions**

- 1** foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions); and
(cont.)
- The amount by which any other deposit liabilities reported in Schedule RC, item 13, have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles;
 - Less the amount of unamortized premiums included in the amount of deposit liabilities reported in Schedule RC, item 13;
 - Plus the amount of unamortized discounts reflected in the amount of deposit liabilities reported in Schedule RC, item 13;
 - Plus other obligations meeting the Section 3(l) statutory definition of a deposit that may be housed in systems of record not normally thought of as deposit systems, such as loan, payroll, and escrow systems and manual records that contain information needed to answer depositors' questions on their deposits.

See the Glossary entry for "deposits" for the statutory definition of deposits.

If unposted debits and unposted credits are included in the gross total deposit liabilities reported in this item, they may be excluded in Schedule RC-O, item 2 below.

- 2** **Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits).** Report on an unconsolidated single FDIC certificate number basis the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions.

Any accrued and unpaid interest on the allowable exclusions listed below should also be reported in this item as an allowable exclusion.

The allowable exclusions include:

- (1) *Foreign Deposits:* As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include
- (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –
- (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and
 - (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and
- (B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System.

NOTE: Foreign deposits are deposit obligations under the FDIC certificate number of the reporting bank only. Deposit obligations of a subsidiary depository institution chartered in a foreign country should not be included in amounts reported in Schedule RC-O under the domestic bank's FDIC certificate number.

Item No. Caption and Instructions

- 4** (cont.) (3) If the reporting institution was acquired in a transaction that became effective during the calendar quarter and push down accounting was used to account for the acquisition, the reporting institution should calculate its average consolidated total assets as if the acquisition occurred on the first day of the calendar quarter. Acceptable methods for including the institution's consolidated total assets in this calculation for the days during the calendar quarter preceding the acquisition date include using either (a) the acquisition date fair value of the reporting institution's consolidated total assets for all days (or all Wednesdays) during the calendar quarter preceding the acquisition date or (b) the reporting institution's consolidated total assets, as defined for Schedule RC-K, item 9, average "Total assets," for each day (or each Wednesday) during the calendar quarter preceding the acquisition date.
- 4.a** **Averaging method used.** Indicate the averaging method that the reporting institution used to report its average consolidated total assets in Schedule RC-O, item 4, above. For daily averaging, enter the number "1"; for weekly averaging, enter the number "2."
- 5** **Average tangible equity.** Report average tangible equity for the calendar quarter on an unconsolidated single FDIC certificate number basis. For purposes of this item, tangible equity is defined as Tier 1 capital as set forth in the banking agencies' regulatory capital standards and reported in Schedule RC-R, item 11.

Averaging methods – An institution that reported \$1 billion or more in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, and any institution that becomes FDIC-insured after March 31, 2011, must report average tangible equity on a monthly average basis. An institution that reported less than \$1 billion in quarter-end consolidated total assets in its Consolidated Reports of Condition and Income (Schedule RC, item 12, "Total assets") or Thrift Financial Report (Schedule SC, line item SC60, "Total assets") for March 31, 2011, may report its quarter-end tangible equity rather than an average amount, or it may at any time opt permanently to report average tangible equity on a monthly average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of \$1 billion or more in Schedule RC-O, item 4, for two consecutive quarters, it must permanently report average tangible equity using monthly averaging beginning the next quarter.

Monthly average tangible equity should be calculated by adding Tier 1 capital as of each month-end date during the calendar quarter and dividing by three. For example, monthly average tangible equity for June 30, 2011, would be the sum of Tier 1 capital as of April 30, May 31, and June 30, 2011, divided by three. However, institutions required or electing to report average tangible equity on a monthly average basis normally are not required to perform monthly loan loss provision or deferred tax calculations in accordance with generally accepted accounting principles for the first two months of a quarter. Accordingly, such institutions may use one third of the amount of the provision for loan and lease losses and deferred tax expense (benefit) reported for the calendar quarter for purposes of estimating the retained earnings component of Tier 1 capital in each of the first two months of the quarter.

An institution that becomes newly insured and begins operating during the calendar quarter should report average tangible equity on a monthly average basis. Monthly average tangible equity for such an institution should be calculated by adding the institution's Tier 1 capital as of each month-end date during the quarter since it became insured and operational, and dividing by the number of month-end dates since it became insured and operational.

Item No. Caption and Instructions

5
(cont.) An institution that becomes newly insured and begins operating during the calendar quarter should report average tangible equity on a monthly average basis. Monthly average tangible equity for such an institution should be calculated by adding the institution's Tier 1 capital as of each month-end date during the quarter since it became insured and operational, and dividing by the number of month-end dates since it became insured and operational.

Measuring tangible equity – Tangible equity should be measured in accordance with the instructions for Schedule RC-R, item 11, "Tier 1 capital," except as follows:

- (1) If the reporting institution has an FDIC-insured depository institution subsidiary, the subsidiary should not be consolidated. Instead, the reporting institution should measure its equity capital and its Tier 1 capital by accounting for this subsidiary using the equity method of accounting.
- (2) If the reporting institution is the surviving or resulting institution in a merger or consolidation that occurred after the end of the first month of the calendar quarter and it reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the merger or consolidation occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the merger or consolidation date would be to use the amount of Tier 1 capital for the month-end date immediately following the merger or consolidation date as the amount of Tier 1 capital for the month-end date or dates preceding the merger or consolidation date.
- (3) If the reporting institution was acquired in a transaction that became effective after the end of the first month of the calendar quarter, push down accounting was used to account for the acquisition, and the institution reports its average tangible equity on a monthly average basis, the reporting institution should calculate its average tangible equity as if the acquisition occurred on the first day of the calendar quarter. An acceptable method for measuring tangible equity for month-end dates during the calendar quarter preceding the acquisition date would be to use the amount of Tier 1 capital for the month-end date immediately following the acquisition date as the amount of Tier 1 capital for the month-end date or dates preceding the acquisition date.

6 **Holdings of long-term unsecured debt issued by other FDIC-insured depository institutions.** Report on an unconsolidated single FDIC certificate number basis the balance sheet amount of the reporting institution's holdings of long-term unsecured debt issued by other FDIC-insured depository institutions. Long-term unsecured debt includes senior unsecured debt, subordinated debt, and limited-life preferred stock with a remaining maturity of at least one year that has been issued by another depository institution. Any debt for which the reporting institution has the option to redeem the debt within the next 12 months is not considered long-term and may be excluded from this item.

Depending on the form of the debt and the intent for which it is held, holdings of long-term unsecured debt issued by other insured depository institutions are included in Schedule RC-B, item 6.a, "Other domestic debt securities"; Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks"; Schedule RC-D, item 5.b, "All other debt securities"; and Schedule RC-D, item 6.d, "Other loans." For an institution that does not complete Schedule RC-D – Trading Assets and Liabilities, long-term unsecured debt issued by other insured depository institutions that is held for trading is included in Schedule RC, item 5, "Trading assets."

Item No. Caption and Instructions

6 Exclude holdings of long-term unsecured debt issued by bank and thrift holding companies. (cont.) Also exclude holdings of debt issued by other insured depository institutions that are guaranteed by the FDIC under the Debt Guarantee Program component of the FDIC's Temporary Liquidity Guarantee Program.

7 **Unsecured "Other borrowings" with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's unsecured "Other borrowings" (as defined for Schedule RC-M, item 5.b) in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate "Other borrowings" that are unsecured. In general, "Other borrowings" are unsecured if the bank (or a consolidated subsidiary) has not pledged securities, loans, or other assets as collateral for the borrowing. Exclude "Other borrowings" that are guaranteed by the FDIC under the Debt Guarantee Program component of the FDIC's Temporary Liquidity Guarantee Program.

The sum of Schedule RC-O, items 7.a through 7.d, must be less than or equal to Schedule RC-M, items 5.b.(1)(a) through (d) minus item 10.b.

7.a **One year or less.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of one year or less. Include unsecured "Other borrowings" with a remaining maturity of over one year for which the holder has the option to redeem the debt instrument within one year of the report date. Except for such optionally redeemable borrowings, the unsecured "Other borrowings" that should be included in this item will also have been reported in Schedule RC-M, item 5.b.(2), "Other borrowings with a remaining maturity of one year or less."

7.b **Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over one year through three years.

7.c **Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over three years through five years.

7.d **Over five years.** Report on an unconsolidated single FDIC certificate number basis all unsecured "Other borrowings" with a remaining maturity of over five years.

8 **Subordinated notes and debentures with a remaining maturity of.** Report on an unconsolidated single FDIC certificate number basis the amount of the bank's subordinated notes and debentures (as defined for Schedule RC, item 19, and in the Glossary entry for "subordinated notes and debentures") in the appropriate subitems according to the amount of time remaining until their final contractual maturities. Include both fixed rate and floating rate subordinated notes and debentures.

The sum of Schedule RC-O, items 8.a through 8.d, must be less than or equal to Schedule RC, item 19, "Subordinated notes and debentures."

8.a **One year or less.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of one year or less. Include subordinated notes and debentures with a remaining maturity of over one year for which the holder has the option to redeem the subordinated debt within one year of the report date.

Item No. Caption and Instructions

- 8.b** **Over one year through three years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over one year through three years.
- 8.c** **Over three years through five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over three years through five years.
- 8.d** **Over five years.** Report on an unconsolidated single FDIC certificate number basis all subordinated notes and debentures with a remaining maturity of over five years.
- 9** **Reciprocal brokered deposits.** Report on an unconsolidated single FDIC certificate number basis the amount of reciprocal deposits included in the amount of brokered deposits (in domestic offices) reported in Schedule RC-E, (part I,) Memorandum item 1.b, "Total brokered deposits."

As defined in Section 327.8(s) of the FDIC's regulations, "reciprocal deposits" are "[d]eposits that an insured depository institution receives through a deposit placement network on a reciprocal basis, such that: (1) for any deposit received, the institution (as agent for depositors) places the same amount with other insured depository institutions through the network; and (2) each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members."

- 10** **Banker's bank certification: Does the reporting institution meet both the statutory definition of a banker's bank and the business conduct test set forth in FDIC regulations?** If the reporting institution meets both of these criteria on an unconsolidated single FDIC certificate number basis, it is a qualifying banker's bank and should answer "Yes" to item 10 and complete items 10.a and 10.b. If the reporting institution does not meet both of these criteria, it should answer "No" to item 10 and it should not complete items 10.a and 10.b.

The definition of "banker's bank" is set forth in 12 U.S.C. 24, which states that a banker's bank is an FDIC-insured bank where the stock of the bank or its parent holding company "is owned exclusively (except to the extent directors' qualifying shares are required by law) by depository institutions or depository institution holding companies (as defined in section 1813 of this title)" and the bank or its parent holding "company and all subsidiaries thereof are engaged exclusively in providing services to or for other depository institutions, their holding companies, and the officers, directors, and employees of such institutions and companies, and in providing correspondent banking services at the request of other depository institutions or their holding companies."

A bank that would otherwise meet the definition of a banker's bank, but has received funds from federal capital infusion programs (such as the Troubled Assets Relief Program and the Small Business Lending Fund), has stock owned by the FDIC as a result of bank failures, or has non-bank-owned stock resulting from equity compensation programs, is not excluded from the definition of a banker's bank for purposes of Schedule RC-O, item 10, provided the bank also meets the business conduct test.

Item No. Caption and Instructions

10 To meet the business conduct test, which is set forth in Section 327.5(b)(3) of the FDIC's
(cont.) regulations, a bank must conduct 50 percent or more of its business with entities other than
its parent holding company or entities other than those controlled either directly or indirectly
by its parent holding company. Control has the same meaning as in section 3(w)(5) of the
Federal Deposit Insurance Act (12 U.S.C. 1813(w)(5)).

10.a **Banker's bank deduction.** A qualifying banker's bank is eligible to have the FDIC deduct
certain assets from its assessment base, subject to a limit. Report in this item on an
unconsolidated single FDIC certificate number basis the banker's bank deduction, which
equals the sum of a qualifying banker's bank's average balances due from Federal Reserve
Banks plus its average federal funds sold. These averages should be calculated on a daily
or weekly basis consistent with the qualifying banker's bank's calculation of its average
consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O,
item 4.a).

Balances due from Federal Reserve Banks include the total balances due from Federal
Reserve Banks, including the qualifying banker's bank's own reserves and other balances as
well as reserve balances actually passed through to a Federal Reserve Bank by the banker's
bank on behalf of its respondent depository institutions (as described in the instructions for
Schedule RC-A, item 4, "Balances due from Federal Reserve Banks"). For a qualifying
banker's bank that is a respondent in a pass-through reserve relationship with a
correspondent bank, balances due from Federal Reserve Banks include the reserve
balances the correspondent bank has passed through to a Federal Reserve Bank for the
respondent banker's bank. Balances due from Federal Reserve Banks also include the
qualifying banker's bank's excess balance accounts, which are limited-purpose accounts at
Federal Reserve Banks for maintaining an institution's excess balances that are eligible to
earn interest on their Federal Reserve balances. See the Glossary entry for "pass-through
reserve balances."

Federal funds sold are defined in the instructions for Schedule RC, item 3.a, "Federal funds
sold." See also the Glossary entry for "federal funds transactions."

10.b **Banker's bank deduction limit.** A qualifying banker's bank is eligible to have the FDIC
deduct certain assets from its assessment base, subject to a limit. Report in this item on an
unconsolidated single FDIC certificate number basis the banker's bank deduction limit, which
equals the sum of a qualifying banker's bank's average deposits of commercial banks and
other depository institutions in the U.S. plus its average federal funds purchased. These
averages should be calculated on a daily or weekly basis consistent with the qualifying
banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4
(and as reported in Schedule RC-O, item 4.a).

Deposits of commercial banks and other depository institutions in the U.S. are defined in the
instructions for Schedule RC-E, item 4.

Federal funds purchased are defined in the instructions for Schedule RC, item 14.a, "Federal
funds purchased." See also the Glossary entry for "federal funds transactions."

11 **Custodial bank certification: Does the reporting institution meet the definition of a
custodial bank set forth in FDIC regulations?** If the reporting institution meets the
custodial bank definition on an unconsolidated single FDIC certificate number basis, it should
answer "Yes" to item 11 and complete items 11.a and 11.b. If the reporting institution does
not meet the custodial bank definition, it should answer "No" to item 11 and it should not
complete items 11.a and 11.b.

Item No. Caption and Instructions

11 A custodial bank, as defined in Section 327.5(c)(1) of the FDIC's regulations, is an insured
(cont.) depository institution that had:

- (1) "Fiduciary and custody and safekeeping assets" (the sum of item 10, columns A and B, plus item 11, column B, in Schedule RC-T – Fiduciary and Related Services) of \$50 billion or more as of the end of the previous calendar year, or
- (2) Income from fiduciary activities (Schedule RI, item 5.a) that was more than 50 percent of its total revenue (interest income plus noninterest income, which is the sum of items 1.h and 5.m of Schedule RI) during the previous calendar year.

11.a **Custodial bank deduction.** An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the custodial bank deduction, which equals average qualifying low-risk assets. Qualifying low-risk assets are determined without regard to the maturity of the assets. Average qualifying low-risk assets equals the sum of the following amounts, all on an unconsolidated single FDIC certificate number basis:

- (1) The average amount of cash and balances due from depository institutions with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 34, column C) plus 50 percent of the average amount of cash and balances due from depository institutions with a risk weighting of 20 percent (as defined for Schedule RC-R, item 34, column D);
- (2) The average amount of held-to-maturity securities with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 35, column C) plus 50 percent of the average amount of held-to-maturity securities with a risk weighting of 20 percent (as defined for Schedule RC-R, item 35, column D);
- (3) The average amount of available-for-sale securities with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 36, column C) plus 50 percent of the average amount of available-for-sale securities with a risk weighting of 20 percent (as defined for Schedule RC-R, item 36, column D); and
- (4) The average amount of federal funds sold and securities purchased under agreements to resell with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 37, column C) plus 50 percent of the average amount of federal funds sold and securities purchased under agreements to resell with a risk weighting of 20 percent (as defined for Schedule RC-R, item 37, column D).

These averages should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

11.b **Custodial bank deduction limit.** An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item on an unconsolidated single FDIC certificate number basis the custodial bank deduction limit, which equals the average amount of the institution's transaction account deposit liabilities identified by the institution as being directly linked to a fiduciary, custodial, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services. The titling of a transaction account or specific references in the deposit account documents should clearly demonstrate the link between the transaction account and a fiduciary, custodial, or safekeeping account.

Item No. **Caption and Instructions**

11.b
(cont.) For deposits in domestic offices, the term “transaction account” is defined in Federal Reserve Regulation D and in the Glossary entry for “deposits” and such deposits are reported in Schedule RC-E, (part I,) item 7, column A. In general, a transaction account is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine, a remote service unit, or another electronic device, including by debit card. For purposes of reporting the custodial bank deduction limit in this item, a custodial bank with deposits in foreign offices should include foreign office deposit liabilities (reported in Schedule RC-E, part II) with the characteristics of a transaction account that are linked to a fiduciary, custody, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services.

Exclude from this item escrow accounts, Interest on Lawyers Trust Accounts, and other trust and custody-related deposit accounts related to commercial bank services, or otherwise offered outside a custodial bank’s fiduciary business unit or another distinct business unit devoted to institutional custodial services. Also exclude all nontransaction account deposit liabilities (i.e., savings and time deposits).

This average should be calculated on a daily or weekly basis consistent with the custodial bank’s calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

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Item No. Caption and Instruction

- 1** **Total deposit liabilities of the bank, including related interest accrued and unpaid, less allowable exclusions, including related interest accrued and unpaid.** Memorandum items 1.a.(1) through 1.d.(2) are to be completed each quarter. These Memorandum items should be reported on an unconsolidated single FDIC certificate number basis.

The sum of Memorandum items 1.a.(1), 1.b.(1), 1.c.(1), and 1.d.(1) must equal Schedule RC-O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits)." Accordingly, all amounts included in the bank's total deposit liabilities less allowable exclusions, not just those included in its "Deposits in domestic offices" (reported in Schedule RC, item 13.a), should be reported in the appropriate subitem of Memorandum item 1. For example, the interest accrued and unpaid on a deposit account (that is not an allowable exclusion) should be reported together with the deposit account in Memorandum item 1.a.(1), 1.b.(1), 1.c.(1), or 1.d.(1), as appropriate.

The dollar amounts used as the basis for reporting the number and amount of deposit accounts in Memorandum items 1.a.(1) through 1.d.(2) reflect the deposit insurance limits of \$250,000 for "retirement deposit accounts" and \$250,000 for other deposit accounts.

"Retirement deposit accounts" that are eligible for \$250,000 in deposit insurance coverage are deposits made in connection with the following types of retirement plans:

- Individual Retirement Accounts (IRAs), including traditional and Roth IRAs;
- Simplified Employee Pension (SEP) plans;
- "Section 457" deferred compensation plans;
- Self-directed Keogh (HR 10) plans; and
- Self-directed defined contribution plans, which are primarily 401(k) plan accounts.

The term "self-directed" means that the plan participants have the right to direct how their funds are invested, including the ability to direct that the funds be deposited at an FDIC-insured institution.

Retirement deposit accounts exclude Coverdell Education Savings Accounts, formerly known as Education IRAs.

In some cases, brokered certificates of deposit are issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$250,000. For these so-called "retail brokered deposits," multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (\$250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in \$1,000 amounts may be rebuttably presumed to be fully insured and should be reported as "deposit accounts of \$250,000 or less" in Schedule RC-O, Memorandum items 1.a and 1.c, below. When determining the number of deposit accounts of \$250,000 or less to be reported in Schedule RC-O, Memorandum items 1.a.(2) and 1.c.(2), the issuing institution should count each such master certificate of deposit as one account, not as multiple accounts.

Memoranda**Item No. Caption and Instruction**

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(cont.) Some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers. An individual depositor's deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA, the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured and should be reported as "deposit accounts of \$250,000 or less" in Schedule RC-O, Memorandum items 1.a and 1.c, below. When determining the number of deposit accounts of \$250,000 or less to be reported in Schedule RC-O, Memorandum items 1.a.(2) and 1.c.(2), the issuing institution should count each such brokered transaction account or MMDA as one account, not as multiple accounts.

Time deposits issued to deposit brokers in the form of large (\$250,000 or more) certificates of deposit that have been participated out by the broker in shares of less than \$250,000 should also be reported as "deposit accounts of \$250,000 or less" in Schedule RC-O, Memorandum items 1.a and 1.c, below. When determining the number of deposit accounts of \$250,000 or less to be reported in Schedule RC-O, Memorandum items 1.a.(2) and 1.c.(2), the issuing institution should count each such brokered certificate of deposit as one account, not as multiple accounts.

When determining the number and size of deposit accounts, each individual certificate, passbook, account, and other evidence of deposit is to be treated as a separate account. For purposes of completing this Memorandum item, multiple accounts of the same depositor should not be aggregated. In situations where a bank assigns a single account number to each depositor so that one account number may represent multiple deposit contracts between the bank and the depositor (e.g., one demand deposit account, one money market deposit account, and three certificates of deposit), each deposit contract is a separate account.

1.a Deposit accounts (excluding retirement accounts) of \$250,000 or less. Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1), with a balance of \$250,000 or less as of the report date.

1.a.(1) Amount of deposit accounts (excluding retirement accounts) of \$250,000 or less. Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of \$250,000 or less. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule RC-O, Memorandum item 1.a.(2) below.

1.a.(2) Number of deposit accounts (excluding retirement accounts) of \$250,000 or less. Report on an unconsolidated single FDIC certificate number basis the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of \$250,000 or less. Count each certificate, passbook, account, and other evidence of deposit that has a balance of \$250,000 or less.

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- 1.b** **Deposit accounts (excluding retirement accounts) of more than \$250,000.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1), with a balance of more than \$250,000 as of the report date.
- 1.b.(1)** **Amount of deposit accounts (excluding retirement accounts) of more than \$250,000.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than \$250,000. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule RC-O, Memorandum item 1.b.(2) below.
- 1.b.(2)** **Number of deposit accounts (excluding retirement accounts) of more than \$250,000.** Report on an unconsolidated single FDIC certificate number basis the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than \$250,000. Count each certificate, passbook, account, and other evidence of deposit that has a balance of more than \$250,000.
- 1.c** **Retirement deposit accounts of \$250,000 or less.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) with a balance of \$250,000 or less as of the report date.
- 1.c.(1)** **Amount of retirement deposit accounts of \$250,000 or less.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of \$250,000 or less. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule RC-O, Memorandum item 1.c.(2) below.
- 1.c.(2)** **Number of retirement deposit accounts of \$250,000 or less.** Report on an unconsolidated single FDIC certificate number basis the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of \$250,000 or less. Count each certificate, passbook, account, and other evidence of deposit which has a balance of \$250,000 or less.
- 1.d** **Retirement deposit accounts of more than \$250,000.** Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of retirement deposit accounts (as defined in Schedule RC-O, Memorandum item 1) with a balance of more than \$250,000 as of the report date.
- 1.d.(1)** **Amount of retirement deposit accounts of more than \$250,000.** Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of more than \$250,000. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule RC-O, Memorandum item 1.d.(2) below.

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1.d.(2) Number of retirement deposit accounts of more than \$250,000. Report on an unconsolidated single FDIC certificate number basis the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of more than \$250,000. Count each certificate, passbook, account, and other evidence of deposit which has a balance of more than \$250,000.

2 Estimated amount of uninsured deposits (in domestic offices of the bank and in insured branches in Puerto Rico and U.S. territories and possessions), including related interest accrued and unpaid.

Schedule RC-O, Memorandum item 2, is to be completed on an unconsolidated single FDIC certificate number basis by banks with \$1 billion or more in total assets.

Report on an unconsolidated single FDIC certificate number basis the estimated amount of the bank's deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) that is not covered by federal deposit insurance. This estimate should reflect the temporary unlimited insurance coverage on noninterest-bearing transaction accounts¹ (as defined in Schedule RC-O, Memorandum item 5) as well as the deposit insurance limits of \$250,000 for "retirement deposit accounts" (as defined in Schedule RC-O, Memorandum item 1) and \$250,000 for other deposit accounts (exclusive of noninterest-bearing transaction accounts). The reporting of this uninsured deposit information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

The estimated amount of uninsured deposits reported in this item should be based on the bank's deposits included in Schedule RC-O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits)." In addition to the uninsured portion of deposits in "domestic offices" reported in Schedule RC, item 13.a, the estimate of uninsured deposits should take into account all other items included in Schedule RC-O, item 1 less item 2, including, but not limited to:

- Interest accrued and unpaid on deposits in domestic offices;
- Deposits in insured branches in Puerto Rico and U.S. territories and possessions (including interest accrued and unpaid on these deposits);
- Deposits of consolidated subsidiaries in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions (including interest accrued and unpaid on these deposits); and
- Deposit liabilities that have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles.

The bank's estimate of its uninsured deposits should be reported in accordance with the following criteria. Regardless of these criteria, all noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5) must be treated as insured deposits and excluded from the estimate of uninsured deposits. Furthermore, it is recognized that a bank may have multiple automated information systems for different types of deposits and

¹ Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, unlimited insurance coverage on noninterest-bearing transaction accounts is in effect from December 31, 2010, through December 31, 2012.

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(cont.)

that the capabilities of a bank's information systems to provide an estimate of its uninsured deposits will differ from bank to bank at any point in time and, within an individual institution, may improve over time.

- (1) If the bank has brokered deposits, which must be reported in Schedule RC-E, Memorandum item 1.b, "Total brokered deposits," it must use the information it has developed for completing Schedule RC-E, Memorandum item 1.c, "Fully insured brokered deposits," to determine its best estimate of the uninsured portion of its brokered deposits.
- (2) If the bank has deposit accounts whose ownership is based on a fiduciary relationship, Part 330 of the FDIC's regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a "pass-through" basis. Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian.

A bank with fiduciary deposit accounts with balances of more than \$250,000 must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries and data indicating that some or all of the funds on deposit represent retirement deposit accounts eligible for \$250,000 in deposit insurance coverage, to determine its best estimate of the uninsured portion of these accounts.

- (3) If the bank has deposit accounts of employee benefit plans, Part 330 of the FDIC's regulations states that these accounts are insured on a "pass-through" basis for the non-contingent interest of each plan participant provided that certain prescribed recordkeeping requirements are met. A bank with employee benefit plan deposit accounts with balances of more than \$250,000 must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.
- (4) If the bank's deposit accounts include benefit-responsive "Depository Institution Investment Contracts," which must be included in Schedule RC-O, item 2, these deposit liabilities are not eligible for federal deposit insurance pursuant to Section 11(a)(8) of the Federal Deposit Insurance Act. A bank with benefit-responsive "Depository Institution Investment Contracts" must include the entire amount of these contracts in the estimated amount of uninsured deposits it reports in this Memorandum item 2.
- (5) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit that it has collateralized by pledging assets, such as deposits of the U.S. Government and of states and political subdivisions in the U.S. (which must be reported in Schedule RC-E, items 2 and 3, and, on the FFIEC 031 report form, in Schedule RC-E, part II, item 5), the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems.
- (6) If the bank has deposit accounts with balances in excess of the federal deposit insurance limit for which it has acquired private deposit insurance to cover this excess amount, the bank should make a reasonable estimate of the portion of these deposits that is not insured by the FDIC using the data available from its information systems.

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(cont.) (7) For all other deposit accounts, the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems. In developing this estimate, if the bank has automated information systems in place that enable it to identify jointly owned accounts and estimate the deposit insurance coverage of these deposits, the higher level of insurance afforded these joint accounts should be taken into consideration. Similarly, if the bank has automated information systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the bank should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the \$250,000 insurance limit. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts.

In the absence of automated information systems, a bank may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A bank's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.

- 3 **Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report?** If the reporting institution is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting institution as part of the parent institution's Call Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.
- 4 Not applicable.
- 5 **Noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than \$250,000.**

NOTE: Schedule RC-O, Memorandum items 5.a and 5.b, below, for the amount and number of noninterest-bearing transaction accounts of more than \$250,000 are to be completed – beginning in the reports for December 31, 2010 – by all FDIC-insured depository institutions, whether or not they had previously opted to participate in the FDIC's Transaction Account Guarantee Program. Memorandum items 5.a and 5.b are to be reported as of the quarter-end report date, not as daily averages for the quarter.

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended Section 11(a)(1)(B) of the Federal Deposit Insurance Act (FDI Act) with respect to the insurance coverage of noninterest-bearing transaction accounts. These amendments take effect December 31, 2010, and require the FDIC to “fully insure the net amount that any depositor at an insured depository institution maintains in a noninterest-bearing transaction account.” This unlimited insurance coverage will be in effect only through December 31, 2012.

As defined in Section 11(a)(1)(B) of the FDI Act, as added by Section 343 of the Dodd-Frank Act and as subsequently amended, a “noninterest-bearing transaction account” is:

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(cont.)
- (1) A deposit or an account (in a domestic office or an insured branch in Puerto Rico or a U.S. territory or possession):
- (a) “with respect to which interest is neither accrued nor paid;”
 - (b) “on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and”
 - (c) “on which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal; and”
- (2) “a trust account established by an attorney or law firm on behalf of a client, commonly known as an ‘Interest on Lawyers Trust Account’, or a functionally equivalent account, as determined by the Corporation.”

Thus, the term “noninterest-bearing transaction account” includes all demand deposits, including certified checks and official checks (such as cashiers’ checks and money orders) drawn on the reporting institution, on which the institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. However, pursuant to Section 627 of the Dodd-Frank Act, as of July 21, 2011, institutions are no longer restricted from paying interest on demand deposit accounts. If an institution modifies the terms of its demand deposit account agreement on or after July 21, 2011, so that the account may earn interest, the account will no longer satisfy the definition of a noninterest-bearing transaction account, will no longer be eligible for full deposit insurance coverage, and should no longer be reported in Memorandum items 5.a and 5.b.

Even if checks may be drawn on the account, a “noninterest-bearing transaction account” does not include, for example, any transaction account that may earn interest, such as a negotiable order of withdrawal (NOW) account, or a money market deposit account (MMDA) as defined in Federal Reserve Regulation D.

Account features such as the waiver of fees or the provision of fee-reducing credits do not prevent an account from qualifying as a noninterest-bearing transaction account as long as the account otherwise satisfies the definition of a noninterest-bearing transaction account.

In determining whether funds are in a noninterest-bearing transaction account for purposes of reporting in Memorandum items 5.a and 5.b, the FDIC will apply its normal rules and procedures under Section 360.8 of the FDIC’s regulations for determining account balances at a failed insured depository institution. Under these procedures, funds may be swept or transferred from a noninterest-bearing transaction account to another type of deposit account or product that is not a noninterest-bearing transaction account. Except as described in the following sentence, unless the funds are in a noninterest-bearing transaction account after the completion of a sweep under Section 360.8, the funds in the resulting account or product will not be eligible for full deposit insurance coverage and they should not be reported in Memorandum items 5.a and 5.b. However, in the case of funds swept from a noninterest-bearing transaction account to a noninterest-bearing savings account as defined in Federal Reserve Regulation D, the FDIC will treat the swept funds as being in a noninterest-bearing transaction account. If the sum of the swept funds in the noninterest-bearing savings account plus any amount remaining in the related noninterest-bearing transaction account is

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5 more than \$250,000, this sum should be reported in Memorandum item 5.a and the swept
(cont.) funds and the related noninterest-bearing transaction account should be reported as one
 account in Memorandum item 5.b.

Include public funds held in “noninterest-bearing transaction accounts” of more than \$250,000 whether or not they are collateralized with pledged securities or other pledged assets.

Report in the appropriate subitem on an unconsolidated single FDIC certificate number basis the amount outstanding and the number of noninterest-bearing transaction accounts (as defined above and in the FDIC’s regulations implementing Section 343) with a balance on the report date of more than \$250,000. An institution may exclude noninterest-bearing transaction accounts with a balance of more than \$250,000 if the entire balance in the account is fully insured under the FDIC’s regular deposit insurance rules (i.e., without considering the insurance protection provided under Section 343), such as joint account relationship rules or “pass-through” insurance coverage rules. In noninterest-bearing transaction accounts with a balance of more than \$250,000 where the entire balance is not fully insured, an institution may exclude any amounts over \$250,000 that are otherwise insured under the FDIC’s regular deposit insurance rules. These amounts may be excluded to the extent that they can be determined by the institution and fully supported in the institution’s workpapers for this report. An institution is not required to make a determination of amounts otherwise insured but may do so at its option.

5.a **Amount of noninterest-bearing transaction accounts of more than \$250,000.**
Report on an unconsolidated single FDIC certificate number basis the aggregate balance of all noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5, above) with a balance on the report date of more than \$250,000. This amount should represent the total of the balances of the noninterest-bearing transaction accounts enumerated in Call Report Schedule RC-O, Memorandum item 5.b, below.

5.b **Number of noninterest-bearing transaction accounts of more than \$250,000.**
Report on an unconsolidated single FDIC certificate number basis the total number of noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5, above) with a balance on the report date of more than \$250,000.

General Instructions for Schedule RC-O, Memorandum items 6 through 15

Memorandum items 6 through 15 are applicable only to large institutions and/or highly complex institutions as defined below. Amounts reported in Memorandum items 6 through 9, 14, and 15 will not be made available to the public on an individual institution basis. Large institutions and highly complex institutions should complete Memorandum items 6 through 15, as appropriate, on a fully consolidated basis. Thus, when a large institution or highly complex institution owns another FDIC-insured institution as a subsidiary, it should complete Memorandum items 6 through 15, as appropriate, on a fully consolidated basis.

According to Section 327.8(f) of the FDIC’s regulations, a large institution is an FDIC-insured bank or savings association that reported total assets of \$10 billion or more as of December 31, 2006, that does not meet the definition of a highly complex institution. After December 31, 2006, if a bank or savings association not previously classified as a large institution reports total assets of \$10 billion or more for four consecutive quarters, the bank or savings association will be classified as a large institution beginning the following quarter. In the Consolidated Reports of Condition and Income, an FDIC-insured depository institution’s total assets is reported in Schedule RC, item 12.

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General Instructions for Schedule RC-O, Memorandum items 6 through 15 (cont.)

According to Section 327.8(g) of the FDIC's regulations, a highly complex institution is an FDIC-insured bank or savings association (excluding a credit card bank¹) that:

- (1) Has had \$50 billion or more in total assets for at least four consecutive quarters that either is controlled by a U.S. parent holding company that has had \$500 billion or more in total assets for four consecutive quarters, or is controlled by one or more intermediate U.S. parent holding companies that are controlled by a U.S. holding company that has had \$500 billion or more in total assets for four consecutive quarters; or
- (2) Is a processing bank or trust company that has had \$10 billion or more in total assets for at least four consecutive quarters. According to Section 327.8(s) of the FDIC's regulations, a processing bank or trust company is "an institution whose last three years' non-lending interest income, fiduciary revenues, and investment banking fees, combined, exceed 50 percent of total revenues (and its last three years fiduciary revenues are non-zero), and whose total fiduciary assets total \$500 billion or more."

If, after December 31, 2010, a bank or savings association classified as a highly complex institution falls below \$50 billion in total assets for four consecutive quarters, or its parent company or companies fall below \$500 billion in total assets for four consecutive quarters, or a processing bank or trust company falls below \$10 billion in total assets for four consecutive quarters, the FDIC will reclassify the bank or savings association as a large institution or a small institution, as appropriate, beginning the quarter after the fourth consecutive quarter.

Transition Guidance for Reporting "Subprime Consumer Loans" and "Leveraged Loans and Securities" as Defined for Assessment Purposes Only in FDIC Regulations² – For loans originated or purchased prior to October 1, 2012, and for securities where the underlying loans were originated predominantly prior to October 1, 2012, for which the reporting institution does not have the information necessary to determine subprime consumer or leveraged status in accordance with the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions, the institution may use its existing internal methodology for identifying subprime consumer or leveraged loans and securities as the basis for reporting these assets for deposit insurance assessment purposes in Schedule RC-O, Memorandum items 8 and 9. Institutions that do not have an existing methodology in place to identify subprime consumer or leveraged loans and securities (because they are not required to report on these exposures to their primary federal regulator for examination or other supervisory purposes or did not measure and monitor loans and securities with these characteristics for internal risk management purposes) may, as an alternative to applying the definitions in the FDIC's assessment regulations to pre-October 1, 2012, loans and securities, apply existing guidance provided by their primary federal regulator, the agencies' 2001 Expanded Guidance for Subprime Lending Programs,³ or the February 2008

¹ As defined in Section 327.8(t) of the FDIC's regulation, a credit card bank is "a bank for which credit card receivables plus securitized receivables exceed 50 percent of assets plus securitized receivables."

² The definitions for subprime consumer and leveraged loans included in these Instructions are essentially the same as the definitions for subprime consumer and leveraged loans included in the FDIC's assessment regulations (12 CFR Part 327, Subpart A, Appendix C, as amended in February 2011, <http://www.fdic.gov/regulations/laws/federal/2011/11FinalFeb25.pdf>). However, to assist institutions in properly identifying subprime consumer and leveraged loans for reporting in Schedule RC-O and deposit insurance pricing purposes, certain clarifications to the definitions in the assessment regulations have been included in these instructions to facilitate the identification of such loans for assessment reporting purposes.

³ <http://www.fdic.gov/news/news/press/2001/pr0901a.html>.

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General Instructions for Schedule RC-O, Memorandum items 6 through 15 (cont.)

Comptroller's Handbook on Leveraged Lending¹ for purposes of identifying subprime consumer and leveraged loans originated or purchased prior to October 1, 2012, and subprime consumer and leveraged securities where the underlying loans were originated predominantly prior to October 1, 2012. All loans originated on or after October 1, 2012, and all securities where the underlying loans were originated predominantly on or after October 1, 2012, must be reported according to the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions.

However, for such pre-October 1, 2012, loans and securities, leveraged loans that are renewed and subprime consumer loans that are refinanced on or after October 1, 2012, must then be reported as leveraged or subprime consumer loans and securities according to the definitions of these higher-risk asset categories set forth in the FDIC's assessment regulations and these instructions.

For loans purchased on or after October 1, 2012, institutions may apply this transition guidance to loans originated prior to that date. Loans purchased on or after October 1, 2012, that also were originated on or after that date must be reported as subprime or leveraged according to the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions.

Large and highly complex institutions may need to revise their data systems to support the reporting of newly originated or purchased subprime consumer and leveraged loans and securities for assessment purposes only in accordance with the definitions in the FDIC's assessment regulations and these instructions on a going-forward basis beginning no later than October 1, 2012. Large and highly complex institutions relying on the transition guidance described above for reporting pre-October 1, 2012, subprime consumer and leveraged loans and securities will be expected to provide the FDIC qualitative descriptions of how the characteristics of the assets reported using their existing internal methodologies for identifying loans and securities in these higher-risk asset categories differ from those specified in the subprime consumer and leveraged loan definitions for assessment purposes only in the FDIC's assessment regulations and these instructions, including the principal areas of difference between these two approaches for each higher-risk asset category. The FDIC may review these descriptions of differences and assess the extent to which institutions' existing internal methodologies align with the applicable supervisory policy guidance for categorizing these loans. Any departures from such supervisory policy guidance discovered in these reviews, as well as institutions' progress in planning and implementing necessary data systems changes, will be considered when forming supervisory strategies for remedying departures from existing supervisory policy guidance and exercising deposit insurance pricing discretion for individual large and highly complex institutions.

Amounts Guaranteed or Insured by the U.S. Government, its Agencies, or its Government-Sponsored Agencies – The instructions for Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, and 13, refer to amounts recoverable from, or guaranteed or insured by, the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions. Examples include guarantees or insurance (or reinsurance) provided by the Department of Veterans Affairs, the Federal Housing Administration, the Small Business Administration (SBA), the Department of Agriculture Rural Development Loan Program, and the Department of Education for individual loans as well as coverage provided by the FDIC under loss-sharing agreements. For loan securitizations and securities, examples include those guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) as well as SBA Guaranteed Loan Pool Certificates and securities covered by FDIC loss-sharing agreements. However, if an institution holds securities backed by mortgages it has transferred to Fannie Mae or Freddie Mac with recourse or other transferor-provided credit enhancements, these

¹ <http://www.occ.gov/static/publications/handbook/LeveragedLending.pdf>.

Memoranda**General Instructions for Schedule RC-O, Memorandum items 6 through 15 (cont.)**

securities should not be considered guaranteed to the extent of the institution's maximum contractual credit exposure arising from the credit enhancements. NOTE: Because certain information on coverage under FDIC loss-sharing agreements is reported elsewhere in the Consolidated Reports of Condition and Income, the treatment of FDIC loss-sharing agreements varies in Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, and 13.

Item No. Caption and Instruction

NOTE: Memorandum items 6 through 12 are to be completed on a fully consolidated basis by "large institutions" and "highly complex institutions."

- 6** **Criticized and classified items.** Criticized and classified items should be reported on a consolidated basis and include all on- and off-balance sheet items an institution or its primary federal regulator has graded Special Mention or worse (Substandard, Doubtful, or Loss). Such items include, but are not limited to, retail items adversely classified under the agencies' Uniform Retail Credit Classification and Account Management Policy,¹ securities, funded and unfunded loans,² other real estate owned, other assets, and marked-to-market counterparty positions (less credit valuation adjustments for these counterparty positions).³ Criticized and classified items exclude loans and securities reported as trading assets, and the amount recoverable on an on- or off-balance sheet item from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.

For purposes of the criticized and classified items definition, Loss items include any items graded Loss that have not yet been written off against the allowance for loan and lease losses (or another valuation allowance) or charged directly to earnings, as appropriate. However, because an item should be written off or charged off in the period in which the item is deemed Loss, the amount reported in Memorandum item 6.d, below, generally should be zero.

A marked-to-market counterparty position is equal to the sum of the net marked-to-market derivative exposures for each counterparty. The net marked-to-market derivative exposure equals the sum of all positive marked-to-market exposures net of legally enforceable netting provisions and net of all collateral held under a legally enforceable Credit Support Annex plus any exposure where excess collateral has been posted to the counterparty. For purposes of this item, a marked-to-market counterparty position less any credit valuation adjustment can never be less than zero.

- 6.a** **Special mention.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Special Mention.

¹ <http://www.fdic.gov/news/news/financial/2000/fil0040a.pdf>.

² The amount of the unfunded loan that should be reported as criticized or classified should equal the amount that the borrower is entitled to draw upon as of the reporting date, i.e., the unused commitment as defined in the instructions for Schedule RC-L, item 1.

³ An institution that has not previously measured its marked-to-market counterparty positions net of any applicable credit valuation adjustments for purposes of reporting criticized and classified items internally and to its primary federal regulator may report these positions in this same manner in Schedule RC-O, Memorandum item 6, particularly if the institution concludes that updating its reporting systems to net these adjustments would impose an undue burden on the institution.

Memoranda**Item No. Caption and Instruction**

- 6.b Substandard.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Substandard.
- 6.c Doubtful.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Doubtful.
- 6.d Loss.** Report on a fully consolidated basis the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Loss.
- 7 “Nontraditional 1-4 family residential mortgage loans” as defined for assessment purposes only in FDIC regulations.** Report on a fully consolidated basis the balance sheet amount of nontraditional 1-4 family residential mortgage loans, as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC’s regulations (as amended in February 2011, <http://www.fdic.gov/regulations/laws/federal/2011/11FinalFeb25.pdf>), which includes all 1-4 family residential loan products (as defined for Schedule RC-C, part I, item 1.c) that allow the borrower to defer repayment of principal or interest and includes all interest-only products, teaser rate mortgages, and negative amortizing mortgages, with the exception of home equity lines of credit and reverse mortgages. Nontraditional mortgage loans do not include loans reported as trading assets in Schedule RC, item 5; conventional fully amortizing adjustable rate mortgage loans that do not have a teaser rate; and interest-only residential construction loans, but include conventional fully amortizing adjustable rate mortgage loans that have a teaser rate.

A teaser-rate mortgage loan is defined for assessment purposes as a mortgage with a discounted initial rate. A discounted initial rate is an effective interest rate at the time of origination or refinancing that is less than the rate the bank is willing to accept for an otherwise similar extension of credit with comparable risk. A mortgage loan is no longer considered a nontraditional mortgage once the teaser rate has expired, or in the case of an escalating interest rate, once the rate is no longer discounted and the borrower is making full principal and interest payments (has not been granted any principal and interest concessions). Nontraditional mortgage loans can be reclassified as traditional loans once they become fully amortizing loans, provided they no longer have a teaser rate.

Nontraditional 1-4 family residential mortgage loans as defined for assessment purposes also include securitizations where more than 50 percent of the assets backing the securitization meet one or more of the preceding criteria for nontraditional 1-4 family residential mortgage loans, with the exception of those securities reported as trading assets in Schedule RC, item 5.

The amount to be reported in this item for nontraditional mortgage loans should include purchased credit impaired loans as defined in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”), provided they meet the characteristics of nontraditional as described above.

The amount to be reported in this item should exclude amounts recoverable on nontraditional mortgage loans from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.

Memoranda**Item No. Caption and Instruction**

8 “Subprime consumer loans” as defined for assessment purposes only in FDIC regulations. Report on a fully consolidated basis the balance sheet amount of subprime consumer loans, as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC’s regulations (as amended in February 2011, <http://www.fdic.gov/regulations/laws/federal/2011/11FinalFeb25.pdf>), excluding subprime consumer loans that have been reported as nontraditional 1-4 family residential mortgage loans in Memorandum item 7 above. For assessment purposes, subprime consumer loans are loans secured by 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c) and loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6) that have been made to borrowers who display one or more of the following credit risk characteristics at origination or upon refinancing, whichever is more recent:

- Two or more 30-day delinquencies in the last 12 months, or one or more 60-day delinquencies in the last 24 months;
- Judgment, foreclosure, repossession, or charge-off in the prior 24 months;
- Bankruptcy in the last 5 years; or
- Debt service-to-income ratio of 50 percent or greater, or otherwise limited ability to cover family living expenses after deducting total monthly debt-service requirements from monthly income.¹

For assessment purposes, subprime consumer loans also include loans identified by an insured depository institution as subprime loans based upon similar borrower characteristics and securitizations where more than 50 percent of assets backing the securitization meet one or more of the preceding criteria for subprime loans, excluding those securities reported as trading assets in Schedule RC, item 5.

The amount to be reported in this item for subprime consumer loans should include purchased credit impaired loans as defined in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer”), provided they meet the characteristics of subprime above.

The amount to be reported in this item should exclude consumer loans reported as trading assets in Schedule RC, item 5, and amounts recoverable on subprime consumer loans from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.

9 “Leveraged loans and securities” as defined for assessment purposes only in FDIC regulations. Report on a fully consolidated basis the balance sheet amount plus the unfunded amount of leveraged loans and securities as defined for assessment purposes only in Appendix C to Subpart A to Part 327 of the FDIC’s regulations (as amended in February 2011, <http://www.fdic.gov/regulations/laws/federal/2011/11FinalFeb25.pdf>). For assessment purposes, leveraged loans and securities include:

¹ <http://www.fdic.gov/news/news/press/2001/pr0901a.html>; however, the definition of subprime consumer loans in the FDIC’s assessment regulations and in the instructions for this Memorandum item excludes any reference to FICO or other credit bureau scores.

Memoranda**Item No. Caption and Instruction**

- 10.a Total unfunded commitments.** Report on a fully consolidated basis the unused portion of commitments (in domestic offices) to extend credit to fund construction, land development, and other land loans that, when funded, would be reportable as loans secured by real estate in Schedule RC-C, part I, item 1.a. The amount reported in this item should also have been included in the amounts reported in Schedule RC-L, items 1.c.(1)(a) and (b).
- 10.b Portion of unfunded commitments guaranteed or insured by the U.S. government.**
Report on a fully consolidated basis the amount of the unused portion of the construction, land development, and other land loan commitments reported in Schedule RC-O, Memorandum item 10.a, above that is recoverable from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.
- Exclude amounts recoverable from state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations.
- 11 Amount of other real estate owned recoverable from the U.S. government under guarantee or insurance provisions (excluding FDIC loss-sharing agreements).**
Report on a fully consolidated basis the amount of other real estate owned (as defined in Schedule RC-M, item 3) that is recoverable from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, excluding any other real estate owned that is covered under FDIC loss-sharing agreements.
- Exclude other real estate owned that is protected under guarantee or insurance provisions by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations.
- 12 Nonbrokered time deposits of more than \$250,000 (in domestic offices).** Report on a fully consolidated basis the amount of time deposits of more than \$250,000 (in domestic offices) included in Schedule RC-E, (part I), Memorandum item 2.d, that are not brokered deposits. See the Glossary entry for “brokered deposits” for the definition of this term.
- NOTE: Memorandum item 13.a is to be completed by “large institutions” and “highly complex institutions.” Memorandum items 13.b through 13.g are to be completed by “large institutions” only.
- 13 Portion of funded loans guaranteed or insured by the U.S. government (excluding FDIC loss-sharing agreements).** Report in the appropriate subitem on a fully consolidated basis the portion of the balance sheet amount of funded loans that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.
- Exclude loans guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations as well as loans collateralized by securities issued by the U.S. government, including its agencies and its government-sponsored agencies.
- 13.a Construction, land development, and other land loans secured by real estate (in domestic offices).** Report on a fully consolidated basis the portion of the balance sheet amount of construction, land development, and other land loans (in domestic offices) (as defined for Schedule RC-C, part I, item 1.a) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

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- 13.b Loans secured by multifamily residential and nonfarm nonresidential properties (in domestic offices).** Report on a fully consolidated basis the portion of the balance sheet amount of loans secured by multifamily (5 or more) residential properties and loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule RC-C, part I, items 1.d and 1.e., respectively) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.
- 13.c Closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices).** Report on a fully consolidated basis the portion of the balance sheet amount of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.c.(2)(a)) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.
- 13.d Closed-end loans secured by junior liens on 1-4 family residential properties and revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices).** Report on a fully consolidated basis the portion of the balance sheet amount of closed-end loans secured by junior liens on 1-4 family residential properties revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (in domestic offices) (as defined for Schedule RC-C, part I, items 1.c.(2)(b) and 1.c.(1), respectively) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.
- 13.e Commercial and industrial loans.** Report on a fully consolidated basis the portion of the balance sheet amount of commercial and industrial loans (as defined for Schedule RC-C, part I, item 4) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.
- 13.f Credit card loans to individuals for household, family, and other personal expenditures.** Report on a fully consolidated basis the portion of the balance sheet amount of credit card loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6.a) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.
- 13.g Other consumer loans (includes other revolving credit plans, automobile loans, single payment, installment, and all student loans).** Report on a fully consolidated basis the portion of the balance sheet amount of other consumer loans (as defined for Schedule RC-C, part I, items 6.b, 6.c, and 6.d) that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements.

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Item No. **Caption and Instruction**

NOTE: Memorandum items 14 and 15 are to be completed by “highly complex institutions.”

- 14** **Amount of the institution’s largest counterparty exposure.** Report on a fully consolidated basis the amount of total exposure to the counterparty to which the institution has the largest total counterparty exposure.

Counterparty exposure is equal to the sum of (1) the exposure at default (EAD) associated with derivatives trading and securities financing transactions (SFTs) and (2) the gross lending exposure (including all unfunded commitments) for each counterparty or borrower at the consolidated entity level of the counterparty.¹ Counterparty exposure, for deposit insurance pricing purposes, excludes exposure amounts arising from due from accounts, federal funds sold, investments in debt and equity securities, and credit protection purchased or sold where the counterparty under consideration is the reference entity.

Exclude all counterparty exposure to the U.S. Government and departments or agencies of the U.S. Government that are unconditionally guaranteed by the full faith and credit of the United States.

To adopt an Internal Models Methodology (IMM) to calculate EAD, an institution must receive approval from its primary federal regulator in accordance with the risk-based capital standards issued by its regulator. Institutions supervised by the FDIC should follow the methodology prescribed by 12 CFR Part 325, Appendix D, Section 32. Institutions supervised by the Office of the Comptroller of the Currency should follow the methodology prescribed by 12 CFR Part 3, Appendix C, Section 32. Institutions supervised by the Federal Reserve should follow the methodology prescribed by 12 CFR Part 208, Appendix F, Section 32. If an institution has not received regulatory approval to adopt an IMM, then it may calculate EAD using the current exposure methodology in accordance with the risk-based capital standards issued by its primary federal regulator. As an alternative, an institution without approval to adopt the IMM or not adopting an IMM may report the credit equivalent amount for each counterparty’s derivative exposures as calculated in accordance with the instructions for Schedule RC-R, item 54, “Derivative contracts.”

- 15** **Total amount of the institution’s 20 largest counterparty exposures.** Report on a fully consolidated basis the sum of the total exposure amounts to the 20 counterparties to which the institution has the 20 largest total counterparty exposures.

Counterparty exposure should be measured as described in the instructions for Schedule RC-O, Memorandum item 14, above.

¹ EAD and SFTs are defined and described in the compilation issued by the Basel Committee on Banking Supervision in its June 2006 document, “International Convergence of Capital Measurement and Capital Standards,” <http://www.bis.org/publ/bcbs128.pdf>. The definitions are described in detail in Annex 4 of the document. Any updates to the Basel II capital treatment of counterparty credit risk that would affect these definitions should be implemented as they are adopted.

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- 20** **LESS: Deductions for total risk-based capital.** Report the amount of the bank's investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes, intentional reciprocal cross-holdings of banking organizations' capital instruments, and any other deductions for total risk-based capital as determined by the reporting bank's primary federal supervisory authority. Banks with financial subsidiaries should exclude adjustments to total risk-based capital for the deconsolidation of such subsidiaries. Adjustments to total risk-based capital for financial subsidiaries should be reported in Schedule RC-R, item 28.b, below.
- 21** **Total risk-based capital.** Report the sum of Schedule RC-R, items 11, 18, and 19, less item 20. The amount reported in this item is the numerator of the bank's total risk-based capital ratio.

Total assets for leverage ratio

- 22** **Total assets.** For banks, report the bank's average total assets as reported in Schedule RC-K, item 9. For savings associations, report the association's total assets from Schedule RC, item 12.
- 23** **LESS: Disallowed goodwill and other disallowed intangible assets.** Report the amount of any disallowed goodwill and other disallowed intangible assets from Schedule RC-R, item 7.a, above.
- 24** **LESS: Disallowed servicing assets and purchased credit card relationships.** Report the amount of any disallowed servicing assets and purchased credit card relationships from Schedule RC-R, item 9.a, above.
- 25** **LESS: Disallowed deferred tax assets.** Report the amount of any disallowed deferred tax assets from Schedule RC-R, item 9.b, above.
- 26** **Other additions to (deductions from) assets for leverage capital purposes.** Based on the capital guidelines of the reporting institution's primary federal supervisory authority, report the amount of any additions to or deductions from total assets for leverage capital purposes that are not included in Schedule RC-R, items 23 through 25, above. If the amount to be reported in this item is a net deduction from assets, enclose the amount in parentheses.

Include as a deduction the amount of any other assets that are deducted in determining Tier 1 capital in accordance with the capital standards issued by the reporting institution's primary federal supervisory authority. Include the amount of any disallowed credit-enhancing interest-only strips from Schedule RC-R, item 10, above. Also include the adjusted carrying value of any nonfinancial equity investments for which a Tier 1 capital deduction is included in Schedule RC-R, item 10, above.

Savings associations should include in this item the net unrealized gains (losses) on available-for-sale securities reported in Schedule RC-R, item 2. If net unrealized gains are reported in item 2, include the amount of these gains as a deduction from total assets. If net unrealized losses are reported in item 2, include the amount of these losses as an addition to total assets. In addition, savings associations that report a net unrealized loss on available-for-sale equity securities in Schedule RC-R, item 3, should include the amount of this loss as a deduction from total assets in this item. The combined effect of these adjustments is to treat net unrealized gains (losses) on available-for-sale debt securities as a deduction from (addition to) total assets for leverage capital purposes and net unrealized gains on available-for-sale equity securities as a deduction from total assets for leverage capital purposes.

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26
(cont.) (because such gains (losses) – which are also reported as a component of Schedule RC, item 26.b, "Accumulated other comprehensive income" – are excluded from Tier 1 capital) while not adjusting total assets for net unrealized losses on available-for-sale equity securities (because such losses are deducted from Tier 1 capital).

Savings associations should include in this item the amount included in total assets for the gains (losses) on derivative instruments with positive fair values (i.e., derivative assets) designated and qualifying as cash flow hedges that is also reflected in Schedule RC-R, item 4, "Accumulated net gains (losses) on cash flow hedges." Do not include any amounts associated with derivative instruments with negative fair values (i.e., derivative liabilities). If the amount included in total assets represents net gains on derivative assets, include this amount as a deduction from total assets. If the amount included in total assets represents net losses on derivative assets, include this amount as an addition to total assets.

Savings associations with includable subsidiaries should include as an addition to total assets the prorated assets of any includable subsidiary in which the association has a minority ownership interest that is not consolidated under generally accepted accounting principles in Schedule RC – Balance Sheet.

Savings associations with nonincludable subsidiaries should include as a deduction from total assets the entire amount of the assets of these subsidiaries that are included in assets on Schedule RC – Balance Sheet, but are deducted from assets for leverage capital purposes. For consolidated subsidiaries, this amount should equal the total assets of the subsidiary less any assets eliminated in consolidation. For subsidiaries accounted for under the equity method, this amount should equal the association's investment in the subsidiary plus all advances to the subsidiary.

Banks with financial subsidiaries should exclude from this item adjustments to average total assets for the deconsolidation of such subsidiaries. Adjustments to average total assets for financial subsidiaries should be reported in Schedule RC-R, item 30, below.

27 **Total assets for leverage capital purposes.** Report the sum of Schedule RC-R, items 22 and 26, less items 23 through 25.

Adjustments for financial subsidiaries

NOTE: Schedule RC-R, items 28.a through 30, and column A of items 31 through 33 are applicable to banks with “financial subsidiaries” as defined by the Gramm-Leach-Bliley Act of 1999 (the Act). The Act effectively amends the federal banking agencies' capital guidelines to require all banks with financial subsidiaries to deconsolidate the assets and liabilities of all financial subsidiaries and to deduct the aggregate outstanding equity investment in the financial subsidiaries from capital and assets for purposes of calculating the bank’s regulatory capital ratios. Banks that do not have financial subsidiaries and savings associations, which are not authorized under the Act to have financial subsidiaries, should report zeros in these items.

Item No. Caption and Instructions

28.a **Adjustment to Tier 1 capital reported in item 11.** Report one half of the bank's aggregate outstanding equity investment in financial subsidiaries as of the report date, which should be determined in the following manner.

If a financial subsidiary is not consolidated into the bank for purposes of these reports, one half of the bank's aggregate outstanding equity investment in the subsidiary is one half of the amount of the bank's ownership interest accounted for under the equity method of accounting. The bank's ownership interest will have been included in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies." However, the bank's ownership interest in a financial subsidiary should exclude any loans and advances to the subsidiary and any holdings of the subsidiary's bonds, notes, and debentures, which are included in Schedule RC, item 8.

If one or more financial subsidiaries are consolidated into the bank for purposes of these reports, the bank may use the following approach to determine one half of the bank's aggregate outstanding equity investment in these consolidated financial subsidiaries.

One Half of the Aggregate Outstanding Equity Investments in Consolidated Financial Subsidiaries

- (a) Enter the total assets of consolidated financial subsidiaries included in Schedule RC, item 12 _____
- (b) Enter the total liabilities of consolidated financial subsidiaries included in Schedule RC, item 21 _____
- (c) Enter the sum of the amounts included in Schedule RC-R, items 2, 3, 4, 5, 7, 9.a, and 9.b, that are attributable to the bank's consolidated financial subsidiaries (e.g., goodwill on a financial subsidiary's balance sheet that was included in the disallowed goodwill reported on Schedule RC-R, item 7) _____
- (d) Enter the amount of "Other additions to (deductions from) Tier 1 capital" included in Schedule RC-R, item 10, that is attributable to the bank's consolidated financial subsidiaries _____
- (e) Enter the amount of any minority interests in consolidated financial subsidiaries included in Schedule RC, item 22 _____
- (f) Enter the sum of (a) and (d) less (b), (c), and (e); enter 0 if the amount is a negative number _____

Item No. Caption and Instructions

28.b
(cont.) If a financial subsidiary is not consolidated into the bank for purposes of these reports, the bank's aggregate outstanding equity investment in the subsidiary is the amount of the bank's ownership interest accounted for under the equity method of accounting. The bank's ownership interest will have been included in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies." However, the bank's ownership interest in a financial subsidiary should exclude any loans and advances to the subsidiary and any holdings of the subsidiary's bonds, notes, and debentures, which are included in Schedule RC, item 8.

If one or more financial subsidiaries are consolidated into the bank for purposes of these reports, the bank may use the following approach to determine the aggregate outstanding equity investments in these consolidated financial subsidiaries.

Aggregate Outstanding Equity Investments in Consolidated Financial Subsidiaries

- (a) Enter the amount from line (f) in the calculation of the adjustment to Tier 1 capital for consolidated financial subsidiaries in the instructions for Schedule RC-R, item 28.a, above _____
- (b) Enter the sum of the amounts included in Schedule RC-R, items 12, 13, 14, 15, 16, and 19 that are attributable to the bank's consolidated financial subsidiaries _____
- (c) Enter the amount of "Deductions for total risk-based capital" included in Schedule RC-R, item 20, that is attributable to the bank's consolidated financial subsidiaries _____
- (d) Adjustment to total risk-based capital reported in Schedule RC-R, item 21, for the bank's consolidated financial subsidiaries:
enter the sum of (a) and (b) less (c) _____

29 Adjustment to risk-weighted assets reported in item 62. Report the amount of the adjustment to risk-weighted assets for financial subsidiaries, which should be determined in the following manner.

If a financial subsidiary is not consolidated into the bank, the adjustment to risk-weighted assets for the subsidiary will equal the bank's ownership interest accounted for under the equity method of accounting that is included in Schedule RC-R, item 62, "Total risk-weighted assets."

If a financial subsidiary is consolidated into the bank, the adjustment to risk-weighted assets for the subsidiary will be the total amount of the subsidiary's individual assets, derivatives, and off-balance sheet items as they have been allocated by risk weight across the risk weight categories in Schedule RC-R, item 57, less the risk-weighted amount of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. These eliminated assets will not have been included in the amounts reported in Schedule RC-R, item 57.

30 Adjustment to average total assets reported in item 27. Report the amount of the adjustment to average total assets for financial subsidiaries, which should be determined in the following manner.

Item No. Caption and Instructions

30
(cont.) If a financial subsidiary is not consolidated into the bank, the adjustment to average total assets for the subsidiary will be the quarterly average of the bank's ownership interest accounted for under the equity method of accounting that is included in Schedule RC-R, item 27.

If a financial subsidiary is consolidated into the bank, the adjustment to average total assets for the subsidiary will be the quarterly average of the assets of the subsidiary that have been included in the consolidated assets of the bank, as reported in Schedule RC-R, item 22; less any disallowed intangible assets and deferred tax assets of the subsidiary that have been included in Schedule RC-R, items 23, 24, and 25; less any other assets of the subsidiary that have been included as other deductions in Schedule RC-R, item 26; and less the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. These eliminated assets will not have been included in the amount reported in Schedule RC-R, item 22.

Capital Ratios

31 **Tier 1 leverage ratio.** Report the institution's Tier 1 leverage ratio as a percentage, rounded to two decimal places. Column B is to be completed by all institutions. The ratio for column B is determined by dividing Schedule RC-R, item 11, by Schedule RC-R, item 27. Banks with financial subsidiaries must also report a Tier 1 leverage ratio in column A. The ratio for column A is determined as follows:

$$\frac{\text{Schedule RC-R, item 11, minus Schedule RC-R, item 28.a}}{\text{Schedule RC-R, item 27, minus Schedule RC-R, item 30}}$$

Banks that do not have financial subsidiaries and savings associations should report a zero in column A.

32 **Tier 1 risk-based capital ratio.** Report the institution's Tier 1 risk-based capital ratio as a percentage, rounded to two decimal places. Column B is to be completed by all institutions. The ratio for column B is determined by dividing Schedule RC-R, item 11, by Schedule RC-R, item 62. Banks with financial subsidiaries must also report a Tier 1 risk-based capital ratio in column A. The ratio for column A is determined as follows:

$$\frac{\text{Schedule RC-R, item 11, minus Schedule RC-R, item 28.a}}{\text{Schedule RC-R, item 62, minus Schedule RC-R, item 29}}$$

Banks that do not have financial subsidiaries and savings associations should report a zero in column A.

33 **Total risk-based capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to two decimal places. Column B is to be completed by all institutions. The ratio for column B is determined by dividing Schedule RC-R, item 21, by Schedule RC-R, item 62. Banks with financial subsidiaries must also report a total risk-based capital ratio in column A. The ratio for column A is determined as follows:

$$\frac{\text{Schedule RC-R, item 21, minus Schedule RC-R, item 28.b}}{\text{Schedule RC-R, item 62, minus Schedule RC-R, item 29}}$$

Banks that do not have financial subsidiaries and savings associations should report a zero in column A.

Banks, U.S. and Foreign (cont.):

For purposes of the Reports of Condition and Income, the term "U.S. branches and agencies of foreign banks" covers:

- (1) the U.S. branches and agencies of foreign banks;
- (2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
- (3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Banks in foreign countries –The institutional composition of "banks in foreign countries" includes:

- (1) the foreign-domiciled head offices and branches of:
 - (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and Edge and Agreement corporations);
 - (b) foreign savings banks or discount houses;
 - (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;
 - (d) other similar foreign institutions that accept short-term deposits; and
- (2) the foreign-domiciled branches of U.S. banks.

See also "International Banking Facility (IBF)."

Banks in Foreign Countries: See "banks, U.S. and foreign."

Bill-of-Lading Draft: See "commodity or bill-of-lading draft."

Borrowings and Deposits in Foreign Offices: Borrowings in foreign offices include assets rediscounted with central banks, certain participations sold in loans and securities, government fundings of loans, borrowings from the Export-Import Bank, and rediscounted trade acceptances. Federal funds sold and repurchase agreements in foreign offices should be reported in accordance with the Glossary entries for "federal funds transactions" and "repurchase/resale agreements." Liability accounts such as accruals and allocated capital shall not be reported as borrowings. Deposits consist of such other short-term and long-term liabilities issued or undertaken as a means of obtaining funds to be used in the banking business and include those liabilities generally characterized as placements and takings, call money, and deposit substitutes.

Brokered Deposits: Brokered deposits represent funds which the reporting bank obtains, directly or indirectly, by or through any deposit broker for deposit into one or more deposit accounts. Thus, brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

Fully insured brokered deposits are brokered deposits (including brokered deposits that represent retirement deposit accounts as defined in Schedule RC-O, Memorandum item 1) with balances of \$250,000 or less or with balances of more than \$250,000 that have been participated out by the deposit broker in shares of \$250,000 or less. As more fully described in the instructions for Schedule RC-E, (part I), Memorandum item 1.c, fully insured brokered deposits also include (a) certain brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$250,000 and (b) certain brokered transaction accounts and money market deposit accounts denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers.

Brokered Deposits (cont.):

For purposes of these reports, the term deposit broker includes:

- (1) any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties, and
- (2) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

The term deposit broker does not include:

- (1) an insured depository institution, with respect to funds placed with that depository institution;
- (2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
- (3) a trust department of an insured depository institution, if the trust or other fiduciary relationship in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
- (5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
- (6) the trustee of a testamentary account;
- (7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (8) a trustee or custodian of a pension or profit-sharing plan qualified under Section 401(d) or 430(a) of the Internal Revenue Code of 1986;
- (9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions;¹ or
- (10) an insured depository institution acting as an intermediary or agent of a U.S. government department or agency for a government sponsored minority or women-owned depository institution deposit program.

Notwithstanding these ten exclusions, the term deposit broker (as amended on September 23, 1994, by the Riegle Community Development and Regulatory Improvement Act of 1994) includes any insured depository institution that is not well capitalized (as defined in Section 38 of the Federal Deposit Insurance Act, Prompt Corrective Action), and any employee of such institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions in such depository institution's normal market area.² For purposes of these reports, only those deposits accepted, renewed, or rolled over on or after June 16, 1992, in connection with this form of deposit solicitation are to be reported as brokered deposits. For further information, see Section 337.6(b) of the FDIC's Rules and Regulations.

¹ For purposes of applying this ninth exclusion from the definition of deposit broker, "primary purpose" does not mean "primary activity," but should be construed as "primary intent."

² Any deposit accepted, renewed, or rolled over by a well capitalized institution before September 23, 1994, in connection with this form of deposit solicitation should continue to be reported as a brokered deposit as long as the deposit remains outstanding under the terms in effect before September 23, 1994. Notwithstanding the amendment to the "deposit broker" definition, all institutions that obtain deposits, directly or indirectly, by or through any other deposit broker must report such funds as brokered deposits in the Report of Condition.

Business Combinations (cont.):

When push down accounting is used by a bank in the preparation of its Reports of Condition and Income, both of the following conditions should be met:

- (1) An arm's-length purchase acquisition or series of purchase transactions resulting in the bank becoming substantially wholly owned (at least 80 percent) must have occurred, and
- (2) The push down adjusting entries must eliminate the retained earnings account (therefore, the entire retained earnings of the bank before it became substantially wholly owned will not be available for the payment of dividends after it became substantially wholly owned).

In the Reports of Condition and Income for the remainder of the year in which a bank applies push down accounting after becoming substantially wholly owned, the bank shall report the initial increase or decrease in its equity capital that results from the application of push down accounting in item 7, "Changes incident to business combinations, net," of Schedule RI-A, Changes in Bank Equity Capital. In addition, when push down accounting is used, no income or expense for the period of the calendar year prior to the date the bank became substantially wholly owned should be included in subsequent Reports of Income.

For further information, see ASC Subtopic 805-50, Business Combinations – Related Issues (formerly EITF Topic D-97, *Push-Down Accounting*).

Pooling-of-interests method – Under the pooling-of-interests method, the assets, liabilities, and capital of the bank and the business being acquired are added together on a line-by-line basis without any adjustments for fair value. The historical cost-based amount (cost adjusted for amortization of premiums and discounts or depreciation) of each asset, liability, and capital account of the acquiring bank is added to the corresponding account of the business being acquired to arrive at the balance sheet for the combined bank. However, the capital stock outstanding of the combined bank must be equal to the number of shares issued and outstanding (including the shares issued in connection with the acquisition) multiplied by par or stated value.

If the sum of the capital stock accounts of the entities being combined does not equal this amount (and it rarely, if ever, will), adjustment is required. If the sum of the capital stock accounts is less than the number of shares outstanding of the combined bank multiplied by par or stated value, "Surplus," Schedule RC, item 25, must be debited for the amount of the difference and "Common stock," Schedule RC, item 24, is credited. If the surplus account is insufficient to absorb such an adjustment, the remainder must be debited to "Retained earnings," Schedule RC, item 26.a. If the sum of the capital stock accounts is more than the amount of the outstanding stock of the combined bank, "Surplus" must be credited and "Common stock" debited.

Any adjustments necessary to conform the accounting methods of the acquired entity to those of the reporting bank must be made, net of related tax effects, to "Retained earnings."

For the year in which a pooling of interests occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the companies had combined at the beginning of the year. The portion of the adjustment necessary to conform the accounting methods applicable to the current period must also be allocated to income and expenses for the period.

Reorganization – A combination of two or more entities or businesses involving related parties, i.e., entities under common control, is considered a reorganization and not a business combination. For example, two subsidiary banks of a bank holding company may combine into one bank, which is a change in legal organization but not a change in the entity. The assets and liabilities transferred in the combination are accounted for at historical cost in a manner similar to that described above under

Business Combinations (cont.):

"pooling-of-interests method." For the year in which a reorganization occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the entities had combined at the beginning of the year.

A bank holding company's investment in a bank or other business that was acquired in a business combination accounted for under the acquisition method may differ from the book value of the net assets in that bank's or business's financial statements because push down accounting was not applied. This situation will generally exist with respect to acquisitions that occurred prior to the September 30, 1989, effective date of the push down accounting instructions set forth above in this Glossary entry.

A bank holding company may transfer its ownership interest in an acquired bank or other business to another one of its subsidiary banks subsequent to its acquisition of the bank or other business. When this occurs, the financial statements of the surviving bank must be adjusted, as set forth in ASC Subtopic 852-10, Reorganizations – Overall (formerly EITF Issue No. 90-5, "Exchanges of Ownership Interests between Entities under Common Control") to reflect the assets and liabilities of the acquired bank or other business at the historical cost included in the holding company's financial statements. The necessity and extent of such adjustments should be determined in consultation with the bank's primary federal supervisory authority.

For further information on the accounting for business combinations, see ASC Topic 805.

Call Option: See "derivative contracts."

Capital Contributions of Cash and Notes Receivable: An institution may receive cash or a note receivable as a contribution to its equity capital. The transaction may be a sale of capital stock or a contribution to paid-in capital (surplus), both of which are referred to hereafter as capital contributions. The accounting for capital contributions in the form of notes receivable is set forth in ASC Subtopic 505-10, Equity – Overall (formerly EITF Issue No. 85-1, “Classifying Notes Received for Capital Stock”) and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). This Glossary entry does not address other forms of capital contributions, for example, nonmonetary contributions to equity capital such as a building.

A capital contribution of cash should be recorded in an institution’s financial statements and Consolidated Reports of Condition and Income when received. Therefore, a capital contribution of cash prior to a quarter-end report date should be reported as an increase in equity capital in the institution’s reports for that quarter (in Schedule RI-A, item 5 or 11, as appropriate). A contribution of cash after quarter-end should not be reflected as an increase in the equity capital of an earlier reporting period.

When an institution receives a note receivable rather than cash as a capital contribution, ASC Subtopic 505-10 states that it is generally not appropriate to report the note as an asset. As a consequence, the predominant practice is to offset the note and the capital contribution in the equity capital section of the balance sheet, i.e., the note receivable is reported as a reduction of equity capital. In this situation, the capital stock issued or the contribution to paid-in capital should be reported in Schedule RC, item 23, 24, or 25, as appropriate, and the note receivable should be reported as a deduction from equity capital in Schedule RC, item 26.c, “Other equity capital components.” No net increase in equity capital should be reported in Schedule RI-A, Changes in Bank Equity Capital. In addition, when a note receivable is offset in the equity capital section of the balance sheet, accrued interest receivable on the note also should be offset in equity (and reported as a deduction from equity capital in Schedule RC, item 26.c), consistent with the guidance in ASC Subtopic 505-10. Because a nonreciprocal transfer from an owner or another party to an institution does not typically result in the recognition of income or expense, the accrual of interest on a note receivable that has been reported as a deduction from equity capital should be reported as additional paid-in capital rather than interest income.

However, ASC Subtopic 505-10 provides that an institution may record a note received as a capital contribution as an asset, rather than a reduction of equity capital, only if the note is collected in cash “before the financial statements are issued.” The note receivable must also satisfy the existence criteria described below. When these conditions are met, the note receivable should be reported separately from an institution’s other loans and receivables in Schedule RC-F, item 6, “All other assets,” and individually itemized and described in accordance with the instructions for item 6, if appropriate.

For purposes of these reports, the financial statements are considered issued at the earliest of the following dates:

- (1) The submission deadline for the Consolidated Reports of Condition and Income (30 calendar days after the quarter-end report date, except for an institution that has more than one foreign office, other than a “shell” branch or an International Banking Facility, for which the deadline is 35 calendar days after quarter-end);
- (2) Any other public financial statement filing deadline to which the institution or its parent holding company is subject; or
- (3) The actual filing date of the institution’s public financial reports, including the filing of its Consolidated Reports of Condition and Income or a public securities filing by the institution or its parent holding company.

Capital Contributions of Cash and Notes Receivable (cont.):

To be reported as an asset, rather than a reduction of equity capital, as of a quarter-end report date, a note received as a capital contribution (that is collected in cash as described above) must meet the definition of an asset under generally accepted accounting principles by satisfying all of the following existence criteria:

- (1) There must be written documentation providing evidence that the note was contributed to the institution prior to the quarter-end report date by those with authority to make such a capital contribution on behalf of the issuer of the note (e.g., if the contribution is by the institution's parent holding company, those in authority would be the holding company's board of directors or its chief executive officer or chief financial officer);
- (2) The note must be a legally binding obligation of the issuer to fund a fixed and stated dollar amount by a specified date; and
- (3) The note must be executed and enforceable before quarter-end.

Although an institution's parent holding company may have a general intent to, or may have entered into a capital maintenance agreement with the institution that calls for it to, maintain the institution's capital at a specified level, this general intent or agreement alone would not constitute evidence that a note receivable existed at quarter-end. Furthermore, if a note receivable for a capital contribution obligates the note issuer to pay an amount that is variable or otherwise not specifically stated, the institution must offset the note and equity capital. Similarly, an obligor's issuance of several notes having fixed face amounts, taken together, would be considered a single note receivable having a variable payment amount, which would require all the notes to be offset in equity capital as of the quarter-end report date.

Capitalization of Interest Costs: Interest costs associated with the construction of a building shall, if material, be capitalized as part of the cost of the building. Such interest costs include both the actual interest incurred when the construction funds are borrowed and the interest costs imputed to internal financing of a construction project.

The interest rate utilized to capitalize interest on internally financed projects in a reporting period shall be the rate(s) applicable to the bank's borrowings outstanding during the period. For this purpose, a bank's borrowings include interest-bearing deposits and other interest-bearing liabilities.

The interest capitalized shall not exceed the total amount of interest cost incurred by the bank during the reporting period.

For further information, see ASC Subtopic 835-20, Interest – Capitalization of Interest (formerly FASB Statement No. 34, "Capitalization of Interest Costs," as amended).

Carrybacks and Carryforwards: See "income taxes."

Cash Management Arrangements: A cash management arrangement is a group of related transaction accounts of a single type maintained in the same right and capacity by a customer (a single legal entity), whereby the customer and the financial institution understand that payments from one account will be honored so long as a net credit balance exists in the group of related transaction accounts taken as a whole. Such accounts function as, and will be regarded for reporting and deposit insurance assessment purposes as, one account rather than separate accounts, provided adequate documentation of the arrangement is maintained as discussed below. (Note: For reporting and deposit insurance assessment purposes, transaction accounts of affiliates and subsidiaries of a parent company that are separate legal entities may not be offset because accounts of separate legal entities are not permitted within a bona fide cash management arrangement.)

Deposits (cont.):

- (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.

However, an account is not a transaction account merely by virtue of arrangements that permit the following types of transfers or withdrawals, regardless of the number:

- (i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).
 - (ii) Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.
 - (iii) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).
- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, (part I,) Memorandum items 2.a.(1) and (2).

NOTE: Under the Federal Reserve's current Regulation D, no transaction accounts, regardless of other characteristics, are defined as savings or time deposits. Thus, savings deposits as defined here, under the heading nontransaction accounts, constitute the entire savings deposit category. Likewise, time deposits, also defined here under nontransaction accounts, constitute the entire time deposits category.

- (a) Savings deposits are deposits with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit.

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or

Deposits (cont.):

telephonic (including data transmission) agreement, order, or instruction; or by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.

There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:

- (1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).
- (2) Transfers of funds from this account to another account of the same depositor at the same institution when made by mail, messenger, automated teller machine, or in person.
- (3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).

Further, for a savings deposit account, no minimum balance is required by regulation, there is no regulatory limitation on the amount of interest that may be paid, and no minimum maturity is required (although depository institutions must reserve the right to require at least seven days' written notice prior to withdrawal as stipulated above for a savings deposit).

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above. In the case of such further restrictions, the account would still be reported as a savings deposit.

On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six-transfer/withdrawal rule shall be reported as a transaction account, as follows:

- (1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.
- (2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or preauthorized transfer account, or an ATS account:
 - (a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.
 - (b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the account is considered either an ATS account or a telephone or preauthorized transfer account.

Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined as follows for purposes of these reports, which call for separate data on each.

Deposits (cont.):

- (1) Money market deposit accounts (MMDAs) are deposits or accounts that meet the above definition of a savings deposit and that permit up to (but no more than) six allowable transfers to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.
- (2) Other savings deposits are deposits or accounts that meet the above definition of a savings deposit but that permit no transfers by check, draft, debit card, or similar order made by the depositor and payable to third parties. Other savings deposits are commonly known as passbook savings or statement savings accounts.

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of these reports are provided at the end of this Glossary entry.

- (b) Time deposits are deposits that the depositor does not have a right, and is not permitted, to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit. A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a savings deposit; otherwise it becomes a demand deposit.

NOTE: The above prescribed penalties are the minimum required by Federal Reserve Regulation D. Institutions may choose to require penalties for early withdrawal in excess of the regulatory minimums.

Time deposits take two forms:

- (i) Time certificates of deposit (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person, as follows:
 - (1) on a certain date not less than seven days after the date of deposit,
 - (2) at the expiration of a specified period not less than seven days after the date of the deposit, or
 - (3) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.
- (ii) Time deposits, open account are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:
 - (1) the date of maturity which shall be not less than seven days after the date of the deposit, or
 - (2) the expiration of a specified period of written notice of not less than seven days.

Deposits (cont.):

These deposits include those club accounts, such as Christmas club and vacation club accounts, that are made under written contracts that provide that no withdrawal shall be made until a certain number of periodic deposits has been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

Time deposits do not include the following categories of liabilities even if they have an original maturity of seven days or more:

- (1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.
- (2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts –

In an effort to reduce their reserve requirements, some banks have established “retail sweep arrangements” or “retail sweep programs.” In a retail sweep arrangement, a depository institution transfers funds between a customer’s transaction account(s) and that customer’s nontransaction account(s) (usually savings deposit account(s)) by means of preauthorized or automatic transfers, typically in order to reduce transaction account reserve requirements while providing the customer with unlimited access to the funds.

There are three key criteria for retail sweep programs to comply with the Federal Reserve Regulation D definitions of “transaction account” and “savings deposit:”

- (1) A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, including those sometimes called a “money market deposit account” or “MMDA”;
- (2) The swept funds must actually be moved from the customer’s transaction account to the customer’s savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer’s funds between accounts and reflecting this movement at the account level:
 - (a) If the depository institution’s general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer’s transaction account and savings deposit account must be reflected on the general ledger.

Deposits (cont.):

- (b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Noninterest-bearing deposit accounts include (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are issued at face value.

See also "brokered deposits" and "hypothecated deposits."

Examples Illustrating Distinctions Between
MONEY MARKET DEPOSIT ACCOUNTS (MMDAs) and OTHER SAVINGS DEPOSITS

Example 1

A savings deposit account permits no transfers of any type to other accounts or to third parties. Report this account as an other savings deposit.

Example 2

A savings deposit permits up to six, but no more than six, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).

Report this account as an other savings deposit.

Example 3

A savings deposit permits no more than six "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

Derivative Contracts: Banks commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which banks must follow for purposes of these reports. ASC Topic 815 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. A summary of the principal provisions of ASC Topic 815 follows. For further information, see ASC Topic 815, which includes the implementation guidance issued by the FASB's Derivatives Implementation Group.

Derivative Contracts (cont.):**Definition of Derivative**

ASC Topic 815 defines a "derivative instrument" as a financial instrument or other contract with all three of the following characteristics:

- (1) It has one or more underlyings (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- (2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.
- (3) Its terms require or permit net settlement, it can be readily settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Certain contracts that may meet the definition of a derivative are specifically excluded from the scope of ASC Topic 815, including:

- "regular-way" securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the marketplace or by the exchange on which the trade is executed;
- normal purchases and sales of an item other than a financial instrument or derivative instrument (e.g., a commodity) that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business;
- traditional life insurance and property and casualty contracts; and
- certain financial guarantee contracts.

ASC Topic 815 has special criteria for determining whether commitments to originate loans meet the definition of a derivative. Commitments to originate mortgage loans that will be held for sale are accounted for as derivatives. Commitments to originate mortgage loans that will be held for investment are not accounted for as derivatives. Also, all commitments to originate loans other than mortgage loans are not accounted for as derivatives. Commitments to purchase loans must be evaluated to determine whether the commitment meets the definition of a derivative under ASC Topic 815.

Types of Derivatives

The most common types of freestanding derivatives are forwards, futures, swaps, options, caps, floors, and collars.

Forward contracts are agreements that obligate two parties to purchase (long) and sell (short) a specific financial instrument, foreign currency, or commodity at a specified price with delivery and settlement at a specified future date.